

CITY OF DUBOIS, PENNSYLVANIA

December 31, 2008

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT INCLUDING REPORTS REQUIRED
BY THE SINGLE AUDIT ACT AMENDMENTS OF 1996
AND OMB CIRCULAR A-133

December 31, 2008

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SHARKEY PICCIRILLO KEEN & HANZELY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
DuBois, Pennsylvania 15801

INDEPENDENT AUDITORS' REPORT

To the City Council
City of DuBois, Pennsylvania
DuBois, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of DuBois, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of DuBois, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the City of DuBois, Pennsylvania, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of the City of DuBois, Pennsylvania, as of December 31, 2008, or the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In addition, in our opinion, except for the effects of omitting blended component units, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the aggregate remaining fund information for the primary government of the City of DuBois, Pennsylvania, as of December 31, 2008, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the primary government of the City of DuBois, Pennsylvania, as of December 31, 2008, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the City of DuBois, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 31 through 32 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of DuBois, Pennsylvania, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DuBois, Pennsylvania's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of DuBois, Pennsylvania. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sharkey Piccirillo Keen + Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP

December 11, 2009

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS
CASH BASIS

December 31, 2008

		Primary Government		
		Governmental	Business-type	
		Activities	Activities	Total
<u>ASSETS</u>				
Cash		\$ 2,020,914	\$ 2,201,380	\$ 4,222,294
Internal balances		553,231	83,034	636,265
Total Assets		<u>\$ 2,574,145</u>	<u>\$ 2,284,414</u>	<u>\$ 4,858,559</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Payroll taxes payable		\$ 11,395	\$ -	\$ 11,395
Internal balances		83,034	553,231	636,265
Total Liabilities		<u>94,429</u>	<u>553,231</u>	<u>647,660</u>
Net Assets:				
Restricted for:				
Other purposes		2,771,433	-	2,771,433
Unrestricted		(291,717)	1,731,183	1,439,466
Total Net Assets		<u>2,479,716</u>	<u>1,731,183</u>	<u>4,210,899</u>
Total Liabilities and Net Assets		<u>\$ 2,574,145</u>	<u>\$ 2,284,414</u>	<u>\$ 4,858,559</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 922,763	\$ 142,029	\$ -	\$ -	\$ (780,734)	\$ -	\$ (780,734)
Public safety	1,629,564	298,837	-	-	(1,330,727)	-	(1,330,727)
Public works	1,335,617	-	-	-	(1,335,617)	-	(1,335,617)
Community and economic development	1,092,027	13,000	504,590	422,582	(151,855)	-	(151,855)
Culture and recreation	244,514	61,077	-	-	(183,437)	-	(183,437)
Principal on long-term debt	195,094	-	-	-	(195,094)	-	(195,094)
Interest on long-term debt	14,838	-	-	-	(14,838)	-	(14,838)
Total governmental activities	<u>5,434,417</u>	<u>514,943</u>	<u>504,590</u>	<u>422,582</u>	<u>(3,992,302)</u>	<u>-</u>	<u>(3,992,302)</u>
Business-type activities:							
Sewer	4,392,828	2,554,941	-	720,722	-	(1,117,165)	(1,117,165)
Water	5,678,356	1,626,563	-	-	-	(4,051,793)	(4,051,793)
Total business-type activities	<u>10,071,184</u>	<u>4,181,504</u>	<u>-</u>	<u>720,722</u>	<u>-</u>	<u>(5,168,958)</u>	<u>(5,168,958)</u>
Total Primary Government	<u>\$ 15,505,601</u>	<u>\$ 4,696,447</u>	<u>\$ 504,590</u>	<u>\$ 1,143,304</u>	<u>(3,992,302)</u>	<u>(5,168,958)</u>	<u>(9,161,260)</u>
General Revenues:							
Taxes:							
Real estate					1,269,512	-	1,269,512
Residence					21,661	-	21,661
Per capita					21,871	-	21,871
Real estate transfer					57,198	-	57,198
Earned income					602,079	-	602,079
Local services tax					275,733	-	275,733
Intergovernmental revenues					481,803	-	481,803
Proceeds from borrowings					348,600	6,212,304	6,560,904
Interest					93,634	93,059	186,693
Sales of capital assets					28,855	-	28,855
Miscellaneous					178,249	-	178,249
Transfers					1,182,837	(1,182,837)	-
Total General Revenues and Transfers					<u>4,562,032</u>	<u>5,122,526</u>	<u>9,684,558</u>
Change in Net Assets					569,730	(46,432)	523,298
Net Assets - Beginning					<u>1,909,986</u>	<u>1,777,615</u>	<u>3,687,601</u>
Net Assets - Ending					<u>\$ 2,479,716</u>	<u>\$ 1,731,183</u>	<u>\$ 4,210,899</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2008

<u>ASSETS</u>	<u>General</u>	<u>Brewery Grant</u>	<u>Capital Reserve</u>	<u>Johnson Controls</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash investments	\$ 9,563	\$ -	\$ 861,808	\$ 592,261	\$ 557,282	\$ 2,020,914
Interfund receivables	70,488	-	830,570	-	50,072	951,130
Total Assets	<u>\$ 80,051</u>	<u>\$ -</u>	<u>\$ 1,692,378</u>	<u>\$ 592,261</u>	<u>\$ 607,354</u>	<u>\$ 2,972,044</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Payroll taxes payable	\$ 11,395	\$ -	\$ -	\$ -	\$ -	\$ 11,395
Interfund payables	360,373	119,112	-	-	1,448	480,933
Total Liabilities	<u>371,768</u>	<u>119,112</u>	<u>-</u>	<u>-</u>	<u>1,448</u>	<u>492,328</u>
 Fund Balances:						
Unreserved, reported in:						
General fund	(291,717)	-	-	-	-	(291,717)
Special revenue funds	-	(119,112)	1,692,378	592,261	605,906	2,771,433
Total Fund Balances	<u>(291,717)</u>	<u>(119,112)</u>	<u>1,692,378</u>	<u>592,261</u>	<u>605,906</u>	<u>2,479,716</u>
 Total Liabilities and Fund Balances	 <u>\$ 80,051</u>	 <u>\$ -</u>	 <u>\$ 1,692,378</u>	 <u>\$ 592,261</u>	 <u>\$ 607,354</u>	 <u>\$ 2,972,044</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2008

	General	Brewery Grant	Capital Reserve	Johnson Controls	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,248,054	\$ -	\$ -	\$ -	\$ -	\$ 2,248,054
Intergovernmental	282,406	-	-	-	1,126,569	1,408,975
Charges for services	368,218	-	-	-	-	368,218
Licenses and permits	76,378	-	-	-	-	76,378
Fines and forfeitures	70,347	-	-	-	-	70,347
Interest and rentals	63,894	-	27,277	2,261	7,475	100,907
Miscellaneous	95,976	-	-	-	75,000	170,976
Total Revenues	3,205,273	-	27,277	2,261	1,209,044	4,443,855
Expenditures:						
Current:						
General government	541,797	-	-	-	32,681	574,478
Public safety	1,530,614	-	-	-	4,132	1,534,746
Public works	772,950	-	-	-	228,116	1,001,066
Community and economic development	-	119,112	-	100,000	872,915	1,092,027
Culture and recreation	244,514	-	-	-	-	244,514
Debt service:						
Principal	195,094	-	-	-	-	195,094
Interest	14,838	-	-	-	-	14,838
Capital outlay	438,615	-	-	-	-	438,615
Other	339,039	-	-	-	-	339,039
Total Expenditures	4,077,461	119,112	-	100,000	1,137,844	5,434,417
Excess (Deficiency) of Revenues over Expenditures	(872,188)	(119,112)	27,277	(97,739)	71,200	(990,562)
Other Financing Sources (Uses):						
Capital assets sales	28,855	-	-	-	-	28,855
Proceeds from borrowings	348,600	-	-	-	-	348,600
Transfers in	436,104	-	119,687	690,000	94,973	1,340,764
Transfers out	(154,954)	-	-	-	(2,973)	(157,927)
Total Other Financing Sources (Uses)	658,605	-	119,687	690,000	92,000	1,560,292
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(213,583)	(119,112)	146,964	592,261	163,200	569,730
Fund Balances-Beginning	(78,134)	-	1,545,414	-	442,706	1,909,986
Fund Balances-Ending	\$ (291,717)	\$ (119,112)	\$ 1,692,378	\$ 592,261	\$ 605,906	\$ 2,479,716

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS
CASH BASIS

PROPRIETARY FUNDS

December 31, 2008

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 2,137,740	\$ 63,640	\$ 2,201,380
Interfund receivables	2,034	81,000	83,034
Total current assets	<u>2,139,774</u>	<u>144,640</u>	<u>2,284,414</u>
Total Assets	<u>\$ 2,139,774</u>	<u>\$ 144,640</u>	<u>\$ 2,284,414</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Interfund payables	\$ 220,656	\$ 332,575	\$ 553,231
Total current liabilities	<u>220,656</u>	<u>332,575</u>	<u>553,231</u>
Total Liabilities	<u>220,656</u>	<u>332,575</u>	<u>553,231</u>
Net assets:			
Unrestricted	<u>1,919,118</u>	<u>(187,935)</u>	<u>1,731,183</u>
Total net assets	<u>1,919,118</u>	<u>(187,935)</u>	<u>1,731,183</u>
Total Liabilities and Net Assets	<u>\$ 2,139,774</u>	<u>\$ 144,640</u>	<u>\$ 2,284,414</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS

PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 2,554,941	\$ 1,626,563	\$ 4,181,504
Miscellaneous	-	-	-
Total Operating Revenues	<u>2,554,941</u>	<u>1,626,563</u>	<u>4,181,504</u>
Operating Expenses:			
Public works	1,764,992	1,306,822	3,071,814
Total Operating Expenses	<u>1,764,992</u>	<u>1,306,822</u>	<u>3,071,814</u>
Operating Income	<u>789,949</u>	<u>319,741</u>	<u>1,109,690</u>
Non-Operating Revenues (Expenses):			
Grants	720,722	-	720,722
Proceeds from borrowings	1,721,997	4,490,307	6,212,304
Interest income	89,965	3,094	93,059
Capital outlay	(1,034,931)	(878,547)	(1,913,478)
Debt service principal	(1,499,061)	(3,291,811)	(4,790,872)
Debt service interest	(93,844)	(201,176)	(295,020)
Total Non-Operating Revenues (Expenses)	<u>(95,152)</u>	<u>121,867</u>	<u>26,715</u>
Income Before Transfers	694,797	441,608	1,136,405
Transfers In	-	13,075	13,075
Transfers Out	<u>(712,332)</u>	<u>(483,580)</u>	<u>(1,195,912)</u>
Change in Net Assets	<u>(17,535)</u>	<u>(28,897)</u>	<u>(46,432)</u>
Total Net Assets - Beginning	<u>1,936,653</u>	<u>(159,038)</u>	<u>1,777,615</u>
Total Net Assets - Ending	<u>\$ 1,919,118</u>	<u>\$ (187,935)</u>	<u>\$ 1,731,183</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF CASH FLOWS
CASH BASIS

PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,554,941	\$ 1,626,563	\$ 4,181,504
Payments to suppliers	(1,178,984)	(741,947)	(1,920,931)
Payments to employees	(586,008)	(564,875)	(1,150,883)
Net Cash Provided by Operating Activities	<u>789,949</u>	<u>319,741</u>	<u>1,109,690</u>
Cash Flows from Noncapital Financing Activities:			
Transfers in	-	13,075	13,075
Transfers out	(712,332)	(483,580)	(1,195,912)
(Increase) decrease in interfund receivables	-	(81,000)	(81,000)
Increase (decrease) in interfund payables	85,000	(82,054)	2,946
Net Cash Used by Noncapital Financing Activities	<u>(627,332)</u>	<u>(633,559)</u>	<u>(1,260,891)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,034,931)	(878,547)	(1,913,478)
Proceeds from capital grants	720,722	-	720,722
Proceeds from borrowings	1,721,997	4,490,307	6,212,304
Principal paid on debt	(1,499,061)	(3,291,811)	(4,790,872)
Interest paid	(93,844)	(201,176)	(295,020)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(185,117)</u>	<u>118,773</u>	<u>(66,344)</u>
Cash Flows from Investing Activities:			
Interest	<u>89,965</u>	<u>3,094</u>	<u>93,059</u>
Net Increase (Decrease) in Cash	67,465	(191,951)	(124,486)
Cash:			
Beginning	<u>2,070,275</u>	<u>255,591</u>	<u>2,325,866</u>
Ending	<u>\$ 2,137,740</u>	<u>\$ 63,640</u>	<u>\$ 2,201,380</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

December 31, 2008

	<u>ASSETS</u>	Non-Uniformed Employees Pension Plan	Police Pension Plan	Agency Funds
Cash		\$ -	\$ -	\$ 64,375
Investments:				
Investment assets with PMRS, at fair value		5,430,395	-	-
Insurance contracts, at contract value		-	4,219,824	-
Unallocated separate accounts, at fair value		-	500,038	-
Total investments		<u>5,430,395</u>	<u>4,719,862</u>	<u>-</u>
Total Assets		<u>\$ 5,430,395</u>	<u>\$ 4,719,862</u>	<u>\$ 64,375</u>
	<u>LIABILITIES</u>			
Escrow liabilities		\$ -	\$ -	\$ 64,375
Total Liabilities		<u>-</u>	<u>-</u>	<u>\$ 64,375</u>
	<u>NET ASSETS</u>			
Held in trust for pension benefits		<u>\$ 5,430,395</u>	<u>\$ 4,719,862</u>	

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Year Ended December 31, 2008

	<u>ADDITIONS</u>	<u>Non-Uniformed Employees Pension Plan</u>	<u>Police Pension Plan</u>
Contributions:			
Plan members		\$ 57,484	\$ 21,132
Employer		40	76,447
State		74,669	146,490
Total contributions		<u>132,193</u>	<u>244,069</u>
Net Investment Income:			
Net appreciation (depreciation) in fair value of investments		-	(958,723)
Interest		305,106	-
Contract investment income		-	214,336
Total investment income		<u>305,106</u>	<u>(744,387)</u>
Less investment expenses		-	-
Net investment income		<u>305,106</u>	<u>(744,387)</u>
Total Additions		<u>437,299</u>	<u>(500,318)</u>
	<u>DEDUCTIONS</u>		
Refunds of member contributions		21,850	-
Benefits		311,705	254,587
Administrative expenses		1,520	16,955
Allocated insurance premiums		1,859	-
Total Deductions		<u>336,934</u>	<u>271,542</u>
Change in Net Assets		100,365	(771,860)
Net Assets-Beginning		<u>5,330,030</u>	<u>5,491,722</u>
Net Assets-Ending		<u>\$ 5,430,395</u>	<u>\$ 4,719,862</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Reporting Entity

The City of DuBois, Pennsylvania, a city of the third class, was created by charter granted by the Governor of the Commonwealth of Pennsylvania on December 28, 1914. The City is a municipal corporation governed by an elected mayor and four member council.

The financial statements include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The primary government financial statements do not include financial data for the City's legally separate component units or joint ventures/jointly governed organizations.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989 to its business-type activities or enterprise funds. The financial statements include government-wide financial statements prepared on the basis of cash receipts and disbursements and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The more significant accounting policies of the City are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Funds are organized into three categories: governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria: total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The following are the City's major governmental funds:

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund

The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Brewery Grant Fund

The Brewery Grant Fund accounts for the infrastructure improvements and development project at the former DuBois Brewery Complex.

Capital Reserve Fund

The Capital Reserve Fund accounts for resources accumulated and reserved for capital projects and expenditures and to fund projects financed by intergovernmental grants and revenues.

Johnson Controls Fund

The Johnson Controls Fund accounts for transaction related to the Flexnet meter system installation project.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose and the accumulation of resources for, and the payment of debt.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sewage and Water Funds are the City's major enterprise funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

Pension Trust Fund

The Pension Trust Fund accounts for the assets of the City's Non-Uniformed Employees' Pension and Police Pension plans.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds (Continued)

Agency Funds

Agency Funds are custodial in nature with assets and liabilities being equal and do not involve measurement of results of operation. The City's Fire Loss Escrow Fund is an agency fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the cash receipts and disbursements basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the statement of activities present increases (revenues) and decreases (expenses) in net total assets. Under the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, revenues are recognized when received and expenses are recognized when paid.

Governmental and proprietary fund financial statements are reported using the current financial resources measurement focus and are accounted for using the cash receipts and disbursements basis of accounting. The current financial resources measurement focus means only current financial assets and liabilities are included on the balance sheet and inflows (revenues and other financing sources) and outflows (expenditures and other financing uses) of expendable financial resources are included on the statements of revenues, expenditures, and changes in fund balances.

As a result of the use of the cash receipts and disbursements basis of accounting, certain assets and their revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosures for Defined Contribution Plans*, requires that plan liabilities be recognized in the Pension Trust Fund for benefits and refunds to plan members and beneficiaries when due and payable in accordance with the terms of the plan.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers, as applicable. Loans are reported as interfund receivables and payables on the fund financial statements. Interfund receivables and payables are eliminated on the government-wide statement of net assets. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activity is treated as transfers.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Cash Deposits and Investments

Commonwealth of Pennsylvania statutes provide for the investment of moneys of governmental and proprietary funds into certain authorized investment types, including United States Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Cash Deposits and Investments (Continued)

In addition to the investments authorized for governmental and proprietary funds, investments of the City's Pension Plans may also be made in legal investments permitted under the Pennsylvania Fiduciaries in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the City adheres to the Commonwealth statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth statutes or the policy of the City.

Cash Deposits

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the City at December 31, 2008. Category 1 includes cash deposits which are insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes cash deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes cash deposits which are uninsured and uncollateralized, or were collateralized in accordance with Act 72, a Commonwealth statute which permits the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2008, the carrying amount of the City's cash deposits with financial institutions was \$4,286,669 and the financial institutions balances totaled \$4,621,837, which is categorized as follows:

Category 1	\$ 825,506
Category 3	<u>3,796,331</u>
Total Cash Deposits	<u>\$ 4,621,837</u>

Investments – Non-Uniformed Employees Pension Plan

The investments of the Non-Uniformed Employees Pension Plan are reported at fair value, and do not represent specific identifiable investment securities, as they are pooled for investment purposes with the Pennsylvania Municipal Retirement System (PMRS). Disclosures required by GASB Statement No. 3 for aggregate PMRS investments are included in PRMS's separately issued Comprehensive Annual Financial Report.

Investments – Police Pension Plan

The Police Pension Plan investments include unallocated insurance contracts, which are valued at contract value, and unallocated separate accounts, which are valued at fair value.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008, the Police Pension Plan's investments of \$4,719,862 were held by a counterparty in the name of the City.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Cash Deposits and Investments (Continued)

Investments – Police Pension Plan (Continued)

Credit risk is the risk that an issuer in debt securities will not fulfill its obligation. At December 31, 2008, the Police Pension Plan's unallocated separate accounts were commingled pools rather than individual securities, and, as a result, these accounts are not rated.

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investments in the Police Pension Plan subject to interest rate risk at December 31, 2008 included:

<u>Investment Type</u>	<u>Value</u>	<u>Effective Duration</u>
Insurance Contracts, at contract value	\$ 4,219,824	4.96 years

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single organization. Investments of the Police Pension Plan in any one organization that represent 5 percent or more of total investments are as follows:

<u>Organization</u>	<u>Value</u>
Principal Financial Group	\$ 4,719,862

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2008, investments of the Police Pension Plan were not subject to foreign currency risk.

Note 4 – Taxes

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January first. Taxes are billed on or about March 1, with a 2% discount through April 30; face amount due from May 1 through June 30; and 10% penalty added after July 1. The Clearfield County Assessment Office calculates the yearly tax levy and distributes the individual tax duplicates to the City's elected tax collector. The tax collector is responsible for tax collections.

The City is permitted by law to levy separate and different rates of taxation for general City purposes on all real estate classified as land, exclusive of the buildings thereon, and on all real estate classified as buildings on land. As a result, higher rates may be levied on land if the respective rates on lands and buildings are so fixed so as not to constitute a greater levy in the aggregate than a rate of 25 mills on both land and buildings. Additional levies for certain other purposes are permitted at specific maximum millages as provided for in the City Code.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 4 – Taxes (Continued)

Real Estate Property Taxes (Continued)

Assessed value is 25% of market value. The City's net taxable assessed value for 2008 was \$55,849,388. The real estate tax millage rates for 2008 was:

<u>Taxable Assessed Value</u>	<u>Purposes</u>	<u>Millage</u>
Land	General	89.00
Buildings and improvements	General	3.00
Total real estate	Library and Recreation	3.50

Residence and Per Capita Taxes

Residence and per capita taxes are collected at various times during the year by the City tax collector. Each tax is in the amount of \$5.00 per taxpayer. Various income and age provisions determine individual tax liability.

Local Services Taxes

Emergency and Municipal Services taxes are also collected at various times by the City tax collector. The amount imposed on taxable residents is \$47.00.

Earned Income Taxes

The City also levies a one-half percent tax on the annual earned income of City residents. The tax is collected at various times throughout the year and remitted to the City by an appointed collection agency.

Note 5 – Interfund Balances

Interfund balances at December 31, 2008 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 925
	Community Revitalization Fund	523
	Brewery Grant Fund	69,040
Capital Reserve Fund	General Fund	277,339
	Sewer Fund	220,656
	Water Fund	332,575
Urban Development Fund	Brewery Grant Fund	50,072
Sewer Fund	General Fund	2,034
Water Fund	General Fund	81,000
Total		<u>\$1,034,164</u>

Interfund balances resulted from the timing differences between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 6 – Interfund Transfers

Interfund transfers for the year ended December 31, 2008 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 268,224
	Water Fund	167,880
Capital Reserve Fund	General Fund	6,354
	Sewer Fund	113,333
Johnson Controls Fund	General Fund	96,600
	Sewer Fund	296,700
	Water Fund	296,700
Community Revitalization Fund	Urban Development Fund	2,973
Health Insurance Fund	General Fund	52,000
	Sewer Fund	21,000
	Water Fund	19,000
Water Fund	Sewer Fund	<u>13,075</u>
Total		<u>\$1,353,839</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 – Debt

Short-Term Debt

The City has received short-term interim financing from S&T Bank for a Sewer Replacement Project to be permanently financed with a loan and grant from Pennsylvania Infrastructure Investment Authority. The approved amount of the interim financing was \$3,126,291, with a maturity date of November 3, 2009. At December 31, 2008, the outstanding balance was \$0 and the interest rate was 3.9875 percent.

Short-term debt activity during the year ended December 31, 2008 was:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
Interim financing	\$ 1,332,604	\$ —	\$ (1,332,604)	\$ —	\$ 7,651

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 7 – Debt (Continued)

Long-Term Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2008:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Due within One Year</u>
Notes and bonds payable:					
Notes payable	\$ 142,449	\$ 348,600	\$ (30,094)	\$ 460,955	\$ 39,494
Bonds payable	<u>165,000</u>	<u>—</u>	<u>(165,000)</u>	<u>—</u>	<u>—</u>
Governmental activities long-term debt	<u>307,449</u>	<u>348,600</u>	<u>(195,094)</u>	<u>460,955</u>	<u>39,494</u>
<u>Business-Type Activities</u>					
Notes payable	3,119,805	6,212,304	(229,913)	9,102,196	374,140
Bonds payable	<u>3,228,355</u>	<u>—</u>	<u>(3,228,355)</u>	<u>—</u>	<u>—</u>
Business-type activities long-term debt	<u>6,348,160</u>	<u>6,212,304</u>	<u>(3,458,268)</u>	<u>9,102,196</u>	<u>374,140</u>
Total long term debt	<u>\$ 6,655,609</u>	<u>\$ 6,560,904</u>	<u>\$ (3,653,362)</u>	<u>\$ 9,563,151</u>	<u>\$ 413,634</u>

A summary of long-term debt outstanding at December 31, 2008, follows:

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 100,000	Pennsylvania Emergency Management Agency loan to assist in the purchase of fire apparatus, repayable at \$644 monthly May 1, 1996 through April 1, 2011 with 2 percent interest.	\$ 17,589
2,490,000	General Obligation Note to S&T Bank dated September 22, 2008 for an unsecured loan for the Flexnet meter system installation project. Repayable at \$18,834 monthly with a current interest rate of 4.27% and a maturity date of September 22, 2023. The Sewer Fund is responsible for 43% of the debt, the Water Fund is responsible for 43% of the debt and the General Fund is responsible for 14% of the debt.	2,460,263
\$ 126,010	General Obligation Note issued to Pennsylvania Infrastructure Investment Authority April 22, 1997, street construction loan, repayable monthly at \$728 with 1.00 percent interest until May 1, 2002, and \$739 with 1.28 percent interest through May 1, 2013 maturity.	\$ 38,072
753,150	Guaranteed Revenue Note to Pennsylvania Infrastructure Investment Authority, April 22, 1997 for sewage treatment plant improvements, principal reduced to \$654,937 by Confirmation and Ratification Agreement of May 4, 2002, repayable monthly at \$3,748 through May 1, 2002 with one percent interest and at \$3,819 monthly with 1.28 percent interest from June 1, 2002 through June 1, 2013 and a \$1,607 payment on July 1, 2013.	201,862

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 7 –Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
3,300,000	General Obligation Note to S&T Bank dated December 23, 2008 to satisfy the remaining balance of the Guaranteed Water Revenue Bond to United States Department of Agriculture, Rural Economic and Community Development Service relating to the upgrade of the water distribution center. Secured by receipts and revenues from its water system. Repayable at \$17,598 monthly with interest currently at 4.04% and a maturity date of December 23, 2033.	3,287,630
100,000	Commonwealth of Pennsylvania, Emergency Management Agency, June 21, 2002 loan for partial cost of fire apparatus, repayable in monthly installments of \$644 with 2 percent interest for fifteen years from August 1, 2002.	60,858
182,207	Guaranteed Revenue Note issued to the Pennsylvania Infrastructure Investment Authority, October 3, 2002 to finance sewer system improvements, funds of \$9,110 were not advanced, interest through January 31, 2008 was 1.0 percent, and monthly payments are \$841, at February 1, 2008, interest increased to 1.269 percent and monthly payments are \$858 through December 1, 2022.	122,314
434,723	Guaranteed Revenue Note issued to the Pennsylvania Infrastructure Investment Authority, July 12, 2006 to finance water supply system construction and replacement (Backwash Tank Project), interest at 1.35 percent during six months construction and the first sixty months of amortization and 2.622 percent during the remaining one hundred months of the loan term. Interest only payments through January 1, 2007, \$2,146 due monthly from February 1, 2007 through January 1, 2012 and \$2,340 per month is payable from February 1, 2012 until March 1, 2026 maturity. Loan advances of \$119,607 were made in 2008.	361,745
\$ 1,728,413	General Obligation Note to S&T Bank dated September 28, 2007 for an unsecured loan to satisfy the remaining balance of the Washington County Authority Capital Funding Revenue Bonds relating to prior year water and wastewater projects. Repayable at \$11,389 monthly with interest of 4.91 percent through maturity date of September 28, 2027. The Sewer Fund is responsible for 65% of the debt with the Water fund being responsible for the remaining 35% of debt.	\$ 1,662,675

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 7 – Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 1,484,050	Guaranteed Revenue Note to Pennsylvania Infrastructure Investment Authority (Pennvest) for a loan to partially finance a sewer system construction project, dated August 17, 2006 simultaneous with a grant from Pennvest of \$1,642,241 for the project. Interest is 1.252 percent during the initial sixty six months which consists of construction time and the first five years of amortization, 2.416 percent during the remaining one hundred eighty months. Interest only is payable until February 1, 2007, \$6,993 is due monthly beginning March 1, 2007 and ending February 1, 2012 and from March 1, 2012 through February 1, 2027 maturity \$7,603 is payable monthly. Loan advances totaling \$651,297 were made in 2008.	\$ 1,350,143
	Total Long-Term Debt Outstanding	<u>\$ 9,563,151</u>

The aggregate annual debt service requirements applicable to the City's bonded debt and notes payable is summarized:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 413,634	\$ 347,313	\$ 760,947
2010	427,213	333,734	760,947
2011	436,159	319,639	755,798
2012	441,855	319,356	761,211
2013	430,255	305,855	736,110
2014-2018	2,252,565	1,275,566	3,528,131
2019-2023	2,636,405	786,148	3,422,553
2024-2028	1,572,633	339,681	1,912,314
2029-2033	<u>952,432</u>	<u>103,469</u>	<u>1,055,901</u>
	<u>\$ 9,563,151</u>	<u>\$ 4,130,761</u>	<u>\$13,693,912</u>

Note 8 – Non-Uniformed Employees' Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan is a single-employer defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Vesting occurs for permanent employees after twelve years of credited service.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 8 – Non-Uniformed Employees' Pension Plan (Continued)

Membership

Membership of the plan consisted of the following at December 31, 2008:

Retired Members and Beneficiaries	30
Terminated plan members entitled to but not yet receiving benefits	4
Active Members	<u>38</u>
Total Membership	<u>72</u>

Funding Policy

Members are required to contribute 3.5% of gross pay. Additionally, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements.

Note 9 – Police Pension Plan

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan established by the City to provide retirement, disability, and death benefits to plan members and their beneficiaries. All full-time members of the police force join the plan upon hire. The City has delegated to Principal Life Insurance Company the authority to manage certain plan assets. Principal Life Insurance Company issues separate financial statements of the Police Pension Plan. The Police Pension Plan financial statements can be obtained by contacting Principal Life Insurance Company.

Membership

Membership of the plan consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

Retired Members and Beneficiaries	10
Terminated plan members entitled to but not yet receiving benefits	1
Active Members	<u>13</u>
Total Membership	<u>24</u>

Funding Policy

Members are required to contribute 3% of gross pay plus a \$5 per month police increment to the plan. Additionally, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

Note 10 – Commitments and Contingencies

During 2002, the City entered into a consent order and agreement with the Pennsylvania Department of Environmental Protection (DEP) as a result of a bypass violation at the City's sewage treatment plant. Under the consent order and agreement, the City agreed to construct flow equalization facilities, which was completed in a prior year, and perform sewage collection diagnostic and rehabilitative work on the sewage collection system. Funding for the diagnostic and rehabilitative work on the sewage collection system is being financed through an interim loan, with permanent financing through PENNVEST, which is discussed in Note 7.

During 2004, the City entered into a consent order and agreement with the DEP in connection with wetlands violations within the Beaver Meadow Industrial Park. As a result, the City was to construct and adequately monitor replacement wetlands at the DuBois Wetlands Mitigation Site. The construction of the replacement wetlands was completed during a prior year, and annual performance monitoring reports are to be completed through 2007. If the City fails to comply with the provisions of the consent order and agreement, a \$1,000 civil penalty may be assessed each month the City is noncompliant.

During 2008, the City commenced the Flexnet water meter system installation project. The total cost of the project is estimated at \$2,495,000, funded through a loan of \$2,490,000 (discussed in Note 7) and City operating funds of \$5,000. Through December 31, 2008, \$1,900,000 has been paid on the project. The project is expected to be completed during 2009.

Note 11 – Litigation

The City, in the normal course of its activities, is involved in various claims and litigation. The City currently has claims and lawsuits pending, which could ultimately result in liability for the City over the next few years. The amount of these claims cannot be reasonably estimated at this time and management estimates that any claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Note 12 – Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City Council believes such disallowances, if any, will be immaterial.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

NON-UNIFORMED EMPLOYEES' PENSION PLAN

For the Year Ended December 31, 2008

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) —Entry Age	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a)+(b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)+(e)
1/1/01	\$ 6,068,680	\$ 5,979,204	\$ (89,476)	101.50%	\$ 1,404,821	-6.37%
1/1/03	6,807,166	6,345,728	(461,438)	107.27%	1,530,185	-30.16%
1/1/05	7,369,919	7,003,697	(366,222)	105.23%	1,496,806	-24.47%
1/1/07	7,855,596	7,680,127	(175,469)	102.28%	1,616,592	-10.85%

Schedule of Employer Contributions

Year	Annual Required Contribution	Actuarial Valuation Date for Contributions	Percentage Contributed
1997	\$ 48,852	1995	100%
1998	48,070	1995	100%
1999	151,796	1997	100%
2000	143,139	1997	100%
2001	129,772	1999	100%
2002	131,465	1999	100%
2003	85,652	2001	100%
2004	50,850	2001	100%
2005	47,505	2003	100%
2006	46,676	2003	100%
2007	67,898	2005	100%
2008	74,669	2005	100%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2007
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Amortization Method	Level Dollar Closed
Remaining Amortization Period	14.33 Years

Actuarial Assumptions:

Investment Rate of Return	6.00%
Projected Salary Increases	5.20%

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

POLICE PENSION PLAN

For the Year Ended December 31, 2008

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) —Entry Age	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a)+(b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)+(e)
1/1/01	\$ 2,869,327	\$ 3,132,796	\$ 263,469	92%	\$ 482,477	55%
1/1/03	3,742,399	3,841,530	99,131	97%	483,774	20%
1/1/05	4,280,073	4,574,354	294,281	94%	640,559	46%
1/1/07	5,037,128	5,396,440	359,312	93%	734,757	49%
1/1/09	5,625,615	6,067,630	415,015	93%	763,059	54%

Schedule of Employer Contributions

Year	Annual Required Contribution	Employer Contributions	Percentage Contributed
2001	\$ 75,443	\$ 75,443	100%
2002	64,923	64,923	100%
2003	109,900	117,357	107%
2004	129,468	140,620	109%
2005	142,823	153,882	108%
2006	219,483	221,133	101%
2007	230,582	230,582	100%
2008	222,937	222,937	100%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method: FPI Grouped Accounts	Market Value is adjusted by spreading the expected value minus the actual value over four years. Actuarial value equals market value in the first year.
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Projected Salary Increases	4.50%
Cost-of-Living Increase	6.666% or 7.500% (based on retirement date)

CITY OF DUBOIS, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,195,323	\$ 2,195,323	\$ 2,248,054	\$ 52,731
Intergovernmental	77,280	77,280	282,406	205,126
Charges for services	363,406	363,406	368,218	4,812
Licenses and permits	74,070	74,070	76,378	2,308
Fines and forfeitures	64,647	64,647	70,347	5,700
Interest and rentals	185,177	185,177	63,894	(121,283)
Miscellaneous	130,000	130,000	95,976	(34,024)
Total Revenues	<u>3,089,903</u>	<u>3,089,903</u>	<u>3,205,273</u>	<u>115,370</u>
Expenditures:				
Current:				
General government	628,094	628,094	541,797	86,297
Public safety	1,618,425	1,618,425	1,530,614	87,811
Public works	789,733	789,733	772,950	16,783
Community and economic development	5,000	5,000	-	5,000
Culture and recreation	201,671	201,671	244,514	(42,843)
Debt service:				
Principal	177,357	177,357	195,094	(17,737)
Interest	9,373	9,373	14,838	(5,465)
Capital outlay	36,720	36,720	438,615	(401,895)
Other	142,825	142,825	339,039	(196,214)
Total Expenditures	<u>3,609,198</u>	<u>3,609,198</u>	<u>4,077,461</u>	<u>(468,263)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(519,295)</u>	<u>(519,295)</u>	<u>(872,188)</u>	<u>(352,893)</u>
Other Financing Sources (Uses):				
Capital assets sales	83,200	83,200	28,855	(54,345)
Proceeds from borrowings			348,600	348,600
Transfers in	436,104	436,104	436,104	-
Transfers out	-	-	(154,954)	(154,954)
Total Other Financing Sources (Uses)	<u>519,304</u>	<u>519,304</u>	<u>658,605</u>	<u>139,301</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9</u>	<u>9</u>	<u>(213,583)</u>	<u>(213,592)</u>
Fund Balance-Beginning	<u>(78,134)</u>	<u>(78,134)</u>	<u>(78,134)</u>	<u>-</u>
Fund Balance-Ending	<u>\$ (78,125)</u>	<u>\$ (78,125)</u>	<u>\$ (291,717)</u>	<u>\$ (213,592)</u>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2008

Note 1 – Budgetary Information

The City has adopted the following procedures in establishing the budgetary data reflected in the basic financial statements:

- (1) At the last stated meeting in November in each year, the City Manager shall present to Council for first reading a proposed budget ordinance for all funds showing the estimated receipts, expenditures, and liabilities for the ensuing year with the balance of unexpended appropriations and all other information of value as a basis for fixing the levy and tax rate for the next fiscal year. Council shall, upon passing the proposed budget ordinance on first reading, fix a date for adoption thereof, which shall be not later than December 31 of such year.
- (2) The City Clerk shall make the proposed budget ordinance available for public inspection and publish a notice to that effect once in at least one newspaper. Such notice shall state the date fixed by Council for adoption of the proposed budget ordinance and such notice shall be published at least twenty days prior to the time fixed by Council for adoption of the proposed budget ordinance. The proposed budget ordinance shall be available for public inspection at the City Clerk's office for at least ten days after the newspaper notice is published.
- (3) Council shall, after making such changes and modifications therein as appear proper, adopt the budget and any appropriation measures required to put it into effect upon the date fixed for adoption thereof. If, upon any revision of the budget, estimated expenditures are increased more than ten percent in the aggregate or more than twenty five percent in any individual item over the proposed budget, such budget shall not be adopted with any such increases therein unless the same be again made available for public inspection and for protest of such increases for a period of at least ten days after notice to that effect is published.
- (4) During the month of January following any municipal election, Council may amend the budget and the levy and tax rate to conform to the amended budget ordinance. The procedures for adopting an amended budget shall be in accordance with the above, except that the amended budget ordinance must be adopted on or before February 15.

Note 2 – Other Information

GASB Statement No. 34 requires a budgetary comparison schedule to be presented for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The City did not adopt budgets for the Brewery Grant, Jonson Controls, and Capital Reserve Funds (major special revenue funds) and, therefore, presentation of budgetary comparison information is not required.

CITY OF DUBOIS, PENNSYLVANIA

COMBINING BALANCE SHEET
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2008

	<u>Special Revenue Funds</u>					
	<u>Community Development Block Grant</u>	<u>Community Revitalization</u>	<u>EDA Grant</u>	<u>Farmers National</u>	<u>Footbridge Grant</u>	<u>Growing Greener Grant</u>
<u>ASSETS</u>						
Cash and cash investments	\$ 25	\$ 8,172	\$ 8,646	\$ 75,506	\$ 50,311	\$ 227,204
Interfund receivables	-	-	-	-	-	-
Total Assets	<u>\$ 25</u>	<u>\$ 8,172</u>	<u>\$ 8,646</u>	<u>\$ 75,506</u>	<u>\$ 50,311</u>	<u>\$ 227,204</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	925	523	-	-	-	-
Total Liabilities	<u>925</u>	<u>523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Unreserved	<u>(900)</u>	<u>7,649</u>	<u>8,646</u>	<u>75,506</u>	<u>50,311</u>	<u>227,204</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 8,172</u>	<u>\$ 8,646</u>	<u>\$ 75,506</u>	<u>\$ 50,311</u>	<u>\$ 227,204</u>

Special Revenue Funds

Health Insurance	Land Sale	Liquid Fuels Tax	PEMA Grant	Public Safety	Urban Development	Total Other Governmental Funds
\$ 33,798	\$ 63,814	\$ 47,405	\$ 2,415	\$ 5,912	\$ 34,074	\$ 557,282
-	-	-	-	-	50,072	50,072
<u>\$ 33,798</u>	<u>\$ 63,814</u>	<u>\$ 47,405</u>	<u>\$ 2,415</u>	<u>\$ 5,912</u>	<u>\$ 84,146</u>	<u>\$ 607,354</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,448
-	-	-	-	-	-	1,448
33,798	63,814	47,405	2,415	5,912	84,146	605,906
<u>\$ 33,798</u>	<u>\$ 63,814</u>	<u>\$ 47,405</u>	<u>\$ 2,415</u>	<u>\$ 5,912</u>	<u>\$ 84,146</u>	<u>\$ 607,354</u>

CITY OF DUBOIS, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2008

	Special Revenue Funds					
	Community Development Block Grant	Community Revitalization	EDA Grant	Farmers National	Footbridge Grant	Growing Greener Grant
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	504,590	91,632	-	-	70,950	250,000
Charges for services	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rentals	-	39	615	506	290	-
Miscellaneous	-	-	-	75,000	-	-
Total Revenues	<u>504,590</u>	<u>91,671</u>	<u>615</u>	<u>75,506</u>	<u>71,240</u>	<u>250,000</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	505,408	82,482	130,250	-	20,929	22,796
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Expenditures	<u>505,408</u>	<u>82,482</u>	<u>130,250</u>	<u>-</u>	<u>20,929</u>	<u>22,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(818)</u>	<u>9,189</u>	<u>(129,635)</u>	<u>75,506</u>	<u>50,311</u>	<u>227,204</u>
Other Financing Sources (Uses):						
Capital assets sales	-	-	-	-	-	-
Transfers in	-	2,973	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(818)</u>	<u>12,162</u>	<u>(129,635)</u>	<u>75,506</u>	<u>50,311</u>	<u>227,204</u>
Fund Balances-Beginning	<u>(82)</u>	<u>(4,513)</u>	<u>138,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ (900)</u>	<u>\$ 7,649</u>	<u>\$ 8,646</u>	<u>\$ 75,506</u>	<u>\$ 50,311</u>	<u>\$ 227,204</u>

Special Revenue Funds

Health Insurance	Land Sale	Liquid Fuels Tax	PEMA Grant	Public Safety	Urban Development	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	199,397	-	-	10,000	1,126,569
-	-	-	-	-	-	-
-	-	-	-	-	-	-
157	2,306	1,338	57	23	2,144	7,475
-	-	-	-	-	-	75,000
<u>157</u>	<u>2,306</u>	<u>200,735</u>	<u>57</u>	<u>23</u>	<u>12,144</u>	<u>1,209,044</u>
32,681	-	-	-	-	-	32,681
-	-	-	-	4,132	-	4,132
25,678	-	202,438	-	-	-	228,116
-	-	-	-	-	111,050	872,915
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>58,359</u>	<u>-</u>	<u>202,438</u>	<u>-</u>	<u>4,132</u>	<u>111,050</u>	<u>1,137,844</u>
<u>(58,202)</u>	<u>2,306</u>	<u>(1,703)</u>	<u>57</u>	<u>(4,109)</u>	<u>(98,906)</u>	<u>71,200</u>
-	-	-	-	-	-	-
92,000	-	-	-	-	-	94,973
-	-	-	-	-	(2,973)	(2,973)
<u>92,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,973)</u>	<u>92,000</u>
<u>33,798</u>	<u>2,306</u>	<u>(1,703)</u>	<u>57</u>	<u>(4,109)</u>	<u>(101,879)</u>	<u>163,200</u>
-	61,508	49,108	2,358	10,021	186,025	442,706
<u>\$ 33,798</u>	<u>\$ 63,814</u>	<u>\$ 47,405</u>	<u>\$ 2,415</u>	<u>\$ 5,912</u>	<u>\$ 84,146</u>	<u>\$ 605,906</u>

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2008

Federal Grantor Agency/ Program Title	Pass-Through Grantor (If Applicable)	Federal CFDA Number	Grant Title/Number
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant/State's Program	PA DCED	14.228	C000014671
Community Development Block Grant/State's Program	PA DCED	14.228	C000020787
Community Development Block Grant/State's Program	PA DCED	14.228	C000029559
Community Development Block Grant/State's Program	PA DCED	14.228	C000034139
Total Community Development Block Grant/State's Program			
Emergency Shelter Grants Program	PA DCED	14.231	C000020976
HOME Investment Partnerships Program	PA DCED	14.239	C000007691
HOME Investment Partnerships Program	PA DCED	14.239	C000016657
HOME Investment Partnerships Program	PA DCED	14.239	C000022631
Total HOME Investment Partnerships Program			
Total U.S. Department of Housing and Urban Development			
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	N/A	16.607	Bulletproof Vest Partnership Program
Total Expenditures of Federal Awards			

The accompanying notes are an integral part of this statement.

<u>Cash Balance</u> <u>1/1/2008</u>	<u>Federal</u> <u>Receipts</u>	<u>Federal</u> <u>Expenditures</u>	<u>Other</u>	<u>Cash Balance</u> <u>12/31/2008</u>
-	4,526	4,526	-	-
(106)	13,839	13,733	-	-
-	296,798	296,798	-	-
-	125,423	126,348	-	(925)
<u>(106)</u>	<u>440,586</u>	<u>441,405</u>	<u>-</u>	<u>(925)</u>
-	30,564	30,564	-	-
-	2,952	2,952	-	-
-	30,487	30,487	-	-
-	-	-	-	-
-	33,439	33,439	-	-
<u>(106)</u>	<u>504,589</u>	<u>505,408</u>	<u>-</u>	<u>(925)</u>
-	5,891	5,891	-	-
<u>\$ (106)</u>	<u>\$ 510,480</u>	<u>\$ 511,299</u>	<u>\$ -</u>	<u>\$ (925)</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2008

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of DuBois, Pennsylvania and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
DuBois, Pennsylvania 15801

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of DuBois, Pennsylvania
DuBois, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of DuBois, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the City of DuBois, Pennsylvania's primary government and have issued our report thereon dated December 11, 2009. The report on the aggregate remaining fund information was qualified because of the effects of omitting blended component units. The report on the aggregate discretely presented component units was adverse because the primary government financial statements do not include financial data for the City's legally separate component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of DuBois, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the primary government financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of DuBois, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the City of DuBois, Pennsylvania's primary government financial statements that is more than inconsequential will not be prevented or detected by the City of DuBois, Pennsylvania's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, listed as item 08-01, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the primary government financial statements will not be prevented or detected by the City of DuBois, Pennsylvania's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency above, item 08-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DuBois, Pennsylvania's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of DuBois, Pennsylvania's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of DuBois, Pennsylvania's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sharkey Piccirillo Keen & Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
December 11, 2009

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
DuBois, Pennsylvania 15801

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the City Council
City of DuBois, Pennsylvania
DuBois, Pennsylvania

Compliance

We have audited the compliance of the City of DuBois, Pennsylvania, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City of DuBois, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of DuBois, Pennsylvania's management. Our responsibility is to express an opinion on the City of DuBois, Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of DuBois, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of DuBois, Pennsylvania's compliance with those requirements.

In our opinion, the City of DuBois, Pennsylvania complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of DuBois, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of DuBois, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sharkey Piccirillo Keen & Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
December 11, 2009

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2008

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government financial statements of the City of DuBois, Pennsylvania in conformity with the cash receipts and disbursements basis of accounting. The auditors' report expresses an adverse opinion on the aggregate discretely presented component units because the primary government financial statements do not include financial data for the City's legally separate component units.
2. One significant deficiency related to the audit of the primary government financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is reported as a material weakness.
3. No instances of noncompliance material to the primary government financial statements of the City of DuBois, Pennsylvania were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of DuBois, Pennsylvania expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major federal programs included:

<u>Program</u>	<u>CFDA No.</u>
Community Development Block Grants/State's Program	14.228
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of DuBois, Pennsylvania was determined not to be a low-risk auditee.

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2008

FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

SIGNIFICANT DEFICIENCIES

MATERIAL WEAKNESS:

08-1. Financial Reporting Duties of the City

Statement of Condition

The City's personnel responsible for the accounting and reporting functions of the City do not currently possess an appropriate level of technical knowledge and experience of generally accepted accounting principles (GAAP) and Government Accounting Standards Board's (GASB) pronouncements and certain Financial Accounting Standards Board's (FASB) pronouncements to prepare the City's financial statements, including note disclosures, in accordance with the reporting requirements of those principles and pronouncements. GAAP is the standard framework of guidelines for financial accounting used in the preparation of financial statements and note disclosures, while GASB and FASB are the accepted standard-setting bodies for establishing governmental accounting and financial reporting principles used by state and local governments.

Criteria

Internal control over financial reporting includes controls over financial statement preparation, which would prevent or detect a misstatement in the financial statements, including note disclosures.

Effect of Condition

This condition increases the risk of possible misstatements in the financial statements.

Recommendation

An ideal internal control system over financial reporting would include an individual within an organization that would have technical knowledge and experience of the reporting requirements of generally accepted accounting principles and the Government Accounting Standards Board.

Response

The City Council and management are aware of the existence of the material weakness and agree that an ideal internal control system over financial reporting would include an individual described in the recommendation, which would reduce the risk of possible misstatements in the financial statements. The personnel responsible for the accounting and reporting functions of the City currently possess suitable skill, knowledge, and experience to perform the daily accounting functions of the City. Therefore, the City Council and management have made a conscious decision to accept the degree of risk resulting from the material weakness, as the benefit of the reduced risk does not justify the additional costs necessary to reduce this risk.

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2008

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.