

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, 2010

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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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 March 2, 2012, 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 internal control 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.

Accounting principles generally accepted in the United States of America require that the historical pension information and budgetary comparison information on pages 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DuBois, Pennsylvania's primary government financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 primary government financial statements. The combining nonmajor fund financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the primary government financial statements as a whole.



SHARKEY PICCIRILLO KEEN & HANZELY, LLP
March 2, 2012

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS
CASH BASIS

December 31, 2010

		<u>Primary Government</u>		
		<u>Governmental</u>	<u>Business-type</u>	
		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>ASSETS</u>				
Cash		\$ 4,857,743	\$ 2,056,488	\$ 6,914,231
Investments		281,269	-	281,269
Internal balances		990,097	2,034	992,131
Total Assets		<u>\$ 6,129,109</u>	<u>\$ 2,058,522</u>	<u>\$ 8,187,631</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Payroll taxes payable		\$ 8,971	\$ -	\$ 8,971
Internal balances		2,034	990,097	992,131
Total Liabilities		<u>11,005</u>	<u>990,097</u>	<u>1,001,102</u>
Net Assets:				
Restricted for:				
Other purposes		1,794,564	-	1,794,564
Unrestricted		4,323,540	1,068,425	5,391,965
Total Net Assets		<u>6,118,104</u>	<u>1,068,425</u>	<u>7,186,529</u>
Total Liabilities and Net Assets		<u>\$ 6,129,109</u>	<u>\$ 2,058,522</u>	<u>\$ 8,187,631</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2010

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	\$ 1,200,892	\$ 136,557	\$ -	\$ -	\$ (1,064,335)	\$ -	\$ (1,064,335)
Public safety	1,915,704	498,854	-	40,000	(1,376,850)	-	(1,376,850)
Public works	1,434,434	-	-	-	(1,434,434)	-	(1,434,434)
Community and economic development	1,777,069	12,000	733,409	900,519	(131,141)	-	(131,141)
Culture and recreation	733,587	58,768	-	-	(674,819)	-	(674,819)
Principal on long-term debt	116,638	-	-	-	(116,638)	-	(116,638)
Interest on long-term debt	27,565	-	-	-	(27,565)	-	(27,565)
Total governmental activities	<u>7,205,889</u>	<u>706,179</u>	<u>733,409</u>	<u>940,519</u>	<u>(4,825,782)</u>	<u>-</u>	<u>(4,825,782)</u>
Business-type activities:							
Sewer	3,062,185	2,487,140	-	496,450	-	(78,595)	(78,595)
Water	3,435,273	3,034,429	-	-	-	(400,844)	(400,844)
Total business-type activities	<u>6,497,458</u>	<u>5,521,569</u>	<u>-</u>	<u>496,450</u>	<u>-</u>	<u>(479,439)</u>	<u>(479,439)</u>
Total Primary Government	<u>\$ 13,703,347</u>	<u>\$ 6,227,748</u>	<u>\$ 733,409</u>	<u>\$ 1,436,969</u>	<u>(4,825,782)</u>	<u>(479,439)</u>	<u>(5,305,221)</u>
General Revenues:							
Taxes:							
Real estate					1,240,897	-	1,240,897
Residence					18,802	-	18,802
Per capita					18,803	-	18,803
Real estate transfer					56,482	-	56,482
Earned income					599,329	-	599,329
Local services tax					332,148	-	332,148
Intergovernmental revenues					477,325	-	477,325
Interest					162,320	1,288	163,608
Sales of capital assets					216,894	2,159	219,053
Miscellaneous					1,611,496	-	1,611,496
Transfers					1,294,113	(1,294,113)	-
Total General Revenues and Transfers					<u>6,028,609</u>	<u>(1,290,666)</u>	<u>4,737,943</u>
Change in Net Assets					1,202,827	(1,770,105)	(567,278)
Net Assets - Beginning					<u>4,915,277</u>	<u>2,838,530</u>	<u>7,753,807</u>
Net Assets - Ending					<u>\$ 6,118,104</u>	<u>\$ 1,068,425</u>	<u>\$ 7,186,529</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2010

<u>ASSETS</u>	<u>General</u>	<u>Capital Reserve</u>	<u>Community Development Block Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash investments	\$ 4,023,652	\$ 518,691	\$ 25	\$ 315,375	\$ 4,857,743
Investments	281,269	-	-	-	281,269
Interfund receivables	367,671	967,280	-	-	1,334,951
Total Assets	\$ 4,672,592	\$ 1,485,971	\$ 25	\$ 315,375	\$ 6,473,963
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Payroll taxes payable	\$ 8,971	\$ -	\$ -	\$ -	\$ 8,971
Interfund payables	340,081	-	1,159	5,648	346,888
Total Liabilities	349,052	-	1,159	5,648	355,859
Fund Balances:					
Unreserved, reported in:					
General fund	4,323,540	-	-	-	4,323,540
Special revenue funds	-	1,485,971	(1,134)	309,727	1,794,564
Total Fund Balances	4,323,540	1,485,971	(1,134)	309,727	6,118,104
 Total Liabilities and Fund Balances	 \$ 4,672,592	 \$ 1,485,971	 \$ 25	 \$ 315,375	 \$ 6,473,963

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, 2010

	<u>General</u>	<u>Capital Reserve</u>	<u>Community Development Block Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 2,266,461	\$ -	\$ -	\$ -	\$ 2,266,461
Intergovernmental	763,519	-	733,409	654,325	2,151,253
Charges for services	557,155	-	-	-	557,155
Licenses and permits	74,590	-	-	-	74,590
Fines and forfeitures	74,434	-	-	-	74,434
Interest and rentals	152,592	9,299	-	1,417	163,308
Miscellaneous	1,610,506	-	-	2	1,610,508
Total Revenues	5,499,257	9,299	733,409	655,744	6,897,709
Expenditures:					
Current:					
General government	690,244	-	-	24,896	715,140
Public safety	1,853,673	-	-	-	1,853,673
Public works	1,095,931	-	-	301,525	1,397,456
Community and economic development	-	-	727,506	375,438	1,102,944
Culture and recreation	526,843	-	-	180,001	706,844
Debt service:					
Principal	116,638	-	-	-	116,638
Interest	27,565	-	-	-	27,565
Capital outlay	922,567	-	-	-	922,567
Other	363,062	-	-	-	363,062
Total Expenditures	5,596,523	-	727,506	881,860	7,205,889
Excess (Deficiency) of Revenues over Expenditures	(97,266)	9,299	5,903	(226,116)	(308,180)
Other Financing Sources (Uses):					
Capital assets sales	216,894	-	-	-	216,894
Transfers in	2,224,863	-	-	147,487	2,372,350
Transfers out	(78,431)	-	-	(999,806)	(1,078,237)
Total Other Financing Sources (Uses)	2,363,326	-	-	(852,319)	1,511,007
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,266,060	9,299	5,903	(1,078,435)	1,202,827
Fund Balances-Beginning	2,057,480	1,476,672	(7,037)	1,388,162	4,915,277
Fund Balances-Ending	\$ 4,323,540	\$ 1,485,971	\$ (1,134)	\$ 309,727	\$ 6,118,104

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS
CASH BASIS

PROPRIETARY FUNDS

December 31, 2010

	Business-Type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 233,986	\$ 1,822,502	\$ 2,056,488
Interfund receivables	15,044	692	15,736
Total current assets	<u>249,030</u>	<u>1,823,194</u>	<u>2,072,224</u>
Total Assets	<u>\$ 249,030</u>	<u>\$ 1,823,194</u>	<u>\$ 2,072,224</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Interfund payables	\$ 519,520	\$ 484,279	\$ 1,003,799
Total current liabilities	<u>519,520</u>	<u>484,279</u>	<u>1,003,799</u>
Total Liabilities	<u>519,520</u>	<u>484,279</u>	<u>1,003,799</u>
Net assets:			
Unrestricted	<u>(270,490)</u>	<u>1,338,915</u>	<u>1,068,425</u>
Total net assets	<u>(270,490)</u>	<u>1,338,915</u>	<u>1,068,425</u>
Total Liabilities and Net Assets	<u>\$ 249,030</u>	<u>\$ 1,823,194</u>	<u>\$ 2,072,224</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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,487,140	\$ 3,034,429	\$ 5,521,569
Total Operating Revenues	<u>2,487,140</u>	<u>3,034,429</u>	<u>5,521,569</u>
Operating Expenses:			
Public works	1,785,226	1,598,838	3,384,064
Total Operating Expenses	<u>1,785,226</u>	<u>1,598,838</u>	<u>3,384,064</u>
Operating Income	<u>701,914</u>	<u>1,435,591</u>	<u>2,137,505</u>
Non-Operating Revenues (Expenses):			
Grants	496,450	-	496,450
Capital asset sales	-	2,159	2,159
Interest income	738	550	1,288
Capital outlay	(850,969)	(1,053,849)	(1,904,818)
Debt service principal	(241,818)	(291,248)	(533,066)
Debt service interest	(184,172)	(491,338)	(675,510)
Total Non-Operating Revenues (Expenses)	<u>(779,771)</u>	<u>(1,833,726)</u>	<u>(2,613,497)</u>
Income Before Transfers	(77,857)	(398,135)	(475,992)
Transfers In	-	-	-
Transfers Out	<u>(420,667)</u>	<u>(873,446)</u>	<u>(1,294,113)</u>
Change in Net Assets	<u>(498,524)</u>	<u>(1,271,581)</u>	<u>(1,770,105)</u>
Total Net Assets - Beginning	<u>228,034</u>	<u>2,610,496</u>	<u>2,838,530</u>
Total Net Assets - Ending	<u>\$ (270,490)</u>	<u>\$ 1,338,915</u>	<u>\$ 1,068,425</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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,487,140	\$ 3,034,429	\$ 5,521,569
Payments to suppliers	(1,238,404)	(1,012,152)	(2,250,556)
Payments to employees	(546,822)	(586,686)	(1,133,508)
Net Cash Provided by Operating Activities	<u>701,914</u>	<u>1,435,591</u>	<u>2,137,505</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out	(420,667)	(873,446)	(1,294,113)
(Increase) decrease in interfund receivables	(410)	(692)	(1,102)
Increase (decrease) in interfund payables	129,211	7,424	136,635
Net Cash Used by Noncapital Financing Activities	<u>(291,866)</u>	<u>(866,714)</u>	<u>(1,158,580)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(850,969)	(1,053,849)	(1,904,818)
Capital asset sales	-	2,159	2,159
Grants	496,450	-	496,450
Principal paid on debt	(241,818)	(291,248)	(533,066)
Interest paid	(184,172)	(491,338)	(675,510)
Net Cash Used by Capital and Related Financing Activities	<u>(780,509)</u>	<u>(1,834,276)</u>	<u>(2,614,785)</u>
Cash Flows from Investing Activities:			
Interest	<u>738</u>	<u>550</u>	<u>1,288</u>
Net Decrease in Cash	(369,723)	(1,264,849)	(1,634,572)
Cash:			
Beginning	<u>603,709</u>	<u>3,087,351</u>	<u>3,691,060</u>
Ending	<u>\$ 233,986</u>	<u>\$ 1,822,502</u>	<u>\$ 2,056,488</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

December 31, 2010

<u>ASSETS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan	Agency Funds
Cash and cash equivalents	\$ -	\$ 268,475	\$ 44,772
Investments:			
Investment assets with PMRS, at fair value	5,226,839	-	-
Investment assets, at fair value	-	4,855,583	-
Total investments	<u>5,226,839</u>	<u>4,855,583</u>	<u>-</u>
 Total Assets	 <u>\$ 5,226,839</u>	 <u>\$ 5,124,058</u>	 <u>\$ 44,772</u>
 <u>LIABILITIES</u>			
Escrow liabilities	\$ -	\$ 18,620	\$ 44,772
 Total Liabilities	 <u>-</u>	 <u>18,620</u>	 <u>\$ 44,772</u>
 <u>NET ASSETS</u>			
Held in trust for pension benefits	<u>\$ 5,226,839</u>	<u>\$ 5,105,438</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, 2010

	<u>ADDITIONS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan
Contributions:			
Plan members		\$ 72,005	\$ 56,859
Employer		20	26,769
State		58,803	184,163
Miscellaneous		3,902	-
Total contributions		<u>134,730</u>	<u>267,791</u>
Net Investment Income:			
Net appreciation (depreciation) in fair value of investments		-	434,524
Interest/dividends		309,704	142,713
Investment expenses		-	(34,298)
Total investment income		<u>309,704</u>	<u>542,939</u>
Less investment expenses		-	-
Net investment income		<u>309,704</u>	<u>542,939</u>
Total Additions		<u>444,434</u>	<u>810,730</u>
	<u>DEDUCTIONS</u>		
Benefits		749,353	299,190
Administrative expenses		1,460	-
Allocated insurance premiums		474	-
Total Deductions		<u>751,287</u>	<u>299,190</u>
Change in Net Assets		(306,853)	511,540
Net Assets-Beginning		<u>5,533,692</u>	<u>4,593,898</u>
Net Assets-Ending		<u>\$ 5,226,839</u>	<u>\$ 5,105,438</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

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 a 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.

Private sector standards of accounting and financial reporting issued prior to December 31, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

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, 2010

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 if the fund 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, 2010

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.

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.

Community Block Grant Fund

The Community Development Block Grant fund accounts for federal aid revenues received from the Pennsylvania Department of Community and Economic Development pursuant to the Community Development Block Grants/States Program administered by the United States Department of Housing and Urban Development.

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, 2010

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, 2010

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, 2010

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, 2010. 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, 2010, the carrying amount of the City's cash deposits with financial institutions was \$6,959,003 and the financial institutions balances totaled \$8,272,568, which is categorized as follows:

Category 1	\$ 622,564
Category 3	<u>7,650,004</u>
Total Cash Deposits	<u>\$ 8,272,568</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 – Government-wide and Police Retirement Plan

The investments of the City are reported at cost. Fair value reporting for securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The investments of the Police Retirement Plan are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 3 – Cash Deposits and Investments (Continued)

Investments – Government-wide and Police Retirement Plan (Continued)

Custodial credit risk is the risk that the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The City does not have a written investment policy on custodial credit risk. The fair value of the City's government-wide securities and the Police Retirement Plan securities held by a counterparty are as follows:

	<u>Government- wide</u>	<u>Police Retirement</u>	<u>Total</u>
FDIC Insured Deposits	\$ 1,265	\$ –	\$ 1,265
Certificates of Deposit	299,180	–	299,180
Municipal Debt	–	911,515	911,515
Corporate Debt	–	1,272,134	1,272,134
Equities	–	2,191,683	2,191,683
Convertible Bonds	–	154,588	154,588
Exchange-traded Funds	–	<u>325,663</u>	<u>325,663</u>
Total	<u>\$ 300,445</u>	<u>\$ 4,855,583</u>	<u>\$ 5,156,028</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy on interest rate risk. The City's investments subject to interest rate risk at December 31, 2010 included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of Deposit	\$ 299,180	\$ –	\$ 299,180	\$ –	\$ –
Municipal Debt	911,515	–	362,615	472,440	76,460
Corporate Debt	<u>1,272,134</u>	–	<u>623,582</u>	<u>488,271</u>	<u>160,281</u>
Total by Maturity Dates	<u>\$ 2,482,829</u>	<u>\$ –</u>	<u>\$ 1,285,377</u>	<u>\$ 960,711</u>	<u>\$ 236,741</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy on credit risk. At December 31, 2010, the credit quality ratings of the Pension Trust Fund's debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Municipal Debt	\$ 199,613	AA
Municipal Debt	432,252	A
Municipal Debt	<u>279,650</u>	N/A
Total Municipal Debt	<u>911,515</u>	
Corporate Debt	85,495	AAA
Corporate Debt	78,641	AA
Corporate Debt	264,172	A
Corporate Debt	769,040	BBB
Corporate Debt	<u>74,786</u>	N/A
Total Corporate Debt	<u>1,272,134</u>	
Total	<u>\$ 2,183,649</u>	

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 3 – Cash Deposits and Investments (Continued)

Investments – Government-wide and Police Retirement Plan (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City does not have a written investment policy on concentration of credit risk. There were no investments other than certificates of deposit, US Government and US Government guaranteed obligations, mutual funds, or other pooled investments, in any one issuer that represented 5 percent or more of total investments at December 31, 2010.

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.

Assessed value is 25% of market value. The City's net taxable assessed value for 2010 was \$56,550,365. The real estate tax millage rates for 2010 was:

<u>Taxable Assessed Value</u>	<u>Purposes</u>	<u>Millage</u>
Land	General	88.00
Buildings and improvements	General	2.00
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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 5 – Interfund Balances

Interfund balances at December 31, 2010 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 1,159
	Fire Training School	5,648
	Sewer	176,670
	Water	184,194
Capital Reserve	General Fund	338,047
	Sewer	342,158
	Water	287,075
Sewer	General Fund	2,034
	Water	13,010
Water	Sewer	<u>692</u>
Total		<u>\$ 1,350,687</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.

Note 6 – Interfund Transfers

Interfund transfers for the year ended December 31, 2010 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Land Sale Fund	\$ 66,100
	Pentz Run Bridges Fund	814,001
	Sewer Fund	400,000
	Urban Development Grant Fund	94,483
	Water Fund	850,279
Community Revitalization Fund	General Fund	523
Farmers National Fund	Community Revitalization Fund	10,632
	EDA Grant Fund	8,665
	Public Safety Fund	5,925
Health Insurance Fund	General Fund	45,583
	Sewer Fund	20,667
	Water Fund	23,167
Liquid Fuels Tax Fund	General Fund	<u>32,325</u>
Total		<u>\$ 2,372,350</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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

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. The note was amended on October 5, 2009 to a non-revolving straight line Credit Note in the original available principal of \$3,126,291, with \$108,750 indisbursed principal reserved for the funding of Letter of Credit, together with a variable interest rate, which was 3.25 percent at December 31, 2010. The amendment also extended the maturity date to November 3, 2011. There was no outstanding balance on the short-term note at December 31, 2010, and no advances or payments during the year then ended.

Long-Term Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Due within One Year</u>
<u>Governmental Activities</u>					
Notes payable	\$ 1,210,397	\$ —	\$ (116,638)	\$ 1,093,759	\$ 112,550
Governmental activities long-term debt	<u>1,210,397</u>	<u>—</u>	<u>(116,638)</u>	<u>1,093,759</u>	<u>112,550</u>
<u>Business-Type Activities</u>					
Notes payable	8,726,594	—	(388,067)	8,338,527	400,648
Bonds payable	<u>7,645,000</u>	<u>—</u>	<u>(145,000)</u>	<u>7,500,000</u>	<u>145,000</u>
Business-type activities long-term debt	<u>16,371,594</u>	<u>—</u>	<u>(533,067)</u>	<u>15,838,527</u>	<u>545,648</u>
Total long term debt	<u>\$17,581,991</u>	<u>\$ —</u>	<u>\$ (649,705)</u>	<u>\$16,932,286</u>	<u>\$ 658,198</u>

A summary of long-term debt outstanding at December 31, 2010, follows:

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 100,000	Pennsylvania Emergency Management Agency loan for assistance with the purchase of fire apparatus, repayable at \$644 monthly May 1, 1996 through April 1, 2011 with 2 percent interest.	\$ 2,562
126,010	General Obligation Note 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.	21,098

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 7 –Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 753,150	Guaranteed Revenue Note issued to the 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.	\$ 114,280
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.	47,595
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.	104,631
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.	323,991
1,484,050	Guaranteed Revenue Note issued to the 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.	1,216,088

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 7 –Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 1,728,413	General Obligation Note issued 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.	\$ 1,549,570
2,490,000	General Obligation Note issued 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.	2,211,089
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.	3,128,431
7,645,000	General Obligation Bond, Series of 2009, used for capital projects, including improvements to the reservoir and City's water system, dated February 19, 2009 are secured the full faith, credit and taxing power of the City. The bonds are scheduled to mature at various times through December 15, 2034 and bear interest rates varying from 2.000% to 5.375%.	7,500,000
814,000	Commonwealth of Pennsylvania, Department of Transportation, loan for infrastructure improvements, dated August 5, 2009, repayable in monthly installments of \$7,354 with 1.625 percent interest and a maturity date of September 9, 2019.	712,951
	Total Long-Term Debt Outstanding	<u>\$16,932,286</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 7 –Debt (Continued)

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>
2011	\$ 658,198	\$ 686,172	\$ 1,344,370
2012	670,160	681,722	1,351,882
2013	664,847	663,747	1,328,594
2014	653,921	642,768	1,296,689
2015	676,807	620,723	1,297,530
2016-2020	3,614,505	2,725,758	6,340,263
2021-2025	3,649,110	1,996,832	5,645,942
2026-2030	3,364,950	1,230,192	4,595,142
2031-2034	<u>2,979,788</u>	<u>374,153</u>	<u>3,353,941</u>
	<u>\$16,932,286</u>	<u>\$ 9,622,067</u>	<u>\$26,554,353</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.

Membership

Membership of the plan consisted of the following at December 31, 2010:

Retired Members and Beneficiaries	32
Terminated plan members entitled to but not yet receiving benefits	3
Active Members	<u>39</u>
Total Membership	<u>74</u>

Funding Policy

Members are required to contribute 3.5% of their gross compensation, with the City providing annual contributions sufficient to satisfy the actuarially determined contribution requirements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

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

Actuarial Valuation Information

Actuarial valuations are performed biannually. The following methods and assumptions as of the latest actuarial valuation date were used to determine the Annual Required Contribution for 2010:

Valuation Date	January 1, 2009
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%

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Actuarial Valuation Date for Contributions</u>	<u>Percentage Contributed</u>
2006	\$ 46,676	2003	100%
2007	67,898	2005	100%
2008	74,669	2005	100%
2009	69,798	2007	100%
2010	58,803	2007	100%

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 Police Pension Plan was amended and restated effective April 12, 2010. The City has delegated to Mockenhaupt Benefits Group the authority to manage certain plan assets. Mockenhaupt Benefits Group issues separate financial statements of the Police Pension Plan. The Police Pension Plan financial statements can be obtained by contacting Mockenhaupt Benefits Group.

Membership

Membership of the plan consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

Retired Members and Beneficiaries	11
Terminated plan members entitled to but not yet receiving benefits	1
Active Members	<u>13</u>
Total Membership	<u>25</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 9 – Police Pension Plan (Continued)

Funding Policy

Members are required to contribute 3% of their gross compensation 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.

Actuarial Valuation Information

Actuarial valuations are performed annually. The following methods and assumptions were used in the latest actuarial valuation performed for the Plan:

Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	4-year smoothing
Amortization Method	Level Dollar Closed
Remaining amortization period	7 years (aggregate)
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Projected Salary Increases (Includes inflation at 3%)	4.50%

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police Pension Plan for the year ended December 31, 2010 were as follows:

Annual required contribution	\$ 210,932
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>210,932</u>
Contributions made	<u>210,932</u>
Change in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	<u>\$ -</u>

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 219,483	100.00%
2007	230,582	100.00%
2008	222,937	100.00%
2009	248,166	100.00%
2010	210,932	100.00%

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 10 – 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 11 – 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.

Note 12 – Subsequent Events

Subsequent events were evaluated through March 2, 2012, which is the date the financial statements were available to be issued. There were no events subsequent to the balance sheet date that were required to be disclosed.

CITY OF DUBOIS, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
NON-UNIFORMED EMPLOYEES' PENSION PLAN

For the Year Ended December 31, 2010

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%	1,496,808	-24.47%
1/1/07	7,855,596	7,680,127	(175,469)	102.28%	1,616,592	-10.85%
1/1/09	8,561,358	8,233,630	(327,728)	103.98%	1,683,282	-19.47%

The schedule of funding progress presents the change in the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

POLICE PENSION PLAN

For the Year Ended December 31, 2010

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) —Entry Age</u>	(c) <u>Unfunded AAL (UAAL) (b) - (a)</u>	(d) <u>Funded Ratio (a)+(b)</u>	(e) <u>Annual Covered Payroll</u>	(f) <u>UAAL as a Percentage of Covered Payroll (c)+(e)</u>
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	5,652,615	6,067,630	415,015	93%	763,059	54%

The schedule of funding progress presents the change in the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits.

CITY OF DUBOIS, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,234,191	\$ 2,234,191	\$ 2,266,461	\$ 32,270
Intergovernmental	274,397	274,397	763,519	489,122
Charges for services	332,639	332,639	557,155	224,516
Licenses and permits	76,543	76,543	74,590	(1,953)
Fines and forfeitures	65,880	65,880	74,434	8,554
Interest and rentals	185,000	185,000	152,592	(32,408)
Miscellaneous	233,420	233,420	1,610,506	1,377,086
Total Revenues	<u>3,402,070</u>	<u>3,402,070</u>	<u>5,499,257</u>	<u>2,097,187</u>
Expenditures:				
Current:				
General government	646,136	646,136	690,244	(44,108)
Public safety	1,704,936	1,704,936	1,853,673	(148,737)
Public works	789,802	789,802	1,095,931	(306,129)
Community and economic development	5,000	5,000	-	5,000
Culture and recreation	255,206	255,206	526,843	(271,637)
Debt service:				
Principal	102,042	102,042	116,638	(14,596)
Interest	24,769	24,769	27,565	(2,796)
Capital outlay	148,333	148,333	922,567	(774,234)
Other	353,846	353,846	363,062	(9,216)
Total Expenditures	<u>4,030,070</u>	<u>4,030,070</u>	<u>5,596,523</u>	<u>(1,566,453)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(628,000)</u>	<u>(628,000)</u>	<u>(97,266)</u>	<u>530,734</u>
Other Financing Sources (Uses):				
Capital assets sales	-	-	216,894	216,894
Transfers in	700,000	700,000	2,224,863	1,524,863
Transfers out	(72,000)	(72,000)	(78,431)	(6,431)
Total Other Financing Sources (Uses)	<u>628,000</u>	<u>628,000</u>	<u>2,363,326</u>	<u>1,735,326</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>2,266,060</u>	<u>2,266,060</u>
Fund Balance-Beginning	<u>2,057,480</u>	<u>2,057,480</u>	<u>2,057,480</u>	<u>-</u>
Fund Balance-Ending	<u>\$ 2,057,480</u>	<u>\$ 2,057,480</u>	<u>\$ 4,323,540</u>	<u>\$ 2,266,060</u>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2010

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 Capital Reserve Funds and Community Development Block Grant Fund, 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, 2010

	Special Revenue Funds						
	<u>Brewery Grant</u>	<u>Community Revitalization</u>	<u>EDA Grant</u>	<u>Elm Street Grant</u>	<u>Energy Efficiency Grant</u>	<u>Farmers National</u>	<u>Fire Training School Fund</u>
<u>ASSETS</u>							
Cash and cash investments	\$ 1,600		\$ -	\$ 8,500	\$ -	\$ 102,160	\$ 40,001
Interfund receivables	-	-	-	-	-	-	-
Total Assets	\$ 1,600	\$ -	\$ -	\$ 8,500	\$ -	\$ 102,160	\$ 40,001
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-	-	5,648
Total Liabilities	-	-	-	-	-	-	5,648
Fund Balances:							
Unreserved	1,600	-	-	8,500	-	102,160	34,353
Total Liabilities and Fund Balances	\$ 1,600	\$ -	\$ -	\$ 8,500	\$ -	\$ 102,160	\$ 40,001

Special Revenue Funds

Footbridge Grant	Health Insurance	Land Sale	Liquid Fuels Tax	Orange Alley Grant	Pentz Run Bridges	Public Safety	Urban Development	Total Other Governmental Funds
\$ -	\$ 125,679	\$ -	\$ 37,352	\$ 83	\$ -	\$ -	\$ -	\$ 315,375
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 125,679</u>	<u>\$ -</u>	<u>\$ 37,352</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,375</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	5,648
-	-	-	-	-	-	-	-	5,648
-	125,679	-	37,352	83	-	-	-	309,727
<u>\$ -</u>	<u>\$ 125,679</u>	<u>\$ -</u>	<u>\$ 37,352</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,375</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, 2010

	Special Revenue Funds						
	Brewery Grant	Community Revitalization	EDA Grant	Elm Street Grant	Energy Efficiency Grant	Farmers National	Fire Training School
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	180,000	-	40,000
Charges for services	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest and rentals	-	3	2	-	-	322	-
Miscellaneous	-	-	-	-	1	-	1
Total Revenues	-	3	2	-	180,001	322	40,001
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Community and economic development	102,961	-	-	16,500	-	-	5,648
Culture and recreation	-	-	-	-	180,001	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditures	102,961	-	-	16,500	180,001	-	5,648
Excess (Deficiency) of Revenues Over Expenditures	(102,961)	3	2	(16,500)	-	322	34,353
Other Financing Sources (Uses):							
Capital assets sales	-	-	-	-	-	-	-
Transfers in	-	523	-	-	-	25,222	-
Transfers out	-	(10,632)	(8,665)	-	-	-	-
Total Other Financing Sources (Uses)	-	(10,109)	(8,665)	-	-	25,222	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(102,961)	(10,106)	(8,663)	(16,500)	-	25,544	34,353
Fund Balances-Beginning	104,561	10,106	8,663	25,000	-	76,616	-
Fund Balances-Ending	\$ 1,600	\$ -	\$ -	\$ 8,500	\$ -	\$ 102,160	\$ 34,353

Special Revenue Funds

Footbridge Grant	Health Insurance	Land Sale	Liquid Fuels Tax	Orange Alley Grant	Pentz Run Bridges	Public Safety	Urban Development	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	184,325	250,000	-	-	-	654,325
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	59	370	550	82	-	2	27	1,417
-	-	-	-	-	-	-	-	2
-	59	370	184,875	250,082	-	2	27	655,744
-	24,896	-	-	-	-	-	-	24,896
-	-	-	-	-	-	-	-	-
330	23,939	-	277,586	-	-	-	-	301,525
-	-	-	-	249,999	-	-	-	375,438
-	-	-	-	-	-	-	-	180,001
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
330	48,835	-	277,586	249,999	-	-	-	881,860
(330)	(48,776)	370	(92,711)	83	-	2	27	(226,116)
-	-	-	-	-	-	-	-	-
-	89,417	-	32,325	-	-	-	-	147,487
-	-	(66,100)	-	-	(814,001)	(5,925)	(94,483)	(999,806)
-	89,417	(66,100)	32,325	-	(814,001)	(5,925)	(94,483)	(852,319)
(330)	40,641	(65,730)	(60,386)	83	(814,001)	(5,923)	(94,456)	(1,078,435)
330	85,038	65,730	97,738	-	814,001	5,923	94,456	1,388,162
\$ -	\$ 125,679	\$ -	\$ 37,352	\$ 83	\$ -	\$ -	\$ -	\$ 309,727

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grantor Agency/ Program Title	Pass-Through Grantor (If Applicable)	Federal CFDA Number	Grant Title/Number
<u>DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT</u>			
Community Facilities Loans and Grants		10.780	OMB #0575-0173
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant/State's Program	PA DCED	14.228	C000029559
Community Development Block Grant/State's Program	PA DCED	14.228	C000034139
Community Development Block Grant/State's Program	PA DCED	14.228	C000046110
Community Development Block Grant/State's Program	PA DCED	14.228	C000049970
Total Community Development Block Grant/State's Program			
Emergency Shelter Grants Program	PA DCED	14.231	C000036134
Emergency Shelter Grants Program	PA DCED	14.231	C000049484
HOME Investment Partnerships Program	PA DCED	14.239	C000022631
HOME Investment Partnerships Program	PA DCED	14.239	C000046787
Total HOME Investment Partnerships Program			
ARRA-Community Development Block Grant/State's Program	PA DCED	14.255	C000046321
Total U.S. Department of Housing and Urban Development			
<u>ENERGY</u>			
ARRA-State Energy Program	PA DEP	81.041	Document #4100051183
Total Expenditures of Federal Awards			

The accompanying notes are an integral part of this statement.

Cash Balance 1/1/2010	Federal Receipts	Federal Expenditures	Other	Cash Balance 12/31/2010
-	100,000	100,000	-	-
-	14,756	14,756	-	-
-	38,690	38,690	-	-
(5,640)	295,534	289,894	-	-
-	32,250	36,409	-	(4,159)
(5,640)	381,230	379,749	-	(4,159)
-	36,421	36,421	-	-
-	-	18,808	-	(18,808)
-	36,421	55,229	-	(18,808)
-	296,933	296,933	-	-
-	9,887	9,887	-	-
-	306,820	306,820	-	-
(1,422)	8,938	7,516	-	-
(7,062)	733,409	749,314	-	(22,967)
-	180,000	180,000	-	-
\$ (7,062)	\$ 1,013,409	\$ 1,029,314	\$ -	\$ (22,967)

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

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, 2010, which collectively comprise the basic financial statements of the City of DuBois, Pennsylvania's primary government and have issued our report thereon dated March 2, 2012. The report on the aggregate remaining fund information was qualified because of the effects of omitting blended component units. The report on 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, listed as item 10-01, 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, 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
March 2, 2012

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 City of DuBois, Pennsylvania, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of DuBois, Pennsylvania's major federal programs for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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, 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
March 2, 2012

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

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. 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 material weakness 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*.
3. No instances of noncompliance material to the primary government financial statements of the City of DuBois, Pennsylvania, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant 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
HOME Investment Partnership Program	14.239
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, 2010

FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESS:

10-1. 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 and correct 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, 2010

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.