

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	6
Statement of Activities – Cash Basis	7
Fund Financial Statements:	
Balance Sheet – Cash Basis – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Governmental Funds	9
Statement of Net Position – Cash Basis – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Net Position – Cash Basis – Proprietary Funds	11
Statement of Cash Flows – Cash Basis – Proprietary Funds	12
Statement of Fiduciary Net Position – Fiduciary Funds	13
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	14
Notes to Basic Financial Statements	15
Required Supplementary Information:	
Schedule of Funding Progress – Non-Uniformed Employees' Pension Plan	31
Schedule of Funding Progress – Police Pension Plan	32
Budgetary Comparison Schedule – Cash Basis – General Fund	33
Notes to Budgetary Comparison Schedule	34
Other Supplementary Information:	
Combining Balance Sheet – Cash Basis – Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Cash Basis – Non-Major Governmental Funds	36

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, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information

The financial statements referred to above 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 position, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, 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, 2012, 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.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, 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, 2012, 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.

Unmodified Opinion

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, 2012, and the respective changes in cash basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension information and budgetary comparison information on pages 31 through 34 be presented to supplement the primary government basic financial statements. Such information, although not a part of the primary government 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 primary government 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 primary basic financial statements, and other knowledge we obtained during our audit of the primary government 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 primary government basic financial statements. Such missing information, although not part of the primary government 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 primary government basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the primary government basic financial statements is not affected by this missing information.

Other 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 primary government basic financial statements. The combining nonmajor fund financial statements 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. Such information has been subjected to the auditing procedures applied in the audit of the primary government basic 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

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
December 30, 2013

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

December 31, 2012

		Primary Government		
		Governmental	Business-type	Total
		Activities	Activities	
<u>ASSETS</u>				
Cash		\$ 2,475,193	\$ 1,890,158	\$ 4,365,351
Investments		2,536,313	-	2,536,313
Internal balances		766,766	165	766,931
Total Assets		<u>\$ 5,778,272</u>	<u>\$ 1,890,323</u>	<u>\$ 7,668,595</u>
<u>LIABILITIES</u>				
Liabilities:				
Payroll taxes payable		\$ 8,148	\$ -	\$ 8,148
Internal balances		165	766,766	766,931
Total Liabilities		<u>8,313</u>	<u>766,766</u>	<u>775,079</u>
<u>NET POSITION</u>				
Restricted for:				
General government		1,527,078	-	1,527,078
Public works		22,495	-	22,495
Culture and recreation		3,592	-	3,592
Unrestricted		4,216,794	1,123,557	5,340,351
Total Net Position		<u>\$ 5,769,959</u>	<u>\$ 1,123,557</u>	<u>\$ 6,893,516</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,871,950	\$ 232,276	\$ 237,068	\$ -	\$ (1,402,606)	\$ -	\$ (1,402,606)
Public safety	1,786,089	415,108	-	-	(1,370,981)	-	(1,370,981)
Public works	1,224,848	2	200,604	-	(1,024,242)	-	(1,024,242)
Community and economic development	329,725	-	376,789	-	47,064	-	47,064
Culture and recreation	404,422	81,327	-	-	(323,095)	-	(323,095)
Principal on long-term debt	97,893	-	-	-	(97,893)	-	(97,893)
Interest on long-term debt	21,995	-	-	-	(21,995)	-	(21,995)
Total governmental activities	5,736,922	728,713	814,461	-	(4,193,748)	-	(4,193,748)
Business-type activities:							
Sewer	1,346,754	2,651,188	-	-	-	1,304,434	1,304,434
Water	2,337,766	2,359,164	-	-	-	21,398	21,398
Total business-type activities	3,684,520	5,010,352	-	-	-	1,325,832	1,325,832
Total Primary Government	\$ 9,421,442	\$ 5,739,065	\$ 814,461	\$ -	(4,193,748)	1,325,832	(2,867,916)
General Revenues:							
Taxes:							
Real estate					1,230,984	-	1,230,984
Residence					18,345	-	18,345
Per capita					18,362	-	18,362
Real estate transfer					104,267	-	104,267
Earned income					885,685	-	885,685
Local services tax					348,801	-	348,801
Intergovernmental revenues					86,960	-	86,960
Interest					181,187	-	181,187
Miscellaneous					451,836	-	451,836
Transfers					945,455	(945,455)	-
Total General Revenues and Transfers					4,271,882	(945,455)	3,326,427
Change in Net Position					78,134	380,377	458,511
Net Position - Beginning					5,691,825	743,180	6,435,005
Net Position - Ending					\$ 5,769,959	\$ 1,123,557	\$ 6,893,516

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2012

<u>ASSETS</u>	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Cash and cash investments	\$ 1,889,283	\$ 350,353	\$ 235,557	\$ 2,475,193
Investments	2,536,313	-	-	2,536,313
Interfund receivables	141,466	967,280	-	1,108,746
Total Assets	<u>\$ 4,567,062</u>	<u>\$ 1,317,633</u>	<u>\$ 235,557</u>	<u>\$ 6,120,252</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Payroll taxes payable	\$ 8,148	\$ -	\$ -	\$ 8,148
Interfund payables	338,047	-	4,098	342,145
Total Liabilities	<u>346,195</u>	<u>-</u>	<u>4,098</u>	<u>350,293</u>
 Fund Balances:				
Restricted:				
General government	-	1,317,633	209,445	1,527,078
Public works	-	-	22,495	22,495
Culture and recreation	-	-	3,592	3,592
Unassigned	4,220,867	-	(4,073)	4,216,794
Total Fund Balances	<u>4,220,867</u>	<u>1,317,633</u>	<u>231,459</u>	<u>5,769,959</u>
Total Liabilities and Fund Balances	<u>\$ 4,567,062</u>	<u>\$ 1,317,633</u>	<u>\$ 235,557</u>	<u>\$ 6,120,252</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, 2012

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 2,606,444	\$ -	\$ -	\$ 2,606,444
Intergovernmental	378,646	-	522,624	901,270
Charges for services	534,475	-	-	534,475
Licenses and permits	125,855	-	-	125,855
Fines and forfeitures	68,381	-	-	68,381
Interest and rentals	171,792	9,395	153	181,340
Miscellaneous	451,836	-	-	451,836
Total Revenues	<u>4,337,429</u>	<u>9,395</u>	<u>522,777</u>	<u>4,869,601</u>
Expenditures:				
Current:				
General government	1,391,124	-	55,058	1,446,182
Public safety	1,730,219	-	-	1,730,219
Public works	935,050	-	204,444	1,139,494
Community and economic development	660	-	327,844	328,504
Culture and recreation	243,449	-	10,389	253,838
Debt service:				
Principal	97,893	-	-	97,893
Interest	21,995	-	-	21,995
Capital outlay	293,029	-	-	293,029
Other	425,768	-	-	425,768
Total Expenditures	<u>5,139,187</u>	<u>-</u>	<u>597,735</u>	<u>5,736,922</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(801,758)</u>	<u>9,395</u>	<u>(74,958)</u>	<u>(867,321)</u>
Other Financing Sources (Uses):				
Transfers in	1,090,248	5,235	104,684	1,200,167
Transfers out	(254,712)	-	-	(254,712)
Total Other Financing Sources (Uses)	<u>835,536</u>	<u>5,235</u>	<u>104,684</u>	<u>945,455</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>33,778</u>	<u>14,630</u>	<u>29,726</u>	<u>78,134</u>
Fund Balances-Beginning	<u>4,187,089</u>	<u>1,303,003</u>	<u>201,733</u>	<u>5,691,825</u>
Fund Balances-Ending	<u>\$ 4,220,867</u>	<u>\$ 1,317,633</u>	<u>\$ 231,459</u>	<u>\$ 5,769,959</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

PROPRIETARY FUNDS

December 31, 2012

		<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash		\$ 605,371	\$ 1,284,787	\$ 1,890,158
Interfund receivables		13,175	-	13,175
Total current assets		<u>618,546</u>	<u>1,284,787</u>	<u>1,903,333</u>
Total Assets		<u>\$ 618,546</u>	<u>\$ 1,284,787</u>	<u>\$ 1,903,333</u>
<u>LIABILITIES</u>				
Current liabilities:				
Interfund payables		\$ 342,158	\$ 437,618	\$ 779,776
Total current liabilities		<u>342,158</u>	<u>437,618</u>	<u>779,776</u>
Total Liabilities		<u>342,158</u>	<u>437,618</u>	<u>779,776</u>
<u>NET POSITION</u>				
Unrestricted		<u>276,388</u>	<u>847,169</u>	<u>1,123,557</u>
Total Net Position		<u>\$ 276,388</u>	<u>\$ 847,169</u>	<u>\$ 1,123,557</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

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

PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,650,915	\$ 2,358,976	\$ 5,009,891
Total Operating Revenues	<u>2,650,915</u>	<u>2,358,976</u>	<u>5,009,891</u>
Operating Expenses:			
Public works	1,371,562	1,406,253	2,777,815
Total Operating Expenses	<u>1,371,562</u>	<u>1,406,253</u>	<u>2,777,815</u>
Operating Income	<u>1,279,353</u>	<u>952,723</u>	<u>2,232,076</u>
Non-Operating Revenues (Expenses):			
Interest income	273	188	461
Proceeds from bank financing	1,947,903	7,052,097	9,000,000
Bank financing costs	(10,433)	(41,731)	(52,164)
Debt service principal	(1,636,422)	(6,065,895)	(7,702,317)
Debt service interest	(276,240)	(1,053,287)	(1,329,527)
Capital outlay	-	(822,697)	(822,697)
Total Non-Operating Revenues (Expenses)	<u>25,081</u>	<u>(931,325)</u>	<u>(906,244)</u>
Income Before Transfers	1,304,434	21,398	1,325,832
Transfers:			
Transfers In	152,500	144,793	297,293
Transfers Out	(1,090,248)	(152,500)	(1,242,748)
Total Transfers	<u>(937,748)</u>	<u>(7,707)</u>	<u>(945,455)</u>
Change in Net Position	<u>366,686</u>	<u>13,691</u>	<u>380,377</u>
Total Net Position - Beginning	<u>(90,298)</u>	<u>833,478</u>	<u>743,180</u>
Total Net Position - Ending	<u>\$ 276,388</u>	<u>\$ 847,169</u>	<u>\$ 1,123,557</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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,650,915	\$ 2,358,976	\$ 5,009,891
Payments to vendors and suppliers	(1,371,562)	(1,406,253)	(2,777,815)
Net Cash Provided by Operating Activities	<u>1,279,353</u>	<u>952,723</u>	<u>2,232,076</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds	(937,748)	(7,707)	(945,455)
(Increase) decrease in interfund receivables	117	89	206
Increase (decrease) in interfund payables	(89)	(57,169)	(57,258)
Net Cash Used by Noncapital Financing Activities	<u>(937,720)</u>	<u>(64,787)</u>	<u>(1,002,507)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(822,697)	(822,697)
Proceeds from bank financing	1,947,903	7,052,097	9,000,000
Bank financing costs	(10,433)	(41,731)	(52,164)
Principal paid on debt	(1,636,422)	(6,065,895)	(7,702,317)
Interest paid	(276,240)	(1,053,287)	(1,329,527)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>24,808</u>	<u>(931,513)</u>	<u>(906,705)</u>
Cash Flows from Investing Activities:			
Interest	<u>273</u>	<u>188</u>	<u>461</u>
Net Increase (Decrease) in Cash	366,714	(43,389)	323,325
Cash:			
Beginning	<u>238,657</u>	<u>1,328,176</u>	<u>1,566,833</u>
Ending	<u>\$ 605,371</u>	<u>\$ 1,284,787</u>	<u>\$ 1,890,158</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2012

<u>ASSETS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan	Agency Funds
Cash and cash equivalents	\$ 45,001	\$ 504,604	\$ 24,788
Member contributions in transit	5,777	-	-
Accrued income	-	26,437	-
Investment assets, at fair value	8,203,701	5,187,991	-
Total Assets	<u>\$ 8,254,479</u>	<u>\$ 5,719,032</u>	<u>\$ 24,788</u>
<u>LIABILITIES</u>			
Benefits payable	\$ -	\$ 82,462	\$ -
Escrow liabilities	-	-	24,788
Total Liabilities	<u>-</u>	<u>82,462</u>	<u>\$ 24,788</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	<u>\$ 8,254,479</u>	<u>\$ 5,636,570</u>	

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	<u>ADDITIONS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan
Contributions:			
Plan members		\$ 78,449	\$ 25,933
Employer		-	66,323
State		74,935	161,088
Total contributions		<u>153,384</u>	<u>253,344</u>
Net Investment Income:			
Net appreciation (depreciation) in fair value of investments		347,703	466,356
Interest/dividends		-	153,662
Investment expenses		(39,301)	(37,936)
Net investment income		<u>308,402</u>	<u>582,082</u>
Total Additions		<u>461,786</u>	<u>835,426</u>
	<u>DEDUCTIONS</u>		
Benefits and refunds of member contributions		<u>518,952</u>	<u>321,452</u>
Total Deductions		<u>518,952</u>	<u>321,452</u>
Change in Net Position		(57,166)	513,974
Net Position-Beginning		<u>8,311,645</u>	<u>5,122,596</u>
Net Position-Ending		<u>\$ 8,254,479</u>	<u>\$ 5,636,570</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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 cash basis of accounting, 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 effects on the financial statements of the significant differences between the cash basis of accounting and GAAP are that revenues are recorded when received rather than earned and expenditures are recognized when paid rather than when incurred. Only interfund receivables are recognized as assets while no fixed assets, nor infrastructure assets, are capitalized and depreciated; and, only payroll taxes payable and interfund payables are recognized as liabilities while other long-term obligations, such as notes payable and compensated absences, are not recognized.

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.

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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities which report financial 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position 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.

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:

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.

The other governmental funds of the City account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes and financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds are classified as 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.

Sewer Fund

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer collection and disposal system.

Water Fund

The Water Fund accounts for the operation and maintenance of the City's water supply and distribution system.

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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.

Agency Funds

Agency Funds are custodial in nature with assets and liabilities being equal and do not involve measurement of results of operation.

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 and proprietary fund financial statements are reported using the economic resources measurement focus and the cash basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included, within the limitations of the cash basis of accounting, on the statement of net position and the statement of activities present increases (revenues) and decreases (expenses) in total net position.

Governmental and proprietary fund financial statements are reported using the current financial resources measurement focus and are accounted for using the cash basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheet, within the limitations of the cash basis of accounting. The statement of revenues, expenditures, and changes in fund balance reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Plan liabilities are 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.

If the City utilized GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds would use the accrual basis of accounting.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Operating revenues and expenses are distinguished from nonoperating items in the proprietary fund statement of revenues, expenses and changes in net position. Operating revenues and expenses result from the proprietary funds' principal ongoing operations. Principal operating revenues are charges to customers for wastewater collection, transmission, and treatment (Sewer Fund) and water usage and transmission (Water Fund). Operating expenses include the cost of providing wastewater services (Sewer Fund) and water (Water Fund), and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Cash and Equivalents

Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

E. Interfund Activity

Interfund activity is the flow of resources between the funds of the City and include loans, transfers, services provided and used, and reimbursements. Loans are amounts provided between funds with a requirement for repayment and are reported as interfund receivables and payables on the fund financial statements. Transfers are flows of resources between funds without requirement for repayment and are reported as transfers in and transfers out. Interfund activities (receivables, payables, and transfers) between governmental funds are eliminated on the government-wide financial statements. Services provided and used are sales and purchases of goods and services between funds and are reported as revenues and expenditures or expenses in the funds. Reimbursements are repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

F. Net Position

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its 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. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

G. Fund Balances

In the fund financial statements, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Fund Balances (Continued)

Nonspendable

Fund balances are reported as nonspendable when amounts cannot be spent either because they are not in spendable form (items that are not expected to be converted to cash) or because they are legally or contractually required to be maintained intact.

Restricted

Fund balances are reported as restricted when there are limitations imposed on their use whether through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed

Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a formal resolution or ordinance. Only the City Council may modify or rescind the commitment.

Assigned

Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned

Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

H. Use of Estimates

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

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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.

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, 2011. 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, 2012, the carrying amount of the City's cash deposits with financial institutions was \$4,390,139 and the financial institutions balances totaled \$4,590,751, which is categorized as follows:

Category 1	\$ 607,262
Category 3	<u>3,983,489</u>
Total Cash Deposits	<u>\$ 4,590,751</u>

Investments

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 3 – Cash Deposits and Investments (Continued)

Investments (Continued)

The investments of the Non-Uniformed Employees' Pension Plan and 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.

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 securities held by a counterparty are as follows:

	<u>Government-- wide</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Certificates of Deposit	\$ 2,280,049	\$ –	\$ 2,280,049
Municipal Debt	–	960,278	960,278
Corporate Debt	–	1,220,813	1,220,813
Mutual Funds – Debt	204,829	8,312,135	8,516,964
Equities	51,435	2,568,058	2,619,493
Exchange-traded Funds	–	330,408	330,408
Total	<u>\$ 2,536,313</u>	<u>\$ 13,391,692</u>	<u>\$ 15,928,005</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, 2012, the credit quality ratings of the debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>		<u>Moody's Rating</u>
	<u>Government wide</u>	<u>Pension Trust Fund</u>	
Municipal Debt	\$ –	\$ 54,553	Aa
Municipal Debt	–	331,271	A
Municipal Debt	–	574,454	N/A
Total Municipal Debt	–	960,278	
Corporate Debt	–	13,721	Aaa
Corporate Debt	–	138,864	A
Corporate Debt	–	770,805	Baa
Corporate Debt	–	88,485	Caa
Corporate Debt	–	208,938	N/A
Total Corporate Debt	–	1,220,813	
Mutual Funds – Debt	204,829	8,312,135	N/A
Total	<u>\$ 204,829</u>	<u>\$ 10,493,226</u>	

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, 2012.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 3 – Cash Deposits and Investments (Continued)

Investments (Continued)

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, 2012 included the following:

Investment Type	Fair Value	Remaining Maturities (Years)				
		Less than 1	1-5	6-10	More than 10	N/A
Certificates of Deposit	\$ 2,280,049	\$ -	\$ 630,011	\$ 1,650,038	\$ -	\$ -
Municipal Debt	960,278	65,345	704,738	190,195	-	-
Corporate Debt	1,220,813	101,250	1,012,696	93,146	13,721	-
Mutual Funds – Debt	8,516,964	-	8,274,050	-	-	313,263
Total by Maturity Dates	<u>\$ 12,978,104</u>	<u>\$ -</u>	<u>\$ 10,039,101</u>	<u>\$ 968,481</u>	<u>\$ 138,224</u>	<u>\$ 313,263</u>

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 2012 was \$57,524,826. The real estate tax millage rates for 2012 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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 4 – Taxes (Continued)

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, 2012 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 4,098
	Water	137,368
Capital Reserve	General Fund	338,047
	Sewer	342,158
	Water	287,075
Sewer	General Fund	165
	Water	13,010
Total		<u>\$ 1,121,921</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, 2012 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 1,090,248
Capital Reserve Fund	General Fund	5,235
Health Insurance Fund	General Fund	98,004
Liquid Fuels Tax Fund	General Fund	6,680
Water Fund	General Fund	144,793
	Sewer	152,500
Total		<u>\$ 1,497,460</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 6 – Interfund Transfers (Continued)

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

Long-Term Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2012:

	<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	\$ 926,661	\$ —	\$ (97,893)	\$ 828,768	\$ 100,064
<u>Business-Type Activities</u>					
Notes payable	4,423,692	9,000,000	(247,317)	13,176,375	523,982
Bonds payable	<u>10,745,000</u>	—	<u>(7,455,000)</u>	<u>3,290,000</u>	<u>110,000</u>
Business-type activities long-term debt	<u>15,168,692</u>	<u>9,000,000</u>	<u>(7,702,317)</u>	<u>16,466,375</u>	<u>633,982</u>
Total long term debt	<u>\$16,095,353</u>	<u>\$ 9,000,000</u>	<u>\$ (7,800,210)</u>	<u>\$17,295,143</u>	<u>\$ 734,046</u>

A summary of long-term debt outstanding at December 31, 2012, follows:

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
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.	\$ 1,083,406
\$ 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.	\$ 1,424,857

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 7 –Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
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.	1,939,666
9,000,000	General Obligation Note issued to S&T Bank, dated December 14, 2012, to satisfy remaining balance of General Obligation Bond Series of 2009 and funding of capital projects and secured by the full faith, credit and taxing power of the City. Repayable at \$39,760 monthly with interest of 2.33 percent through December 13, 2019 and a maturity date of December 14, 2037. The Sewer Fund is responsible for 21% of the debt and the Water Fund is responsible for 79% of the debt.	9,000,000
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.	557,214
3,440,000	General Obligation Bond, Series of 2011, to satisfy remaining balance of General Obligation Note to S&T Bank and funding of capital projects, dated February 23, 2011 and secured by the full faith, credit, and taxing power of the City. The bonds are scheduled to mature at various times through December 15, 2033 and bear variable interest rates from 2.000% to 5.250%.	3,290,000
	Total Long-Term Debt Outstanding	<u>\$17,295,143</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>
2013	\$ 734,046	\$ 540,412	\$ 1,274,458
2014	753,149	519,109	1,272,258
2015	772,923	496,984	1,269,907
2016	792,857	474,334	1,267,191
2017	819,574	449,531	1,269,105
2018-2022	4,210,657	1,844,087	6,054,744
2023-2027	3,686,491	1,155,696	4,842,187
2028-2032	3,032,430	608,173	3,640,603
2033-2037	<u>2,493,016</u>	<u>147,324</u>	<u>2,640,340</u>
	<u>\$17,295,143</u>	<u>\$ 6,235,650</u>	<u>\$23,530,793</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 8 – Non-Uniformed Employees' Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to all full-time, non-uniformed employees of the City and their beneficiaries. Vesting of Plan benefits occurs after twelve years of credited service. The Plan is governed by the City Council, who has delegated the authority to manage certain assets to TCG Investment Advisory, Inc., with Nationwide Financial as custodian. Financial Statements of the Plan are separately issued and can be obtained by contacting TCG Investment Advisory, Inc.

Membership

Membership of the plan consisted of the following at December 31, 2012:

Retired Members and Beneficiaries	32
Terminated plan members entitled to but not yet receiving benefits	3
Active Members	<u>47</u>
Total Membership	<u>82</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.

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 2012:

Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market

Actuarial Assumptions:

Investment Rate of Return	7.25%
Projected Salary Increases	4.25%

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Actuarial Valuation Date for Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 67,898	2005	100%
2008	74,669	2007	100%
2009	69,798	2007	100%
2010	58,803	2009	100%
2011	67,351	2009	100%
2012	74,935	2011	100%

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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 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, 2011, the date of the latest actuarial valuation:

Retired Members and Beneficiaries	13
Active Members	<u>14</u>
Total Membership	<u>27</u>

Funding Policy

Members are required to contribute 5% of their gross compensation 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, 2011
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	4-year smoothing
Amortization Method	Level Dollar Closed
Remaining amortization period	12 years (aggregate)
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases (Includes inflation at 3%)	4.50%

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 9 – Police Pension Plan (Continued)

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, 2012 were as follows:

Annual required contribution	\$ 227,411
Interest on net pension obligation	(4,939)
Adjustment to annual required contribution	<u>2,288</u>
Annual pension cost	224,760
Contributions made	<u>227,411</u>
Change in net pension obligation	(2,651)
Net pension obligation beginning of year	<u>(73,164)</u>
Net pension obligation end of year	<u>\$ (75,815)</u>

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 230,582	100.00%
2008	222,937	100.00%
2009	248,166	100.00%
2010	210,932	100.00%
2011	181,198	110.71%
2012	227,411	100.00%

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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 – Consent Order and Agreement

During January 2012, the City entered into a Consent Order and Agreement (COA) with the Pennsylvania Department of Environmental Protection (DEP). The COA relates to the discharge of toxic effluents from the City's Sewage Treatment Plant in violation of Pennsylvania's Clean Streams Law and contains the findings and corrective actions. The COA imposed a \$10,000 civil penalty, which the City paid December 30, 2011, issued corrective actions, and stipulates additional civil penalties until compliance is achieved. Corrective actions were implemented in early 2012, which require various testing, screening and reporting, and will continue until DEP determines the City is in compliance. The costs of the corrective actions and stipulated penalties average approximately \$12,000 per month in 2012 and the City estimates these will continue through 2013.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

NON-UNIFORMED EMPLOYEES' PENSION PLAN

For the Year Ended December 31, 2012

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>
1/1/03	\$ 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%
1/1/11	8,561,916	7,531,921	(1,029,995)	113.68%	1,579,676	-65.20%

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, 2012

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>
1/1/03	\$ 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%
1/1/11	5,496,241	6,060,700	564,459	91%	816,898	69%

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,230,808	\$ 2,230,808	\$ 2,606,444	\$ 375,636
Intergovernmental	274,396	274,396	378,646	104,250
Charges for services	822,682	822,682	534,475	(288,207)
Licenses and permits	120,950	120,950	125,855	4,905
Fines and forfeitures	69,000	69,000	68,381	(619)
Interest and rentals	113,600	113,600	171,792	58,192
Miscellaneous	148,076	148,076	451,836	303,760
Total Revenues	<u>3,779,512</u>	<u>3,779,512</u>	<u>4,337,429</u>	<u>557,917</u>
Expenditures:				
Current:				
General government	1,103,487	1,103,487	1,391,124	(287,637)
Public safety	2,069,895	2,069,895	1,730,219	339,676
Public works	911,722	911,722	935,050	(23,328)
Community and economic development	5,000	5,000	660	4,340
Culture and recreation	319,993	319,993	243,449	76,544
Debt service:				
Principal	117,020	117,020	97,893	19,127
Interest	21,487	21,487	21,995	(508)
Capital outlay	362,341	362,341	293,029	69,312
Other	381,456	381,456	425,768	(44,312)
Total Expenditures	<u>5,292,401</u>	<u>5,292,401</u>	<u>5,139,187</u>	<u>153,214</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,512,889)</u>	<u>(1,512,889)</u>	<u>(801,758)</u>	<u>711,131</u>
Other Financing Sources (Uses):				
Transfers in	1,608,889	1,608,889	1,090,248	(518,641)
Transfers out	(96,000)	(96,000)	(254,712)	(158,712)
Total Other Financing Sources (Uses)	<u>1,512,889</u>	<u>1,512,889</u>	<u>835,536</u>	<u>(677,353)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>33,778</u>	<u>33,778</u>
Fund Balance-Beginning	<u>4,187,089</u>	<u>4,187,089</u>	<u>4,187,089</u>	<u>-</u>
Fund Balance-Ending	<u>\$ 4,187,089</u>	<u>\$ 4,187,089</u>	<u>\$ 4,220,867</u>	<u>\$ 33,778</u>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2012

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 a budget for the Capital Reserve Fund, a major special revenue fund, 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, 2012

	<u>Special Revenue Funds</u>				
	<u>Community Development Block Grant</u>	<u>Health Insurance</u>	<u>Liquid Fuels Tax</u>	<u>Sandy Lick Creek Phase II</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash investments	\$ 25	\$ 209,445	\$ 22,495	\$ 3,592	\$ 235,557
Interfund receivables	-	-	-	-	-
Total Assets	\$ 25	\$ 209,445	\$ 22,495	\$ 3,592	\$ 235,557
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	4,098	-	-	-	4,098
Total Liabilities	4,098	-	-	-	4,098
Fund Balances:					
Restricted:					
General government	-	209,445	-	-	209,445
Public works	-	-	22,495	-	22,495
Culture and recreation	-	-	-	3,592	3,592
Unassigned	(4,073)	-	-	-	(4,073)
Total Fund Balances	(4,073)	209,445	22,495	3,592	231,459
Total Liabilities and Fund Balances	\$ 25	\$ 209,445	\$ 22,495	\$ 3,592	\$ 235,557

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, 2012

	Special Revenue Funds				Total Other Governmental Funds
	Community Development Block Grant	Health Insurance	Liquid Fuels Tax	Sandy Lick Creek Phase II	
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	337,150	-	185,474	-	522,624
Charges for services	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rentals	-	-	151	2	153
Miscellaneous	-	-	-	-	-
Total Revenues	<u>337,150</u>	<u>-</u>	<u>185,625</u>	<u>2</u>	<u>522,777</u>
Expenditures:					
Current:					
General government	-	55,058	-	-	55,058
Public safety	-	-	-	-	-
Public works	-	-	204,444	-	204,444
Community and economic development	327,844	-	-	-	327,844
Culture and recreation	-	-	-	10,389	10,389
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	<u>327,844</u>	<u>55,058</u>	<u>204,444</u>	<u>10,389</u>	<u>597,735</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,306</u>	<u>(55,058)</u>	<u>(18,819)</u>	<u>(10,387)</u>	<u>(74,958)</u>
Other Financing Sources (Uses):					
Capital assets sales	-	-	-	-	-
Transfers in	-	98,004	6,680	-	104,684
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>98,004</u>	<u>6,680</u>	<u>-</u>	<u>104,684</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9,306</u>	<u>42,946</u>	<u>(12,139)</u>	<u>(10,387)</u>	<u>29,726</u>
Fund Balances-Beginning	<u>(13,379)</u>	<u>166,499</u>	<u>34,634</u>	<u>13,979</u>	<u>201,733</u>
Fund Balances-Ending	<u>\$ (4,073)</u>	<u>\$ 209,445</u>	<u>\$ 22,495</u>	<u>\$ 3,592</u>	<u>\$ 231,459</u>