

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

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

December 31, 2013

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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 cash basis 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, 2013, and the related notes to the financial statements, which collectively comprise the City's primary government basic financial statements 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 and the standards applicable to the 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 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 effectiveness of 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 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 has not been determined.

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, 2013, 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 effects 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 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, 2013, 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, 2013, 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 32 through 35 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 government 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 historical 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 basic 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 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 basic 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 primary government basic 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 primary government basic financial statements or to the primary government basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the primary government basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, 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* in considering the City of DuBois, Pennsylvania's internal control over financial reporting and compliance.

Sharkey Piccirillo Keen & Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
February 5, 2015

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

December 31, 2013

		Primary Government		
		Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>				
Cash		\$ 3,468,082	\$ 542,769	\$ 4,010,851
Investments		2,543,733	-	2,543,733
Internal balances		137,533	165	137,698
Total Assets		<u>\$ 6,149,348</u>	<u>\$ 542,934</u>	<u>\$ 6,692,282</u>
<u>LIABILITIES</u>				
Liabilities:				
Payroll taxes payable		\$ 8,553	\$ -	\$ 8,553
Internal balances		165	137,533	137,698
Total Liabilities		<u>8,718</u>	<u>137,533</u>	<u>146,251</u>
<u>NET POSITION</u>				
Restricted for:				
General government		526,508	-	526,508
Public works		17,176	-	17,176
Culture and recreation		3,593	-	3,593
Unrestricted		5,593,353	405,401	5,998,754
Total Net Position		<u>\$ 6,140,630</u>	<u>\$ 405,401</u>	<u>\$ 6,546,031</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2013

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	\$ 2,540,896	\$ 178,046	\$ 270,028	\$ -	\$ (2,092,822)	\$ -	\$ (2,092,822)
Public safety	1,924,121	460,671	-	5,550	(1,457,900)	-	(1,457,900)
Public works	1,650,455	1	196,640	-	(1,453,814)	-	(1,453,814)
Community and economic development	1,122,806	-	537,626	2,685,222	2,100,042	-	2,100,042
Culture and recreation	2,344,981	65,540	-	141,800	(2,137,641)	-	(2,137,641)
Principal on long-term debt	377,833	-	-	-	(377,833)	-	(377,833)
Interest on long-term debt	31,986	-	-	-	(31,986)	-	(31,986)
Total governmental activities	<u>9,993,078</u>	<u>704,258</u>	<u>1,004,294</u>	<u>2,832,572</u>	<u>(5,451,954)</u>	<u>-</u>	<u>(5,451,954)</u>
Business-type activities:							
Sewer	2,032,025	2,785,647	-	-	-	753,622	753,622
Water	3,003,537	2,427,795	-	-	-	(575,742)	(575,742)
Total business-type activities	<u>5,035,562</u>	<u>5,213,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,880</u>	<u>177,880</u>
Total Primary Government	<u>\$ 15,028,640</u>	<u>\$ 5,917,700</u>	<u>\$ 1,004,294</u>	<u>\$ 2,832,572</u>	<u>(5,451,954)</u>	<u>177,880</u>	<u>(5,274,074)</u>
General Revenues:							
Taxes:							
Real estate					1,257,797	-	1,257,797
Residence					16,787	-	16,787
Per capita					16,777	-	16,777
Real estate transfer					83,683	-	83,683
Earned income					955,137	-	955,137
Local services tax					368,019	-	368,019
Intergovernmental revenues					98,905	-	98,905
Interest					476,064	-	476,064
Miscellaneous					358,457	-	358,457
Capital assets sales					98,508	-	98,508
Proceeds from borrowings					1,196,455	-	1,196,455
Transfers					896,036	(896,036)	-
Total General Revenues and Transfers					<u>5,822,625</u>	<u>(896,036)</u>	<u>4,926,589</u>
Change in Net Position					370,671	(718,156)	(347,485)
Net Position - Beginning					<u>5,769,959</u>	<u>1,123,557</u>	<u>6,893,516</u>
Net Position - Ending					<u>\$ 6,140,630</u>	<u>\$ 405,401</u>	<u>\$ 6,546,031</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2013

	<u>ASSETS</u>	General	Other Governmental Funds	Total Governmental Funds
Cash and cash investments		\$ 2,885,004	\$ 583,078	\$ 3,468,082
Investments		2,543,733	-	2,543,733
Interfund receivables		137,533	-	137,533
Total Assets		<u>\$ 5,566,270</u>	<u>\$ 583,078</u>	<u>\$ 6,149,348</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Payroll taxes payable		\$ 8,553	\$ -	\$ 8,553
Interfund payables		165	-	165
Total Liabilities		<u>8,718</u>	<u>-</u>	<u>8,718</u>
Fund Balances:				
Restricted:				
General government		-	526,508	526,508
Public works		-	17,176	17,176
Culture and recreation		-	3,593	3,593
Unassigned		5,557,552	35,801	5,593,353
Total Fund Balances		<u>5,557,552</u>	<u>583,078</u>	<u>6,140,630</u>
Total Liabilities and Fund Balances		<u>\$ 5,566,270</u>	<u>\$ 583,078</u>	<u>\$ 6,149,348</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, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 2,698,200	\$ -	\$ 2,698,200
Intergovernmental	3,261,052	674,642	3,935,694
Charges for services	512,565	-	512,565
Licenses and permits	127,793	-	127,793
Fines and forfeitures	63,899	-	63,899
Interest and rentals	472,506	3,636	476,142
Miscellaneous	358,457	-	358,457
Total Revenues	<u>7,494,472</u>	<u>678,278</u>	<u>8,172,750</u>
Expenditures:			
Current:			
General government	1,709,419	64,345	1,773,764
Public safety	1,844,679	-	1,844,679
Public works	1,055,151	187,146	1,242,297
Community and economic development	32,974	453,018	485,992
Culture and recreation	598,395	-	598,395
Debt service:			
Principal	377,833	-	377,833
Interest	31,986	-	31,986
Capital outlay	3,126,731	-	3,126,731
Other	511,401	-	511,401
Total Expenditures	<u>9,288,569</u>	<u>704,509</u>	<u>9,993,078</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,794,097)</u>	<u>(26,231)</u>	<u>(1,820,328)</u>
Other Financing Sources (Uses):			
Capital assets sales	98,508	-	98,508
Proceeds from borrowings	1,196,455	-	1,196,455
Transfers in	1,931,819	96,000	2,027,819
Transfers out	(96,000)	(1,035,783)	(1,131,783)
Total Other Financing Sources (Uses)	<u>3,130,782</u>	<u>(939,783)</u>	<u>2,190,999</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,336,685</u>	<u>(966,014)</u>	<u>370,671</u>
Fund Balances-Beginning	<u>4,220,867</u>	<u>1,549,092</u>	<u>5,769,959</u>
Fund Balances-Ending	<u>\$ 5,557,552</u>	<u>\$ 583,078</u>	<u>\$ 6,140,630</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

PROPRIETARY FUNDS

December 31, 2013

		<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash		\$ 248,013	\$ 294,756	\$ 542,769
Interfund receivables		13,175	-	13,175
Total current assets		<u>261,188</u>	<u>294,756</u>	<u>555,944</u>
Total Assets		<u>\$ 261,188</u>	<u>\$ 294,756</u>	<u>\$ 555,944</u>
<u>LIABILITIES</u>				
Current liabilities:				
Interfund payables		\$ -	\$ 150,543	\$ 150,543
Total current liabilities		<u>-</u>	<u>150,543</u>	<u>150,543</u>
Total Liabilities		<u>-</u>	<u>150,543</u>	<u>150,543</u>
<u>NET POSITION</u>				
Unrestricted		261,188	144,213	405,401
Total Net Position		<u>\$ 261,188</u>	<u>\$ 144,213</u>	<u>\$ 405,401</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, 2013

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,783,127	\$ 2,423,540	\$ 5,206,667
Total Operating Revenues	<u>2,783,127</u>	<u>2,423,540</u>	<u>5,206,667</u>
Operating Expenses:			
Public works	1,570,244	1,357,086	2,927,330
Total Operating Expenses	<u>1,570,244</u>	<u>1,357,086</u>	<u>2,927,330</u>
Operating Income	<u>1,212,883</u>	<u>1,066,454</u>	<u>2,279,337</u>
Non-Operating Revenues (Expenses):			
Interest income	2,520	4,255	6,775
Proceeds from bank financing	1,707,748	1,760,319	3,468,067
Bank financing costs	(14,704)	(14,264)	(28,968)
Debt service principal	(1,922,665)	(1,689,407)	(3,612,072)
Debt service interest	(118,164)	(352,703)	(470,867)
Capital outlay	(113,996)	(1,350,396)	(1,464,392)
Total Non-Operating Revenues (Expenses)	<u>(459,261)</u>	<u>(1,642,196)</u>	<u>(2,101,457)</u>
Income Before Transfers	753,622	(575,742)	177,880
Transfers:			
Transfers In	342,158	287,075	629,233
Transfers Out	(1,110,980)	(414,289)	(1,525,269)
Total Transfers	<u>(768,822)</u>	<u>(127,214)</u>	<u>(896,036)</u>
Change in Net Position	<u>(15,200)</u>	<u>(702,956)</u>	<u>(718,156)</u>
Total Net Position - Beginning	<u>276,388</u>	<u>847,169</u>	<u>1,123,557</u>
Total Net Position - Ending	<u>\$ 261,188</u>	<u>\$ 144,213</u>	<u>\$ 405,401</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, 2013

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,783,127	\$ 2,423,540	\$ 5,206,667
Payments to vendors and suppliers	(1,570,244)	(1,357,086)	(2,927,330)
Net Cash Provided by Operating Activities	<u>1,212,883</u>	<u>1,066,454</u>	<u>2,279,337</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers (to)/from other funds	(768,822)	(127,214)	(896,036)
(Increase) decrease in interfund receivables	-	-	-
Increase (decrease) in interfund payables	(342,158)	(287,075)	(629,233)
Net Cash Used by Noncapital Financing Activities	<u>(1,110,980)</u>	<u>(414,289)</u>	<u>(1,525,269)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(113,996)	(1,350,396)	(1,464,392)
Proceeds from bank financing	1,707,748	1,760,319	3,468,067
Bank financing costs	(14,704)	(14,264)	(28,968)
Principal paid on debt	(1,922,665)	(1,689,407)	(3,612,072)
Interest paid	(118,164)	(352,703)	(470,867)
Net Cash Used by Capital and Related Financing Activities	<u>(461,781)</u>	<u>(1,646,451)</u>	<u>(2,108,232)</u>
Cash Flows from Investing Activities:			
Interest	<u>2,520</u>	<u>4,255</u>	<u>6,775</u>
Net Decrease in Cash	(357,358)	(990,031)	(1,347,389)
Cash:			
Beginning	<u>605,371</u>	<u>1,284,787</u>	<u>1,890,158</u>
Ending	<u>\$ 248,013</u>	<u>\$ 294,756</u>	<u>\$ 542,769</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2013

<u>ASSETS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan	Agency Funds
Cash and cash equivalents	\$ 45,619	\$ 712,807	\$ 33,934
Member contributions in transit	5,871	-	-
Accrued income	-	25,547	-
Investment assets, at fair value	<u>8,948,295</u>	<u>5,956,227</u>	<u>-</u>
Total Assets	<u>\$ 8,999,785</u>	<u>\$ 6,694,581</u>	<u>\$ 33,934</u>
 <u>LIABILITIES</u>			
Benefits payable	\$ -	\$ 81,146	\$ -
Escrow liabilities	<u>-</u>	<u>-</u>	<u>33,934</u>
Total Liabilities	<u>-</u>	<u>81,146</u>	<u>\$ 33,934</u>
 <u>NET POSITION</u>			
Held in trust for pension benefits	<u>\$ 8,999,785</u>	<u>\$ 6,613,435</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, 2013

	<u>ADDITIONS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan
Contributions:			
Plan members		\$ 71,942	\$ 26,758
Employer		-	59,557
State		-	268,021
Total contributions		<u>71,942</u>	<u>354,336</u>
Net Investment Income:			
Net appreciation (depreciation) in fair value of investments		1,261,020	804,099
Interest/dividends		-	147,587
Investment expenses		(40,545)	(40,360)
Net investment income		<u>1,220,475</u>	<u>911,326</u>
Total Additions		<u>1,292,417</u>	<u>1,265,662</u>
	<u>DEDUCTIONS</u>		
Benefits and refunds of member contributions		<u>547,111</u>	<u>288,797</u>
Total Deductions		<u>547,111</u>	<u>288,797</u>
Change in Net Position		745,306	976,865
Net Position-Beginning		<u>8,254,479</u>	<u>5,636,570</u>
Net Position-Ending		<u>\$ 8,999,785</u>	<u>\$ 6,613,435</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

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 City provides what are considered general government services including public safety, streets, parks and recreation, community and economic development, planning and zoning, permits and inspection, general administrative, and water and wastewater services.

Consistent with the guidance contained in GASB No. 14, *The Financial Reporting Entity*, the criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity, are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

- (a) Organizations that make up the legal City entity.
- (b) Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City as defined below:

Impose its Will - If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - Exists if the City:

- (1) is entitled to the organization's resources, or
 - (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or
 - (3) is obligated in some manner for the debt of the organization.
- (c) Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 1 – Reporting Entity

However, based on the foregoing criteria, the organizations listed below have been identified as component units which would otherwise be included in the City's financial reporting entity, or as joint ventures/jointly governed organizations for which disclosure of pertinent financial information is required in accordance with generally accepted accounting principles:

Includible Component Units

Redevelopment Authority of the City of DuBois
DuBois Housing Authority
Hospital Authority of the City of DuBois
DuBois Public Library

Joint Ventures/Jointly Governed Organizations

DuBois, Falls Creek, Sandy Township Joint Transportation Authority

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared on the basis of cash receipts and disbursements (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.

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.

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 are generally 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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 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.

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

The General Fund is the City's primary operating fund and the only major governmental fund. This fund is used to account for all financial resources except those required to be 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.

The other governmental funds of the City account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income and expenses, changes in net position, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing or delivering goods or services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City's proprietary funds are classified as enterprise funds, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges in a manner similar to private business enterprises. The following are the City's major enterprise funds:

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.

Fiduciary Funds

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

Pension Trust Fund

The Pension Trust Fund accounts for the revenues received, expenses incurred, and the net 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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

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, and inflows (revenues and other financing sources) and outflows (expenditures and other financing uses) of expendable financial resources are included on the statement of revenues, expenditures, and changes in fund balance.

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.

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 cash and 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.

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.

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers, as applicable. 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 on the fund financial statements. Loans and transfers within governmental activities or business-type activities are eliminated on the government-wide financial statements, while loans and transfers between governmental activities and business-type activities are not eliminated.

F. Deferred Outflows/Inflows of Resources

The government-wide statement of net position and the governmental and proprietary funds balance sheets include separate sections for deferred outflows of resources and deferred inflows of resources, when applicable. Deferred outflows of resources represent a consumption of net position or net assets that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows or resources represent an acquisition of net position or net assets that apply to a future period as so will not be recognized as an inflow of resources (revenue) until that time. The City had no deferred outflows of resources or deferred inflows of resources to report in its financial statements for the current year.

G. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources less 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.

H. Fund Balances

In the governmental fund financial statements, 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:

Nonspendable

Fund balances are reported as nonspendable when amounts cannot be spent 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.

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Fund Balances (Continued)

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.

I. 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.

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 corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 3 – Cash Deposits and Investments (Continued)

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

The City's cash deposits with financial institutions include demand deposit accounts and nonnegotiable certificates of deposit through local financial institutions, which are reported as cash and cash investments in the financial statements. Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the City at December 31, 2013. 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, 2013, the carrying amount of the City's cash deposits with financial institutions was \$4,025,295 and the financial institutions balances totaled \$4,050,948, which is categorized as follows:

Category 1	\$ 570,465
Category 3	<u>3,480,483</u>
Total Cash Deposits	<u>\$ 4,050,948</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.

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.

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 negotiable 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, 2013.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 3 – Cash Deposits and Investments (Continued)

Investments (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 securities held by a counterparty are as follows:

	<u>Government- wide</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Negotiable Certificates of Deposit	\$ 2,280,049	\$ –	\$ 2,280,049
Municipal Debt	–	844,886	844,886
Corporate Debt	–	1,219,844	1,219,844
Mutual Funds – Fixed Income	–	114,621	114,621
Mutual Funds – Debt	212,311	8,948,295	9,160,606
Equities	51,373	3,368,324	3,419,697
Exchange-traded Funds	–	408,552	408,552
Total	\$ 2,543,733	\$ 14,904,522	\$ 17,448,255

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, 2013, 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	\$ –	\$ 50,631	Aa
Municipal Debt	–	295,443	A
Municipal Debt	–	498,812	N/A
Total Municipal Debt	–	844,886	
Corporate Debt	–	581	Aaa
Corporate Debt	–	134,335	A
Corporate Debt	–	857,564	Baa
Corporate Debt	–	75,750	Caa
Corporate Debt	–	151,614	N/A
Total Corporate Debt	–	1,219,844	
Mutual Funds – Fixed Income	–	114,621	N/A
Mutual Funds – Debt	212,311	8,948,295	N/A
Total	\$ 212,311	\$ 11,127,646	

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, 2013 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>11 or more</u>	<u>N/A</u>
Negotiable Certificates of Deposit	\$ 2,280,049	\$ –	\$ 1,280,035	\$ 1,000,014	\$ –	\$ –
Municipal Debt	844,886	–	692,140	152,746	–	–
Corporate Debt	1,219,844	50,397	1,168,866	–	581	–
Mutual Funds – Fixed Income	114,621	–	–	–	–	114,621
Mutual Funds – Debt	9,160,606	–	8,451,197	709,409	–	–
Total by Maturity Dates	\$ 13,620,006	\$ 50,397	\$ 11,592,238	\$ 1,862,169	\$ 581	\$ 114,621

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

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 2013 was \$58,285,511. The real estate tax millage rates for 2013 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, 2013

Note 5 – Interfund Balances

Interfund balances at December 31, 2013 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water	\$ 137,533
Sewer	General Fund	165
	Water	<u>13,010</u>
Total		<u>\$ 150,708</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, 2013 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Capital Reserve	\$ 406,550
	Sewer	1,110,980
	Water	414,289
Sewer	Capital Reserve	342,158
Water	Capital Reserve	287,075
Health Insurance Fund	General Fund	<u>96,000</u>
Total		<u>\$ 2,657,052</u>

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

Note 7 – Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2013:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Due within One Year</u>
Notes payable	\$ 828,768	\$ 1,196,456	\$ (377,833)	\$ 1,647,391	\$ 116,361
<u>Business-Type Activities</u>					
Notes payable	13,176,375	3,468,067	(3,502,072)	13,142,370	446,107
Bonds payable	3,290,000	-	(110,000)	3,180,000	110,000
Total Business-type activities	<u>16,466,375</u>	<u>3,468,067</u>	<u>(3,612,072)</u>	<u>16,322,370</u>	<u>556,107</u>
Total long term debt	<u>\$ 17,295,143</u>	<u>\$ 4,664,523</u>	<u>\$ (3,989,905)</u>	<u>\$ 17,969,761</u>	<u>\$ 672,468</u>

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 7 – Debt

A summary of long-term debt outstanding at December 31, 2013, 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.	\$ 1,018,480
4,664,523	General Obligation Note issued to S&T Bank, dated March 8, 2013 to satisfy funding of capital projects and secured by the full faith credit and taxing power of the City. Repayable at \$20,609 monthly with a current interest rate of 2.33% and a maturity date of March 8, 2028. The Sewer Fund is responsible for 37.73% of the debt, the Water Fund is responsible for 36.62% of the debt and the General Fund is responsible for 25.65% of the debt.	4,561,255
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.	8,732,597
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.	477,429
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%.	3,180,000
	Total Long-Term Debt Outstanding	<u>\$17,969,761</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

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>
2014	\$ 672,468	\$ 484,421	\$ 1,156,889
2015	685,328	469,210	1,154,538
2016	697,670	454,153	1,151,823
2017	716,929	436,807	1,153,736
2018	735,704	419,247	1,154,951
2019-2023	3,569,922	1,818,319	5,388,241
2024-2028	3,878,964	1,290,047	5,169,011
2029-2033	4,194,350	687,656	4,882,006
2034-2038	<u>2,818,426</u>	<u>141,125</u>	<u>2,959,551</u>
	<u>\$17,969,761</u>	<u>\$ 6,200,985</u>	<u>\$24,170,746</u>

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, 2013:

Retired Members and Beneficiaries	34
Terminated plan members entitled to but not yet receiving benefits	4
Active Members	<u>44</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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

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 2013:

Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age
Asset Valuation Method	Smoothing
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	5.00%

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Actuarial Valuation Date for Contributions</u>	<u>Percentage Contributed</u>
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%
2013	-	2013	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 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, 2013, the date of the latest actuarial valuation:

Retired Members and Beneficiaries	12
Active Members	<u>13</u>
Total Membership	<u>25</u>

Funding Policy

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

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

Note 9 – Police Pension Plan (Continued)

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, 2013
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	4-year smoothing
Amortization Method	Level Dollar Closed
Remaining amortization period	11 years (aggregate)
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases (Includes inflation at 3%)	4.50%

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%
2013	327,578	100.00%

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, 2013 were as follows:

Annual required contribution	\$ 327,578
Interest on net pension obligation	(5,307)
Adjustment to annual required contribution	<u>2,319</u>
Annual pension cost	324,590
Contributions made	<u>327,578</u>
Change in net pension obligation	(2,988)
Net pension obligation beginning of year	<u>(75,815)</u>
Net pension obligation end of year	<u><u>\$ (78,803)</u></u>

Note 10 – Litigation

The City, in the normal course of its activities, is involved with various claims and litigation, which could ultimately result in liabilities for the City. It is the opinion of management that any amount of loss not covered by insurance resulting such from claims and litigation proceedings would not be material to the financial position of the City.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

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 to December 31, 2013, it was discovered that the local earned income tax collector remitted to the City \$460,018 of earned income taxes in excess of the amounts collected for the City. During 2014, the City had \$145,018 withheld from the tax collector's remittances, and entered into an agreement with the tax collector for settlement of the remaining \$315,000 balance, with \$9,000 to be withheld monthly from tax collector remittances through November 2017.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

NON-UNIFORMED EMPLOYEES' PENSION PLAN

For the Year Ended December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) —Entry Age	(c) Unfunded AAL (UAAL) <u>(b) - (a)</u>	(d) Funded Ratio <u>(a)÷(b)</u>	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll <u>(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%
1/1/11	9,100,897	8,883,809	(217,088)	102.40%	1,821,560	-11.90%

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, 2013

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) —Entry Age	(c) Unfunded AAL (UAAL) <u>(b) - (a)</u>	(d) Funded Ratio <u>(a)÷(b)</u>	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll <u>(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%
1/1/13	5,469,233	6,818,574	1,349,341	80%	886,732	152%

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,430,634	\$ 2,430,634	\$ 2,698,200	\$ 267,566
Intergovernmental	277,504	277,504	3,261,052	2,983,548
Charges for services	597,335	597,335	512,565	(84,770)
Licenses and permits	120,500	120,500	127,793	7,293
Fines and forfeitures	71,000	71,000	63,899	(7,101)
Interest and rentals	135,000	135,000	472,506	337,506
Miscellaneous	61,715	61,715	358,457	296,742
Total Revenues	<u>3,693,688</u>	<u>3,693,688</u>	<u>7,494,472</u>	<u>3,800,784</u>
Expenditures:				
Current:				
General government	1,158,391	1,158,391	1,709,419	(551,028)
Public safety	2,050,578	2,050,578	1,844,679	205,899
Public works	904,708	904,708	1,055,151	(150,443)
Community and economic development	-	-	32,974	(32,974)
Culture and recreation	269,345	269,345	598,395	(329,050)
Debt service:				
Principal	103,165	103,165	377,833	(274,668)
Interest	29,942	29,942	31,986	(2,044)
Capital outlay	645,749	645,749	3,126,731	(2,480,982)
Other	535,477	535,477	511,401	24,076
Total Expenditures	<u>5,697,355</u>	<u>5,697,355</u>	<u>9,288,569</u>	<u>(3,591,214)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,003,667)</u>	<u>(2,003,667)</u>	<u>(1,794,097)</u>	<u>209,570</u>
Other Financing Sources (Uses):				
Capital assets sales			98,508	98,508
Proceeds from borrowings			1,196,455	1,196,455
Transfers in	2,104,667	2,104,667	1,931,819	(172,848)
Transfers out	(101,000)	(101,000)	(96,000)	5,000
Total Other Financing Sources (Uses)	<u>2,003,667</u>	<u>2,003,667</u>	<u>3,130,782</u>	<u>1,127,115</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>1,336,685</u>	<u>1,336,685</u>
Fund Balance-Beginning	<u>4,220,867</u>	<u>4,220,867</u>	<u>4,220,867</u>	<u>-</u>
Fund Balance-Ending	<u>\$ 4,220,867</u>	<u>\$ 4,220,867</u>	<u>\$ 5,557,552</u>	<u>\$ 1,336,685</u>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2013

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 had no major special revenue funds for the year ended December 31, 2013.

CITY OF DUBOIS, PENNSYLVANIA

COMBINING BALANCE SHEET
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2013

	Special Revenue Funds					Total Other Governmental Funds
	Community Development Block Grant	Community Development Block Grant	Health Insurance	Liquid Fuels Tax	Sandy Lick Creek Phase II	
<u>ASSETS</u>						
Cash and cash investments	\$ 285,408	\$ 35,801	\$ 241,100	\$ 17,176	\$ 3,593	\$ 583,078
Interfund receivables	-	-	-	-	-	-
Total Assets	<u>\$ 285,408</u>	<u>\$ 35,801</u>	<u>\$ 241,100</u>	<u>\$ 17,176</u>	<u>\$ 3,593</u>	<u>\$ 583,078</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balances:						
Restricted:						
General government	285,408	-	241,100	-	-	526,508
Public works	-	-	-	17,176	-	17,176
Culture and recreation	-	-	-	-	3,593	3,593
Unassigned	-	35,801	-	-	-	35,801
Total Fund Balances	<u>285,408</u>	<u>35,801</u>	<u>241,100</u>	<u>17,176</u>	<u>3,593</u>	<u>583,078</u>
Total Liabilities and Fund Balances	<u>\$ 285,408</u>	<u>\$ 35,801</u>	<u>\$ 241,100</u>	<u>\$ 17,176</u>	<u>\$ 3,593</u>	<u>\$ 583,078</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, 2013

	Special Revenue Funds					Total Other Governmental Funds
	Capital Reserve	Community Development Block Grant	Health Insurance	Liquid Fuels Tax	Sandy Lick Creek Phase II	
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	492,892	-	181,750	-	674,642
Charges for services	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rentals	3,558	-	-	77	1	3,636
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>3,558</u>	<u>492,892</u>	<u>-</u>	<u>181,827</u>	<u>1</u>	<u>678,278</u>
Expenditures:						
Current:						
General government	-	-	64,345	-	-	64,345
Public safety	-	-	-	-	-	-
Public works	-	-	-	187,146	-	187,146
Community and economic development	-	453,018	-	-	-	453,018
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>453,018</u>	<u>64,345</u>	<u>187,146</u>	<u>-</u>	<u>704,509</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,558</u>	<u>39,874</u>	<u>(64,345)</u>	<u>(5,319)</u>	<u>1</u>	<u>(26,231)</u>
Other Financing Sources (Uses):						
Capital assets sales	-	-	-	-	-	-
Transfers in	-	-	96,000	-	-	96,000
Transfers out	(1,035,783)	-	-	-	-	(1,035,783)
Total Other Financing Sources (Uses)	<u>(1,035,783)</u>	<u>-</u>	<u>96,000</u>	<u>-</u>	<u>-</u>	<u>(939,783)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,032,225)</u>	<u>39,874</u>	<u>31,655</u>	<u>(5,319)</u>	<u>1</u>	<u>(966,014)</u>
Fund Balances-Beginning	<u>1,317,633</u>	<u>(4,073)</u>	<u>209,445</u>	<u>22,495</u>	<u>3,592</u>	<u>1,549,092</u>
Fund Balances-Ending	<u>\$ 285,408</u>	<u>\$ 35,801</u>	<u>\$ 241,100</u>	<u>\$ 17,176</u>	<u>\$ 3,593</u>	<u>\$ 583,078</u>

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

<u>Federal Grantor Agency/ Program Title</u>	<u>Pass-Through Grantor (If Applicable)</u>	<u>Federal CFDA Number</u>	<u>Grant Title/ Number</u>	<u>Grant Period</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Community Development Block Grant/State's Program	PA DCED	14.228	C000049970	10/05/10-10/04/15
Community Development Block Grant/State's Program	PA DCED	14.228	C000052315	03/05/12-03/04/17
Community Development Block Grant/State's Program	PA DCED	14.228	C000053186	12/10/12-12/09/17
Total Community Development Block Grant/State's Program				
 Emergency Shelter Grants Program	 PA DCED	 14.231	 C000053478	 10/19/12-08/22/14
 HOME Investment Partnerships Program	 PA DCED	 14.239	 C000046787	 01/19/10-01/18/15
 Total U.S. Department of Housing and Urban Development				
 <u>TRANSPORTATION</u>				
Highway Planning and Construction	PDOT	20.205	029D925	07/05/11-07/04/16
 Total Expenditures of Federal Awards				

The accompanying notes are an integral part of this statement.

(Accrued) Deferred Balance 1/1/2013	Federal Receipts	Federal Expenditures	Other	(Accrued) Deferred Balance 12/31/2013
\$ -	\$ 94,891	\$ 94,891	\$ -	\$ -
(2,160)	132,420	130,260	-	-
(1,938)	114,566	112,628	-	-
(4,098)	341,877	337,779	-	-
-	35,776	35,776	-	-
-	115,239	115,239	-	-
(4,098)	492,892	488,794	-	-
-	368,983	373,030	-	(4,047)
\$ (4,098)	\$ 861,875	\$ 861,824	\$ -	\$ (4,047)

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of DuBois, Pennsylvania under programs of the federal government for the year ended December 31, 2013. 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*.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SHARKEY PICCIRILLO KEEN & HANZELY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of DuBois, Pennsylvania's primary government basic financial statements and have issued our report thereon dated February 5, 2015. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of DuBois, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2013-001, 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*.

City of DuBois, Pennsylvania's Responses to Findings

The City of DuBois, Pennsylvania's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of DuBois, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharkey Piccirillo Keen & Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
February 5, 2015

SHARKEY PICCIRILLO KEEN & HANZELY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our Responsibility is to express an opinion on compliance for each of the City of DuBois, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of DuBois, Pennsylvania's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of DuBois, Pennsylvania complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the City of DuBois, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of DuBois, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sharkey Piccirillo Keen & Hanzely, LLP

SHARKEY PICCIRILLO KEEN & HANZELY, LLP
February 5, 2015

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the governmental activities, the business-type activities, and each major fund, and a qualified opinion on 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 Independent Auditors' 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 were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of DuBois, Pennsylvania expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
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
Highway Planning and Construction	20.205
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, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2013-001: 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 and Government Accounting Standards Board's pronouncements to prepare the City's financial statements in accordance with the reporting requirements of those principles and pronouncements.

Criteria

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

Effect of Condition

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

Recommendation

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

Response

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

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.