

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2016

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's 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
Supplementary Information:	
Budgetary Comparison Schedule – Cash Basis – General Fund	33
Notes to Budgetary Comparison Schedule	34
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, LLP
CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

INDEPENDENT AUDITOR'S 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, 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 from 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 auditor's 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, 2016, or the changes in cash basis financial position thereof for the year then ended in accordance with the cash 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 of the City of DuBois, Pennsylvania, as of December 31, 2016, and the changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 2.

Unmodified Opinions

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 of the City of DuBois, Pennsylvania, as of December 31, 2016, and the respective changes in cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the cash 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 this matter.

Other Matters

Supplementary and 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 basic primary government financial statements.

The budgetary comparison information and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic primary government financial statements.

The budgetary comparison information presented on pages 33 through 34 and combining non-major fund financial statements presented on pages 35 through 36 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic primary government financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic primary government financial statements or to the basic primary government financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic primary government financial statements as a whole.

Sharkey Piccirillo & Keen, LLP

SHARKEY PICCIRILLO & KEEN, LLP
December 14, 2017

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

December 31, 2016

		<u>Primary Government</u>		
		<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>ASSETS</u>				
Cash		\$ 3,334,207	\$ 106,205	\$ 3,440,412
Investments		3,185,834	-	3,185,834
Internal balances		137,543	165	137,708
Total Assets		\$ 6,657,584	\$ 106,370	\$ 6,763,954
<u>LIABILITIES</u>				
Liabilities:				
Payroll taxes payable		\$ 36,186	\$ -	\$ 36,186
Internal balances		165	137,543	137,708
Total Liabilities		36,351	137,543	173,894
<u>NET POSITION</u>				
Restricted for:				
General government		661,684	-	661,684
Public works		54,196	-	54,196
Culture and recreation		-	-	-
Unrestricted		5,905,353	(31,173)	5,874,180
Total Net Position		\$ 6,621,233	\$ (31,173)	\$ 6,590,060

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 2,601,407	\$ 198,632	\$ 267,753	\$ -	\$ (2,135,022)	\$ -	\$ (2,135,022)
Public safety	1,963,408	340,452	-	-	(1,622,956)	-	(1,622,956)
Public works	1,356,473	-	266,338	1,958,590	868,455	-	868,455
Community and economic development	86,019	-	126,726	-	40,707	-	40,707
Culture and recreation	1,657,068	83,344	-	133,962	(1,439,762)	-	(1,439,762)
Principal on long-term debt	150,585	-	-	-	(150,585)	-	(150,585)
Interest on long-term debt	57,356	-	-	-	(57,356)	-	(57,356)
Total governmental activities	7,872,316	622,428	660,817	2,092,552	(4,496,519)	-	(4,496,519)
Business-type activities:							
Sewer	2,127,660	3,467,545	-	-	-	1,339,885	1,339,885
Water	2,267,997	2,851,626	-	1,437,745	-	2,021,374	2,021,374
Total business-type activities	4,395,657	6,319,171	-	1,437,745	-	3,361,259	3,361,259
Total Primary Government	\$ 12,267,973	\$ 6,941,599	\$ 660,817	\$ 3,530,297	(4,496,519)	3,361,259	(1,136,260)
General Revenues:							
Taxes:							
Real estate					1,247,913	-	1,247,913
Residence					710	-	710
Per capita					714	-	714
Real estate transfer					132,831	-	132,831
Earned income					544,184	-	544,184
Local services tax					367,678	-	367,678
Intergovernmental revenues					63,304	-	63,304
Interest					62,466	-	62,466
Miscellaneous					571,483	-	571,483
Capital asset sales					123,348	-	123,348
Transfers					3,406,622	(3,406,622)	-
Total General Revenues and Transfers					6,521,253	(3,406,622)	3,114,631
Change in Net Position					2,024,734	(45,363)	1,979,371
Net Position - Beginning (originally reported)					4,596,499	14,190	4,610,689
Prior Period Adjustment					-	-	-
Net Position - Beginning (as restated)					4,596,499	14,190	4,610,689
Net Position - Ending					\$ 6,621,233	\$ (31,173)	\$ 6,590,060

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2016

<u>ASSETS</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash investments	\$ 2,618,302	\$ 715,905	\$ 3,334,207
Investments	3,185,834	-	3,185,834
Interfund receivables	137,543	-	137,543
Total Assets	\$ 5,941,679	\$ 715,905	\$ 6,657,584
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Payroll taxes payable	\$ 36,186	\$ -	\$ 36,186
Interfund payables	165	-	165
Total Liabilities	36,351	-	36,351
Fund Balances:			
Restricted:			
General government	-	661,684	661,684
Public works	-	54,196	54,196
Culture and recreation	-	-	-
Unassigned	5,905,328	25	5,905,353
Total Fund Balances	5,905,328	715,905	6,621,233
 Total Liabilities and Fund Balances	 \$ 5,941,679	 \$ 715,905	 \$ 6,657,584

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, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 2,294,030	\$ -	\$ 2,294,030
Intergovernmental	2,469,432	347,076	2,816,508
Charges for services	421,456	-	421,456
Licenses and permits	133,962	-	133,962
Fines and forfeitures	67,010	-	67,010
Interest and rentals	60,723	1,908	62,631
Miscellaneous	571,483	-	571,483
Total Revenues	<u>6,018,096</u>	<u>348,984</u>	<u>6,367,080</u>
Expenditures:			
Current:			
General government	1,691,277	92,213	1,783,490
Public safety	1,913,840	-	1,913,840
Public works	1,044,932	208,874	1,253,806
Community and economic development	-	86,019	86,019
Culture and recreation	425,419	-	425,419
Debt service:			
Principal	150,585	-	150,585
Interest	57,356	-	57,356
Capital outlay	1,395,452	-	1,395,452
Other	806,349	-	806,349
Total Expenditures	<u>7,485,210</u>	<u>387,106</u>	<u>7,872,316</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,467,114)</u>	<u>(38,122)</u>	<u>(1,505,236)</u>
Other Financing Sources (Uses):			
Capital assets sales	123,348	-	123,348
Transfers in	3,406,622	132,500	3,539,122
Transfers out	(132,500)	-	(132,500)
Total Other Financing Sources (Uses)	<u>3,397,470</u>	<u>132,500</u>	<u>3,529,970</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,930,356</u>	<u>94,378</u>	<u>2,024,734</u>
Fund Balances-Beginning (originally reported)	3,974,972	621,527	4,596,499
Prior Period Adjustment	-	-	-
Fund Balances-Beginning (as restated)	<u>3,974,972</u>	<u>621,527</u>	<u>4,596,499</u>
Fund Balances-Ending	<u>\$ 5,905,328</u>	<u>\$ 715,905</u>	<u>\$ 6,621,233</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

PROPRIETARY FUNDS

December 31, 2016

		<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
	<u>ASSETS</u>			
Current assets:				
Cash		\$ 104,791	\$ 1,414	\$ 106,205
Interfund receivables		13,175	-	13,175
Total current assets		<u>117,966</u>	<u>1,414</u>	<u>119,380</u>
Total Assets		<u>\$ 117,966</u>	<u>\$ 1,414</u>	<u>\$ 119,380</u>
	<u>LIABILITIES</u>			
Current liabilities:				
Interfund payables		\$ -	\$ 150,553	\$ 150,553
Total current liabilities		<u>-</u>	<u>150,553</u>	<u>150,553</u>
Total Liabilities		<u>-</u>	<u>150,553</u>	<u>150,553</u>
	<u>NET POSITION</u>			
Unrestricted		<u>117,966</u>	<u>(149,139)</u>	<u>(31,173)</u>
Total Net Position		<u>\$ 117,966</u>	<u>\$ (149,139)</u>	<u>\$ (31,173)</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 3,467,481	\$ 2,851,603	\$ 6,319,084
Total Operating Revenues	<u>3,467,481</u>	<u>2,851,603</u>	<u>6,319,084</u>
Operating Expenses:			
Public works	<u>1,575,715</u>	<u>1,364,310</u>	<u>2,940,025</u>
Total Operating Expenses	<u>1,575,715</u>	<u>1,364,310</u>	<u>2,940,025</u>
Operating Income	<u>1,891,766</u>	<u>1,487,293</u>	<u>3,379,059</u>
Non-Operating Revenues (Expenses):			
Capital grants	-	1,437,745	1,437,745
Interest income	64	23	87
Debt service principal	(187,491)	(374,190)	(561,681)
Debt service interest	(99,452)	(279,771)	(379,223)
Capital outlay	<u>(265,002)</u>	<u>(249,726)</u>	<u>(514,728)</u>
Total Non-Operating Revenues (Expenses)	<u>(551,881)</u>	<u>534,081</u>	<u>(17,800)</u>
Income Before Transfers	1,339,885	2,021,374	3,361,259
Transfers:			
Transfers In	-	-	-
Transfers Out	<u>(1,324,499)</u>	<u>(2,082,123)</u>	<u>(3,406,622)</u>
Total Transfers	<u>(1,324,499)</u>	<u>(2,082,123)</u>	<u>(3,406,622)</u>
Change in Net Position	<u>15,386</u>	<u>(60,749)</u>	<u>(45,363)</u>
Total Net Position - Beginning	<u>102,580</u>	<u>(88,390)</u>	<u>14,190</u>
Total Net Position - Ending	<u>\$ 117,966</u>	<u>\$ (149,139)</u>	<u>\$ (31,173)</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,467,481	\$ 2,851,603	\$ 6,319,084
Payments to vendors and suppliers	<u>(1,575,715)</u>	<u>(1,364,310)</u>	<u>(2,940,025)</u>
Net Cash Provided by Operating Activities	<u>1,891,766</u>	<u>1,487,293</u>	<u>3,379,059</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers (to)/from other funds	<u>(1,324,499)</u>	<u>(2,082,123)</u>	<u>(3,406,622)</u>
Net Cash Used by Noncapital Financing Activities	<u>(1,324,499)</u>	<u>(2,082,123)</u>	<u>(3,406,622)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	-	1,437,745	1,437,745
Acquisition and construction of capital assets	(265,002)	(249,726)	(514,728)
Principal paid on debt	(187,491)	(374,190)	(561,681)
Interest paid	<u>(99,452)</u>	<u>(279,771)</u>	<u>(379,223)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(551,945)</u>	<u>534,058</u>	<u>(17,887)</u>
Cash Flows from Investing Activities:			
Interest	<u>64</u>	<u>23</u>	<u>87</u>
Net Increase (Decrease) in Cash	15,386	(60,749)	(45,363)
Cash:			
Beginning	<u>89,405</u>	<u>62,163</u>	<u>151,568</u>
Ending	<u>\$ 104,791</u>	<u>\$ 1,414</u>	<u>\$ 106,205</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2016

<u>ASSETS</u>	<u>Non-Uniformed Pension Plan</u>	<u>Police Retirement Plan</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 61,276	\$ 515,774	\$ 14,925
Receivables:			
Member contributions	9,246	3,154	-
Accrued income	-	33,286	-
Total receivables	<u>9,246</u>	<u>36,440</u>	<u>-</u>
Investment assets, at fair value:			
Municipal debt	-	690,747	-
Corporate debt	-	1,497,150	-
Equities	-	4,530,987	-
Mutual funds - fixed income	3,100,726	327,749	-
Mutual funds - equities	4,628,081	-	-
Limited partnership	-	509,250	-
Total investments	<u>7,728,807</u>	<u>7,555,883</u>	<u>-</u>
Total Assets	<u>\$ 7,799,329</u>	<u>\$ 8,108,097</u>	<u>\$ 14,925</u>
 <u>LIABILITIES</u>			
Refund of member contributions payable	\$ -	\$ 46,724	\$ -
Escrow liabilities	-	-	14,925
Total Liabilities	<u>-</u>	<u>46,724</u>	<u>\$ 14,925</u>
 <u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>			
Net position restricted for pension benefits	<u>\$ 7,799,329</u>	<u>\$ 8,061,373</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, 2016

<u>ADDITIONS</u>	<u>Non-Uniformed Pension Plan</u>	<u>Police Retirement Plan</u>
Contributions:		
Plan members	\$ 97,693	\$ 28,135
Employer	-	271,158
State	69,916	169,160
Total contributions	<u>167,609</u>	<u>468,453</u>
Net Investment Income:		
Net appreciation (depreciation) in fair value of investments	408,790	569,529
Interest/dividends	-	151,232
Investment expenses	(37,523)	(45,617)
Net investment income	<u>371,267</u>	<u>675,144</u>
Total Additions	<u>538,876</u>	<u>1,143,597</u>
<u>DEDUCTIONS</u>		
Benefits and refunds of member contributions	<u>720,405</u>	<u>291,715</u>
Change in Net Position	(181,529)	851,882
Net Position Restricted for Pension Benefits-Beginning	<u>7,980,858</u>	<u>7,209,491</u>
Net Position Restricted for Pension Benefits-Ending	<u>\$ 7,799,329</u>	<u>\$ 8,061,373</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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 Statement 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, 2016

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.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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, 2016

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 time and savings deposits, including 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, 2016. 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 cash deposits are uninsured and uncollateralized, or 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, 2016, the carrying amount of the City's cash deposits with financial institutions was \$3,439,604 and the financial institutions balances totaled \$3,556,065, which is categorized as follows:

Category 1	\$ 1,000,000
Category 3	<u>2,556,065</u>
Total Cash Deposits	<u>\$ 3,556,065</u>

Investments

The investments of the City are reported in the financial statements at cost, and investments of the Non-Uniformed Employees' Pension Plan and the Police Retirement Plan, collectively disclosed as the Pension Trust Fund, are reported at fair value. Fair value reporting and disclosure 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.

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. Investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments are excluded from the disclosure of concentration of credit risk identifying investments in any one issuer that represent 5% or more of plan net assets. The City's government-wide investments of negotiable certificates of deposit were the only investments subject to the concentration of credit risk disclosure criteria:

Issuer	Amount	Issuer	Amount
Barclays Bank of Delaware	\$ 273,675	JPMorgan Chase Bank	\$ 253,650
Wells Fargo Bank	291,267	HSBC Bank USA	246,275
Union Bank	281,680	Bank of the West	235,682
Goldman Sachs Bank USA	264,263		

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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	\$ 1,846,492	\$ –	\$ 1,846,492
Municipal Debt	–	690,747	690,747
Corporate Debt	1,169,897	1,497,150	2,667,047
Mutual Funds – Fixed Income	–	3,428,475	3,428,475
Mutual Funds – Equities	–	4,628,081	4,628,081
Equities	107,850	4,530,987	4,638,837
Limited partnership	–	509,250	509,250
Total	<u>\$ 3,124,239</u>	<u>\$ 15,284,690</u>	<u>\$ 18,408,929</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, 2016, the credit quality ratings of the debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>		<u>Rating</u>	<u>Organization</u>
	<u>Government- wide</u>	<u>Pension Trust Fund</u>		
Municipal Debt	\$ –	\$ 256,083	Aa	Moody's
Municipal Debt	–	106,083	A	Moody's
Municipal Debt	–	328,581	N/A	
Total Municipal Debt	<u>–</u>	<u>690,747</u>		
Corporate Debt/Bonds	68,474	–	AAA	S&P
Corporate Debt/Bonds	245,732	–	+AA,-AA	S&P
Corporate Debt/Bonds	518,799	–	A,-A	S&P
Corporate Debt/Bonds	152,115	–	+BBB,-BBB	S&P
Corporate Debt/Bonds	139,327	–	+BB,BB,-BB	S&P
Corporate Debt/Bonds	45,450	–	+B,B	S&P
Corporate Debt/Bonds	–	77,345	A	Moody's
Corporate Debt/Bonds	–	148,500	Ba	Moody's
Corporate Debt/Bonds	–	1,044,473	Baa	Moody's
Corporate Debt/Bonds	–	75,375	Caa	Moody's
Corporate Debt/Bonds	–	151,457	N/A	
Total Corporate Debt/Bonds	<u>1,169,897</u>	<u>1,497,150</u>		
Mutual Funds – Fixed Income	–	232,071	A	Morningstar
Mutual Funds – Fixed Income	–	1,240,606	BBB	Morningstar
Mutual Funds – Fixed Income	–	1,086,010	BB	Morningstar
Mutual Funds – Fixed Income	–	869,788	N/A	
Total Fixed Income	<u>–</u>	<u>3,428,475</u>		
Mutual Funds – Equities	–	4,628,081	N/A	
Limited Partnership – Fixed	–	509,250	N/A	
Total	<u>\$ 1,169,897</u>	<u>\$ 10,753,703</u>		

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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, 2016 included the following:

Investment Type	Fair Value	Remaining Maturities (Years)				N/A
		Less than 1	1-5	6-10	11 or more	
Negotiable Certificates of Deposit	\$ 1,846,492	\$ 281,680	\$ 1,564,812	\$ -	\$ -	\$ -
Municipal Debt	690,747	156,167	494,011	40,569	-	-
Corporate Debt	2,667,047	340,791	961,343	392,562	972,351	-
Limited Partnership – Fixed	509,250	-	-	-	-	509,250
Mutual Funds – Fixed Income	3,428,475	543,051	232,071	1,782,640	542,964	327,749
Mutual Funds – Equities	<u>4,628,081</u>	-	-	-	-	<u>4,628,081</u>
Total by Maturity Dates	<u>\$ 13,770,092</u>	<u>\$ 1,321,689</u>	<u>\$ 3,252,237</u>	<u>\$ 2,215,771</u>	<u>\$ 1,515,315</u>	<u>\$ 5,465,080</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

All the investments for the DuBois City Non-Uniformed Pension Plan, presented in the Statement of Fiduciary Net Position, are held by Nationwide Trust Company as custodian. As such they are classified in Level 2 of the fair value hierarchy.

All Investments for the DuBois City Police Retirement Plan, presented in the Statement of Fiduciary Net Position are classified in Level 1 of the fair value hierarchy.

All Investments for the DuBois City, presented in the Governmental Fund Balance Sheet are classified in Level 1 of the fair value hierarchy.

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 millage rates as provided for in the City Code.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 4 – Taxes (Continued)

Assessed value is 25% of market value. The City's net taxable assessed value for 2016 was \$58,609,944. The real estate tax millage rates for 2016 were:

<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.

Tax Abatements

As of December 31, 2016, the City provides tax abatements through two programs – the Local Economic Revitalization Tax Assistance (LERTA) and Keystone Opportunity Zone (KOZ). The property taxes are abated through a reduction of assessed value.

The LERTA program provides tax abatements for improvements to business property located in a deteriorated area. The local tax authority established an exemption schedule not to exceed 10 years and shall specify the portion of improvements to be exempted each year. Savings will be realized on a sliding scale beginning with 100% exempt for year 1. The total property taxes abated under the LERTA program for the year ended December 31, 2016 was \$532.

The KOZ program provides state and local tax abatement to business and residents locating in one of 12 designated zones in Pennsylvania. The program was established by the Pennsylvania Department of Community and Economic Development to revive economically distressed urban and rural communities. The KOZ exemption is 100% of the assessed value not to exceed 10 years. The total property taxes abated under the KOZ program for the year ended December 31, 2016 was \$11,023.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 5 – Interfund Balances

Interfund balances at December 31, 2016 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water	\$ 137,543
Sewer	General Fund	165
	Water	<u>13,010</u>
Total		<u>\$ 150,718</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, 2016 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sewer	\$ 1,324,499
	Water	2,082,123
Health Insurance Fund	General Fund	<u>132,500</u>
Total		<u>\$ 3,539,122</u>

Transfers are used to move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires them to be expended 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, 2016:

	<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	\$ 2,402,008	\$ -	\$ (150,585)	\$ 2,251,423	\$ 151,267
<u>Business-Type Activities</u>					
Notes payable	<u>15,579,060</u>	<u>-</u>	<u>(561,881)</u>	<u>15,017,379</u>	<u>579,170</u>
Total long-term debt	<u>\$ 17,981,068</u>	<u>\$ -</u>	<u>\$ (712,266)</u>	<u>\$ 17,268,802</u>	<u>\$ 730,437</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 7 – Debt (Continued)

A summary of long-term debt outstanding at December 31, 2016, 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% during the initial sixty-six months which consists of construction time and the first five years of amortization, 2.416% during the remaining one hundred eighty months. Interest only is payable until February 1, 2007, \$6,928 is due monthly beginning March 1, 2007 and ending February 1, 2012 and from March 1, 2012 through February 1, 2027 maturity \$7,532 is payable monthly.	\$ 814,032
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% interest and a maturity date of September 9, 2019.	230,149
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 for funding of capital projects, secured by the full faith, credit and taxing power of the City. The note is repayable in monthly installments of \$39,760 with interest of 2.33% through December 13, 2019 and a maturity date of December 14, 2037. The Sewer Fund is responsible for 21.64% of the debt and the Water Fund is responsible for 78.36% of the debt.	7,891,997
4,664,523	General Obligation Note issued to S&T Bank, dated March 8, 2013, for funding of capital projects, secured by the full faith credit and taxing power of the City. The note is repayable in monthly installments of \$20,609 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.	4,128,117
\$ 4,400,000	General Obligation Note issued to S&T Bank, dated May 7, 2015, to satisfy remaining balance of General Obligation Bond Series of 2011 and to provide funding for capital projects, secured by the full faith, credit, and taxing power of the City. The note is repayable in monthly installments of \$20,482, including interest of 2.79%, and a maturity date of May 7, 2040. The interest rate is set initially at 2.79% and is scheduled to be adjusted after 7 years to a rate equal to tax-free equivalent of the 30-day LIBOR plus 175 basis points, with a maximum rate of 6%. The Water Fund is responsible for 77.10% of the debt and the General Fund is responsible for 22.90% of the debt.	\$ 4,204,507
	Total Long-Term Debt Outstanding	<u>\$17,268,802</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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>
2017	\$ 730,437	\$ 418,407	\$ 1,148,844
2018	747,894	400,950	1,148,844
2019	736,301	383,128	1,119,429
2020	693,707	366,889	1,060,596
2021	711,979	348,617	1,060,596
2022-2026	3,834,084	1,468,899	5,302,983
2027-2031	3,873,613	992,511	4,866,124
2032-2036	4,365,825	485,235	4,851,060
2037-2040	<u>1,574,962</u>	<u>51,047</u>	<u>1,626,009</u>
	<u>\$17,268,802</u>	<u>\$ 4,915,683</u>	<u>\$22,184,485</u>

Note 8 – Non-Uniformed Pension Plan

Plan Description

The Non-Uniformed Pension Plan is a single-employer defined benefit pension plan that covers all full-time non-uniformed employees of the City. The plan is governed by the City Council which is responsible for the management of plan assets. The City Council has appointed the Pension Board as the official body to which all related investment matters are delegated. The Pension Board consists of seven members: two administration participants, two union participants, two retired individuals, and one Council member.

The City Council 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 the City.

Membership

Membership of the plan consisted of the following at December 31, 2016:

Retirees and Beneficiaries Receiving Benefits	34
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	4
Active Plan Members	<u>40</u>
Total Membership	<u>78</u>

Contributions

Members are required to contribute 3.5% of their gross compensation, with interest credited to these contributions at 6% per year. For employees hired on or after January 1, 2013, interest is not credited to these contributions. The plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for plan funding. Any funding requirements in excess of members' contributions and state aid must be paid by the City in accordance with Act 205.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 8 – Non-Uniformed Pension Plan (Continued)

Benefits Provided

The plan provides retirement, disability, and death benefits. The monthly retirement benefit shall be 2.5% for each year of service, up to a maximum of 90%, times the average monthly salary over the member's highest five consecutive years of employment. For employees hired on or after January 1, 2013, the monthly retirement benefit shall be 50% of the member's average annual salary received during the last or any five years of employment, whichever is higher. Members with 12 years of service are eligible to retire at age 60; members are eligible for voluntary early retirement after 20 years of service, and involuntary retirement after 8 years of service with benefits actuarially reduced for each year or partial year prior to age 60. For employees hired on or after January 1, 2013, members with 20 years of service are eligible to retire at age 60 and a benefit is available prior to attaining age 60 and 20 years of service if the member continues paying monthly employee contributions equal to the last amount due while in active employment until reaching age 60. Members are eligible for service-related monthly disability benefits equal to 50% of salary at the time the disability was incurred, reduced by any available worker's compensation benefits received for the same injuries. After 10 years of service, members, who are certified to be unable to engage in any gainful employment, are eligible for nonservice-related monthly disability benefits equal to 30% of salary at the time the disability was incurred. For employees hired on or after January 1, 2013, an employee who becomes totally and permanently disabled after 10 years of service and before attaining the age of 60 shall be entitled to a benefit equal to a normal retirement benefit with no distinction made between service and non-service related disability. For members eligible to retire at the time of death, a beneficiary will receive death benefits equal to the present value of the accrued benefit. At retirement, the member may select a death benefit for a beneficiary.

Commitment Related to Net Pension Liability

At December 31, 2016, the plan reported a total net pension liability of \$2,169,843. Because of the use of the cash basis of accounting framework in the preparation of the financial statements, this net pension liability is not reported in the City's financial statements, and is instead disclosed herein as a commitment. In accordance with the cash basis of accounting, pension expenditures are only reported when contributions are paid by the City.

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2015. The net pension liability was based on a projection of the City's contributions, plan investment earnings, benefit payments, and other activity in the plan.

Actuarial Assumptions

Actuarial assumptions used in the determination of net pension liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate, and sensitivity of the net pension liability to changes in discount rate are available in the separately issued Non-Uniformed Pension Plan financial report that can be obtained by contacting the City.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 9 – Police Retirement Plan

Plan Description

The Police Retirement Plan is a single-employer defined benefit pension plan that covers all full-time uniformed employees of the City. The plan is governed by the City Council which is responsible for the management of plan assets. The City Council has delegated the authority to manage certain plan assets to S&T Trust. Financial statements of the plan are separately issued and can be obtained by contacting the City.

Membership

Membership of the plan consisted of the following at December 31, 2016:

Retirees and Beneficiaries Receiving Benefits	11
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	2
Active Plan Members	<u>12</u>
Total Membership	<u>25</u>

Contributions

Members are required to contribute 3% of their gross compensation plus \$5 per month to the plan. The plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for plan funding. Any funding requirements in excess of members' contributions and state aid must be paid by the City in accordance with Act 205.

Benefits Provided

The plan provides retirement, disability, and death benefits. The monthly retirement benefit is equal to 50% of final monthly average salary, defined as the last calendar year of employment or average of highest 5 years, if greater, plus service increment of 1/40 of the retirement benefit for each completed year of service in excess of 20 years up to a maximum of \$500. Service after age 65 is not included. Members with 20 years of service are eligible to retire at age 50. Members are eligible for service-related monthly disability benefits equal to the retirement benefit if hired before January 1, 2004 or the retirement benefit offset by worker's compensation if hired on or after January 1, 2004. There are no nonservice-related disability benefits. For active members that were hired before January 1, 2004, 25% of the member's compensation at the date of death is payable to the member's spouse until death or remarriage for members with less than 10 years of service completed; for members with 10 or more years of service completed, 50% of the member's compensation at the date of death is payable to the member's spouse until death or remarriage. For active members that were hired on or after January 1, 2004, the death benefit is the refund of member contributions for members before retirement eligibility; for members after retirement eligibility or after retirement, the monthly death benefit is equal to 50% of the pension the member was receiving or was entitled to receive on the day of the member's death. Inactive member death benefits payable to the member's spouse for deferred vested members is equal to 50% of the deferred vested benefit commencing at normal retirement date; for retired members, a monthly death benefit equal to 50% of the pension the member was receiving is payable to the member's spouse until death or remarriage.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 9 – Police Retirement Plan (Continued)

Commitment Related to Net Pension Liability

At December 31, 2016, the plan reported a total net pension liability of \$161,055. Because of the use of the cash basis of accounting framework in the preparation of the financial statements, this net pension liability is not reported in the City's financial statements, and is instead disclosed herein as a commitment. In accordance with the cash basis of accounting, pension expenditures are only reported when contributions are paid by the City.

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2015. The net pension liability was based on a projection of the City's contributions, plan investment earnings, benefit payments, and other activity in the plan.

Actuarial Assumptions

Actuarial assumptions used in the determination of net pension liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate, and sensitivity of the net pension liability to changes in discount rate are available in the separately issued Police Retirement Plan financial statements that can be obtained by contacting the City.

Note 10 – 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 11 – Commitment

During 2014, 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 in 2013 and 2014 for the City. As a result, the City had \$145,018 withheld from the tax collector remittances during 2014 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. The balance as of December 31, 2016 is \$99,000.

Note 12 – Subsequent Event

On November 6, 2017 the City adopted ordinance #1826 authorizing the incurrence of \$8,600,000 of nonelectoral debt by issuance of a General Obligation Note covenanting to pay, and pledge unlimited taxing power for payment of the Note and established a sinking fund.

The nonelectoral debt is incurred for various acquisition, construction improvement, and remediation capital projects and payment of costs and expenses associated with issuance. The Note is being purchased by a local bank and the term and conditions include a rate of a

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 12 – Subsequent Event (Continued)

nontaxable 2.13% based on 1 month LIBOR plus 200 basis points for a taxable rate of 3.23%, payable at interest only monthly and note maturity date three years from issuance.

Various documents are required for filing with Pennsylvania Department of Community and Economic Development which have been submitted and are pending.

CITY OF DUBOIS, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,274,912	\$ 2,274,912	\$ 2,294,030	\$ 19,118
Intergovernmental	401,232	401,232	2,469,432	2,068,200
Charges for services	394,548	394,548	421,456	26,908
Licenses and permits	127,591	127,591	133,962	6,371
Fines and forfeitures	67,500	67,500	67,010	(490)
Interest and rentals	30,819	30,819	60,723	29,904
Miscellaneous	365,300	365,300	571,483	206,183
Total Revenues	3,661,902	3,661,902	6,018,096	2,356,194
Expenditures:				
Current:				
General government	1,485,352	1,485,352	1,691,277	(205,925)
Public safety	1,954,938	1,954,938	1,913,840	41,098
Public works	924,965	924,965	1,044,932	(119,967)
Community and economic development	-	-	-	-
Culture and recreation	256,957	256,957	425,419	(168,462)
Debt service:				
Principal	149,101	149,101	150,585	(1,484)
Interest	57,257	57,257	57,356	(99)
Capital outlay	76,262	76,262	1,395,452	(1,319,190)
Other	754,145	754,145	806,349	(52,204)
Total Expenditures	5,658,977	5,658,977	7,485,210	(1,826,233)
Excess (Deficiency) of Revenues over Expenditures	(1,997,075)	(1,997,075)	(1,467,114)	529,961
Other Financing Sources (Uses):				
Capital assets sales			123,348	123,348
Transfers in	4,136,000	4,136,000	3,406,622	(729,378)
Transfers out	(2,138,925)	(2,138,925)	(132,500)	2,006,425
Total Other Financing Sources (Uses)	1,997,075	1,997,075	3,397,470	1,400,395
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	-	1,930,356	1,930,356
Fund Balance-Beginning	3,974,972	3,974,972	3,974,972	-
Fund Balance-Ending	\$ 3,974,972	\$ 3,974,972	\$ 5,905,328	\$ 1,930,356

See accompanying notes to budgetary comparison schedules.

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2016

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, 2016.

CITY OF DUBOIS, PENNSYLVANIA

COMBINING BALANCE SHEET
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2016

	<u>Special Revenue Funds</u>				<u>Total Other Governmental Funds</u>
	<u>Capital Reserve</u>	<u>Community Development Block Grant</u>	<u>Health Insurance</u>	<u>Liquid Fuels Tax</u>	
<u>ASSETS</u>					
Cash and cash investments	\$ 290,760	\$ 25	\$ 370,924	\$ 54,196	\$ 715,905
Interfund receivables	-	-	-	-	-
Total Assets	\$ 290,760	\$ 25	\$ 370,924	\$ 54,196	\$ 715,905
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund Balances:					
Restricted:					
General government	290,760	-	370,924	-	661,684
Public works	-	-	-	54,196	54,196
Culture and recreation	-	-	-	-	-
Unassigned	-	25	-	-	25
Total Fund Balances	290,760	25	370,924	54,196	715,905
Total Liabilities and Fund Balances	\$ 290,760	\$ 25	\$ 370,924	\$ 54,196	\$ 715,905

!

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	Special Revenue Funds				Total Other Governmental Funds
	Capital Reserve	Community Development Block Grant	Health Insurance	Liquid Fuels Tax	
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	86,019	-	261,057	347,076
Charges for services	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rentals	1,743	-	-	165	1,908
Miscellaneous	-	-	-	-	-
Total Revenues	1,743	86,019	-	261,222	348,984
Expenditures:					
Current:					
General government	-	-	92,213	-	92,213
Public safety	-	-	-	-	-
Public works	-	-	-	208,874	208,874
Community and economic development	-	86,019	-	-	86,019
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	-	86,019	92,213	208,874	387,106
Excess (Deficiency) of Revenues Over Expenditures	1,743	-	(92,213)	52,348	(38,122)
Other Financing Sources (Uses):					
Capital assets sales	-	-	-	-	-
Transfers in	-	-	132,500	-	132,500
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	132,500	-	132,500
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,743	-	40,287	52,348	94,378
Fund Balances-Beginning	289,017	25	330,637	1,848	621,527
Fund Balances-Ending	\$ 290,760	\$ 25	\$ 370,924	\$ 54,196	\$ 715,905

SHARKEY PICCIRILLO & KEEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

December 14, 2017

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of DuBois, Pennsylvania for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 13, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of DuBois, Pennsylvania are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of DuBois, Pennsylvania's financial statements was:

Management's estimates of the fair values of investments are determined as the values of the last reported sales price on national or international exchanges at year end. We evaluated the key factors and any assumptions used regarding the fair values of the investments in determining that the fair values are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The adjustments listed in the attached Adjusting Journal Entries were detected as a result of audit procedures and were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of DuBois, Pennsylvania's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of DuBois, Pennsylvania's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Additionally, we have communicated certain internal control related matters noted during our audit in our *Communication of Significant Deficiencies and Material Weaknesses*, which accompanies this letter.

Other Matters

We were engaged to report on the budgetary comparison information and the combining non-major fund financial statements, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of DuBois, Pennsylvania and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Sharkey Piccirillo & Keen, LLP

Sharkey Piccirillo & Keen, LLP

CITY OF DUBOIS 2013 CDBG FUND

(SPECIAL REVENUE FUND)

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
FUND BALANCE	D3-270-000	25.00	
2013 CDBG CHECKING	D3-100-010		25.00

To transfer balance to 2015 CDBG Fund.

CITY OF DUBOIS 2015 CDBG FUND

(SPECIAL REVENUE FUND)

Adjusting Journal

12/31/2016

Run: Dec 20 2017 @ 09:14 AM

Description	Acct#	Debit	Credit
2015 CDBG CHECKING	D5-100-010	25.00	
FUND BALANCE	D5-270-000		25.00

To transfer balance from 2013 CDBG Fund.

CITY OF DUBOIS CAPITAL RESERVE FUND

(CAPITAL PROJECTS FUND)

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
CAP RES-MISC WATER	CR-100-102	11.23	
CAP RES-SEWER	CR-100-103	2.25	
CAP RES-SEWER PROJECTS	CR-100-104	3.95	
CAP RES-GENERAL	CR-100-105	5.64	
CAP RES-SEWER LEGAL FEES	CR-100-106	1.13	
CAP RES-WATER VACATION	CR-100-107	1.69	
CAP RES-SEWER VACTOR TRUCK	CR-100-108	1,710.13	
CAP RES-GF VACATION	CR-100-109	5.63	
CAP RES-SF VACATION	CR-100-110	1.13	
INTEREST INCOME	CR-341-100		1,742.78

To record interest earned on CD.

CITY OF DUBOIS GENERAL FUND

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
1			
PIB LOAN WASH. & WEBER BRIDGES	GF-471-210	179.18	
2013 S&T JCI & CAP PROJECTS	GF-471-211	959.51	
2015 S&T CAP PROJECTS	GF-471-212	7.49	
WF PRINC S&T 2012 CAP IMP	GF-471-408	181.95	
S&T JCI & CAP PROJECTS INTEREST	GF-472-211	647.95	
SF-04 PENNVEST LINE RPR INT	GF-472-302	140.53	
WF INT S&T 2012 CAP IMPROV	GF-472-406	121.14	
WF 2015 S&T LOAN INTEREST	GF-472-408	1,835.38	
SF-04 PENNVEST LINE RPR PRINC	GF-471-302		140.53
SF-96 PENNVEST LOAN PRINC	GF-471-307		181.98
SF PRINC S&T 2012 CAP IMP LOAN	GF-471-308		398.53
WF-2013 S&T JCI & CAP PRINC	GF-471-407		560.96
WF - 2015 S&T CAP PROJ	GF-471-408		1,810.80
PIB LOAN INTEREST	GF-472-210		179.18
2015 S&T LOAN INTEREST	GF-472-212		32.07
SF 2013 S&T JCI & CAP INT	GF-472-308		269.14
WF 2013 S&T JCI & CAP INT	GF-472-407		378.83
SF-96 PENNVEST LOAN INT	GF-472-307		121.11
To reclassify principal and interest payments.			
2			
2013 S&T LOAN CAP PROJECTS/JOHNSON CONTROLS	GF-255-602	959.49	
2015 S&T LOAN CAP PROJECTS	GF-255-604	424.41	
PIB LOAN	GF-255-207	113.29	
2013 S&T LOAN CAP PROJECTS/JOHNSON CONTROLS	GF-189-602		959.49
2015 S&T LOAN CAP PROJECTS	GF-189-604		424.41
PIB LOAN	GF-189-700		113.29
To adjust to actual.			
3			
REFUNDS OF PRIOR YEAR EXPENDITURES	GF-394-100	1,437,745.00	
TRANSFER FROM WATER FUND	GF-395-001		1,437,745.00

To reclassify.

CITY OF DUBOIS GENERAL FUND

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
	4		
LEASE MANAGEMENT SF	GF-360-200	3,396,273.16	
LEASE MANAGMENT WF	GF-360-300	2,851,817.61	
SEWER PUBLIC WORKS EXPENDITURES	GF-429-999		1,575,714.42
SF - DEBT SERVICE INTEREST	GF-472-399		99,451.53
SF - DEBT SERVICE PRINCIPAL	GF-471-399		187,491.42
JOHN DEERE X320	GF-493-971		1,582.19
REPLACE JD E25 TRACKHOE	GF-493-974		9,881.59
REPLACE SKID STEER	GF-493-977		8,800.00
F150	GF-493-978		22,652.32
TRAILER	GF-493-979		6,133.32
STP UPGRADES	GF-493-981		2,732.80
HEATING SYSTEM CITY BUILDING	GF-493-982		23,136.44
2017 FREIGHTLINER VACTOR TRUCK	GF-493-988		216,154.80
ACT 537 SEWER PLANT UPGRADES	GF-493-992		4,289.51
TRANSFER FROM SEWER FUND	GF-395-002		1,268,613.86
WATER PUBLIC WORKS EXPENDITURES	GF-450-999		1,364,265.44
WF - DEBT SERVICE PRINCIPAL	GF-471-499		374,189.71
WF - DEBT SERVICE INTEREST	GF-472-499		279,770.82
BOBCAT COMPACT EXCAVATOR	GF-493-973		9,364.31
NEW WATER TRUCK	GF-493-975		127,833.21
FALLS CREEK WATER LINE	GF-493-980		962.50
HERBICIDE APPLPLICATION RESEVOIR	GF-493-993		49,950.00
WTP AUTOMATION	GF-493-994		10,504.50
2017 F250 WTP TRUCK	GF-493-995		20,750.87
TRANSFER FROM WATER FUND	GF-395-001		583,865.21
To reclassify sewer & water public work expenditures, debt service and capital outlays.			
	5		
S&T CD RECYCLING TRUCK	GF-109-029	68.77	
S&T CD MIRACLE FIELD	GF-109-041	1,026.49	
S&T2016 RECYCLING GRANT	GF-109-042	38.01	
CLEARFIELD BANK & TR CD	GF-109-040	436.92	
2016 CBT MIRACLE FIELD	GF-109-043	448.99	
2016 CBT POLICE LOCKER ROOM	GF-109-044	168.37	
2016 CBT PENSION	GF-109-045	56.12	
2016 CBT ALLEYS	GF-109-046	112.25	
FNB THE MIRACLE FIELD	GF-109-059	2.55	
INTEREST EARNINGS	GF-341-100		2,358.47
To record interest earned on CD's.			
	6		
INTEREST EARNINGS	GF-341-100	2,846.30	
FARMERS NAT'L BNK INVESTMENTS	GF-109-036		2,846.30
To adjust for account being closed.			
	7		
CASH ON HAND	GF-100-100	15,734.53	
REAL ESTATE TAX - CURRENT YEAR	GF-301-100		13,669.59
RECREATION & CULTURE TAX	GF-301-300		2,064.94
To record cash on hand at 12/31/16.			

CITY OF DUBOIS GENERAL FUND

Adjusting Journal

12/31/2016

Description		Acct#	Debit	Credit
	8			
S&T INVESTMENT ACCOUNT		GF-103-000	28,357.40	
MISCELLANEOUS EXPENSE		GF-403-480	12,241.61	
REALIZED GAINS ON INVESTMENTS		GF-341-110	3,164.84	
INTEREST EARNINGS		GF-341-100		43,763.85
To adjust.				
	9			
EARNED INCOME TAX		GF-310-200	7,867.99	
OCCUPATIONAL PRIVILEGE TAX		GF-310-500		3,720.41
CONTRACTUAL SERVICES - CENTAX		GF-403-452		4,147.58
To adjust mispostings.				
	10			
RECREATION & CULTURE TAX - PRIOR YR		GF-301-400	3,781.83	
RECREATION & CULTURE TAX		GF-301-300		3,781.83
To reclassify.				
	11			
RESIDENCE TAXES - PRIOR YEAR		GF-308-200	963.96	
PER CAPITA TAXES - PRIOR YEAR		GF-310-020	968.00	
RESIDENCE TAXES - CURRENT YEAR		GF-308-100		963.96
PER CAPITA TAXES - CURRENT YEAR		GF-310-010		968.00
To reclassify.				
	12			
PER CAPITA TAXES - PRIOR YEAR		GF-310-020	1.46	
RESIDENCE TAXES - PRIOR YEAR		GF-308-200		1.46
To adjust.				

CITY OF DUBOIS HEALTH INSURANCE FUND

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
DEDUCTIBLE TRANSFER IN TRANSFERS FROM OTHER FUNDS	HI-380-100 HI-395-000	33,547.67	33,547.67

To reclassify.

CITY OF DUBOIS SEWER FUND

(PROPRIETARY FUND)

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
2013 S&T LOAN CAP PROJECTS & JOHNSON CONTROLS	SF-189-602	398.57	
STP CAP. IMPROV. - S&T 2012	SF-189-801	182.01	
2013 S&T LOAN CAP PROJECTS & JOHNSON CONTROLS	SF-255-602		398.57
STP CAP IMPROV. - S&T 2012	SF-255-801		182.01
To adjust to actual.			
CASH - PENNVEST INTEREST EARNINGS	SF-101-010 SF-364-600	3.66	3.66
To adjust.			
DEBT SERVICE - PRINCIPAL	SF-427-703	187,491.42	
DEBT SERVICE - INTEREST	SF-427-704	99,451.53	
CAPITAL OUTLAYS	SF-493-999	265,001.93	
TRANSFER TO GENERAL FUND	SF-492-200	1,268,613.86	
ADMINISTRATION FEES	SF-427-530		1,820,558.74
To reclassify expenses.			

CITY OF DUBOIS WATER FUND

(PROPRIETARY FUND)

Adjusting Journal

12/31/2016

Description	Acct#	Debit	Credit
1			
CAPITAL IMPR. WTP - S&T 2012	WF-255-601	181.98	
2012 S&T REFINANCE WATER TANKS	WF-189-603	560.95	
2015 S&T WATER TANKS AND CAP PROJ	WF-189-604	424.40	
WTP CAP IMP S&T 2012	WF-189-601		181.98
2012 S&T REFINANCE WATER TANKS	WF-255-603		560.95
2015 S&T WATER TANKS AND CAP PROJ	WF-255-604		424.40
To adjust.			
2			
TRANSFERS TO GENERAL FUND	WF-492-000	1,437,745.00	
PRIOR YEAR EXPENSE	WF-400-481		1,437,745.00
To reclassify.			
3			
DEBT SERVICE - PRINCIPAL PAYMENTS	WF-447-701	374,189.71	
DEBT SERVICE - INTEREST PAYMENTS	WF-447-702	279,770.82	
CAPITAL OUTLAYS	WF-493-999	249,728.43	
TRANSFERS TO GENERAL FUND	WF-492-000	583,865.21	
ADMINISTRATION FEES	WF-447-530		1,487,552.17
To reclassify expenses.			

SHARKEY PICCIRILLO & KEEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of DuBois, Pennsylvania as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City of DuBois, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain 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 following deficiency in internal control to be a material weakness:

Financial reporting duties of the City

Internal control over financial reporting includes controls over financial statement preparation, which would prevent, or detect and correct, a misstatement in the financial statements, including note disclosures. An ideal control system over financial reporting would include an individual within an organization that would have knowledge and experience of the reporting requirements of generally accepted accounting principles and the Governmental Accounting Standards Board.

Financial reporting duties of the City (Continued)

The personnel responsible for the accounting and reporting functions of the City, who have the level of knowledge and experience to review, approve, and accept responsibility for the financial statements, do not currently possess an appropriate level of technical knowledge and experience of generally accepted accounting principles and Governmental Accounting Standards Board pronouncements to prepare the financial statements, including note disclosures, in accordance with the reporting requirements of those principles and pronouncements. This condition increases the risk of possible misstatements; however, it may not be possible to reduce this risk without incurring additional costs.

This communication is for the purpose of reporting certain conditions relating to the City's internal control that we have identified during our audit, as required by Statement on Auditing Standards (SAS) No. 115, *Communication of Internal Control Related Matters Identified in an Audit*. As stated in SAS No. 115, the existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept the degree of risk associated with the deficiencies because of cost or other considerations. Management is responsible for making decisions concerning costs to be incurred and related benefits. The auditor's responsibility to communicate significant deficiencies and material weaknesses exists regardless of management's decisions.

This communication is intended solely for the information and use of management, City Council, and others within the City of DuBois, Pennsylvania, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sharkey Piccirillo + Keen, LLP

SHARKEY PICCIRILLO & KEEN, LLP
December 14, 2017