

CITY OF DUBOIS, PENNSYLVANIA

December 31, 2018

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2018

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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, 2018, 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, 2018, 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, 2018, 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, 2018, 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 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 32 through 33 and combining non-major fund financial statements presented on pages 34 through 35 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 12, 2019

CITY OF DUBOIS, PENNSYLVANIASTATEMENT OF NET POSITION
CASH BASIS

December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 2,391,925	\$ 21,713	\$ 2,413,638
Investments	1,853,984	-	1,853,984
Total Assets	\$ 4,245,909	\$ 21,713	\$ 4,267,622
<u>LIABILITIES</u>			
Liabilities:			
Employee payroll deductions	\$ 31,518	\$ -	\$ 31,518
Total Liabilities	31,518	-	31,518
<u>NET POSITION</u>			
Restricted for:			
General government	426,574	-	426,574
Public works	180,573	-	180,573
Culture and recreation	-	-	-
Unrestricted	3,607,244	21,713	3,628,957
Total Net Position	\$ 4,214,391	\$ 21,713	\$ 4,236,104

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 2,724,510	\$ 202,263	\$ 286,648	\$ -	\$ (2,235,599)	\$ -	\$ (2,235,599)
Public safety	1,963,569	446,858	-	-	(1,516,711)	-	(1,516,711)
Public works	1,320,912	-	297,264	26,300	(997,348)	-	(997,348)
Community and economic development	4,092,106	-	699,343	347,028	(3,045,735)	-	(3,045,735)
Culture and recreation	3,922,125	71,629	-	2,003,750	(1,846,746)	-	(1,846,746)
Principal on long-term debt	159,322	-	-	-	(159,322)	-	(159,322)
Interest on long-term debt	111,511	-	-	-	(111,511)	-	(111,511)
Total governmental activities	14,294,055	720,750	1,283,255	2,377,078	(9,912,972)	-	(9,912,972)
Business-type activities:							
Sewer	2,048,832	4,522,904	-	90,000	-	2,564,072	2,564,072
Water	3,258,024	3,186,960	-	216,049	-	144,985	144,985
Total business-type activities	5,306,856	7,709,864	-	306,049	-	2,709,057	2,709,057
Total Primary Government	\$ 19,600,911	\$ 8,430,614	\$ 1,283,255	\$ 2,683,127	(9,912,972)	2,709,057	(7,203,915)
General Revenues:							
Taxes:							
Real estate					1,227,661	-	1,227,661
Residence					330	-	330
Per capita					325	-	325
Real estate transfer					120,559	-	120,559
Earned income					676,465	-	676,465
Local services tax					362,504	-	362,504
Intergovernmental revenues					63,672	-	63,672
Interest					96,226	55	96,281
Miscellaneous					1,066,746	-	1,066,746
Capital asset sales					10,500	-	10,500
Proceeds from borrowings					3,129,700	-	3,129,700
Transfers					2,862,656	(2,862,656)	-
Total General Revenues and Transfers					9,617,344	(2,862,601)	6,754,743
Change in Net Position					(295,628)	(153,544)	(449,172)
Net Position - Beginning					4,510,019	175,257	4,685,276
Net Position - Ending					\$ 4,214,391	\$ 21,713	\$ 4,236,104

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIABALANCE SHEET
CASH BASISGOVERNMENTAL FUNDS

December 31, 2018

<u>ASSETS</u>	<u>General</u>	<u>Health Insurance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash investments	\$ 1,784,753	\$ 426,574	\$ 180,598	\$ 2,391,925
Investments	1,853,984	-	-	1,853,984
Total Assets	\$ 3,638,737	\$ 426,574	\$ 180,598	\$ 4,245,909
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Employee payroll deductions	\$ 31,518	\$ -	\$ -	\$ 31,518
Total Liabilities	31,518	-	-	31,518
Fund Balances:				
Restricted:				
General government	-	426,574	-	426,574
Public works	-	-	180,573	180,573
Culture and recreation	-	-	-	-
Unassigned	3,607,219	-	25	3,607,244
Total Fund Balances	3,607,219	426,574	180,598	4,214,391
Total Liabilities and Fund Balances	\$ 3,638,737	\$ 426,574	\$ 180,598	\$ 4,245,909

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIASTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASISGOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	General	Health Insurance	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,387,844	\$ -	\$ -	\$ 2,387,844
Intergovernmental	2,770,929	-	952,863	3,723,792
Charges for services	522,939	-	-	522,939
Licenses and permits	141,070	-	-	141,070
Fines and forfeitures	56,741	-	-	56,741
Interest and rentals	96,226	-	213	96,439
Miscellaneous	1,066,746	-	-	1,066,746
Total Revenues	7,042,495	-	953,076	7,995,571
Expenditures:				
Current:				
General government	1,541,480	133,661	-	1,675,141
Public safety	1,948,231	-	-	1,948,231
Public works	872,668	-	238,544	1,111,212
Community and economic development	-	-	661,403	661,403
Culture and recreation	385,269	-	-	385,269
Debt service:				
Principal	159,322	-	-	159,322
Interest	111,511	-	-	111,511
Capital outlay	7,251,964	-	-	7,251,964
Other	990,002	-	-	990,002
Total Expenditures	13,260,447	133,661	899,947	14,294,055
Excess (Deficiency) of Revenues over Expenditures	(6,217,952)	(133,661)	53,129	(6,298,484)
Other Financing Sources (Uses):				
Capital assets sales	10,500	-	-	10,500
Proceeds from borrowings	3,129,700	-	-	3,129,700
Transfers in	2,862,656	285,000	121,706	3,269,362
Transfers out	(406,706)	-	-	(406,706)
Total Other Financing Sources (Uses)	5,596,150	285,000	121,706	6,002,856
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(621,802)	151,339	174,835	(295,628)
Fund Balances-Beginning	4,229,021	275,235	5,763	4,510,019
Fund Balances-Ending	\$ 3,607,219	\$ 426,574	\$ 180,598	\$ 4,214,391

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

PROPRIETARY FUNDS

December 31, 2018

		<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash		\$ 20,003	\$ 1,710	\$ 21,713
Interfund receivables		-	-	-
Total current assets		<u>20,003</u>	<u>1,710</u>	<u>21,713</u>
Total Assets		<u>\$ 20,003</u>	<u>\$ 1,710</u>	<u>\$ 21,713</u>
<u>LIABILITIES</u>				
Current liabilities:				
Interfund payables		\$ -	\$ -	\$ -
Total current liabilities		<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities		<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>				
Unrestricted		<u>20,003</u>	<u>1,710</u>	<u>21,713</u>
Total Net Position		<u>\$ 20,003</u>	<u>\$ 1,710</u>	<u>\$ 21,713</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, 2018

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 4,522,904	\$ 3,186,960	\$ 7,709,864
Total Operating Revenues	<u>4,522,904</u>	<u>3,186,960</u>	<u>7,709,864</u>
Operating Expenses:			
Public works	1,491,253	1,717,103	3,208,356
Total Operating Expenses	<u>1,491,253</u>	<u>1,717,103</u>	<u>3,208,356</u>
Operating Income	<u>3,031,651</u>	<u>1,469,857</u>	<u>4,501,508</u>
Non-Operating Revenues (Expenses):			
Capital grants	90,000	216,049	306,049
Interest income	55	-	55
Debt service principal	(196,858)	(394,475)	(591,333)
Debt service interest	(90,085)	(259,485)	(349,570)
Capital outlay	(270,636)	(886,961)	(1,157,597)
Total Non-Operating Revenues (Expenses)	<u>(467,524)</u>	<u>(1,324,872)</u>	<u>(1,792,396)</u>
Income Before Transfers	2,564,127	144,985	2,709,112
Transfers:			
Transfers In	-	12,935	12,935
Transfers Out	(2,865,654)	(9,937)	(2,875,591)
Total Transfers	<u>(2,865,654)</u>	<u>2,998</u>	<u>(2,862,656)</u>
Change in Net Position	<u>(301,527)</u>	<u>147,983</u>	<u>(153,544)</u>
Total Net Position - Beginning	<u>321,530</u>	<u>(146,273)</u>	<u>175,257</u>
Total Net Position - Ending	<u>\$ 20,003</u>	<u>\$ 1,710</u>	<u>\$ 21,713</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIASTATEMENT OF CASH FLOWS
CASH BASISPROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,522,904	\$ 3,186,960	\$ 7,709,864
Payments to vendors and suppliers	(1,491,253)	(1,717,103)	(3,208,356)
Net Cash Provided by Operating Activities	<u>3,031,651</u>	<u>1,469,857</u>	<u>4,501,508</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers (to)/from other funds	(2,852,479)	(147,555)	(3,000,034)
Net Cash Used by Noncapital Financing Activities	<u>(2,852,479)</u>	<u>(147,555)</u>	<u>(3,000,034)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	90,000	216,049	306,049
Acquisition and construction of capital assets	(270,636)	(886,961)	(1,157,597)
Principal paid on debt	(196,858)	(394,475)	(591,333)
Interest paid	(90,085)	(259,485)	(349,570)
Net Cash Used by Capital and Related Financing Activities	<u>(467,579)</u>	<u>(1,324,872)</u>	<u>(1,792,451)</u>
Cash Flows from Investing Activities:			
Interest	<u>55</u>	<u>-</u>	<u>55</u>
Net Decrease in Cash	<u>(288,352)</u>	<u>(2,570)</u>	<u>(290,922)</u>
Cash:			
Beginning	<u>308,355</u>	<u>4,280</u>	<u>312,635</u>
Ending	<u>\$ 20,003</u>	<u>\$ 1,710</u>	<u>\$ 21,713</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2018

<u>ASSETS</u>	<u>Non-Uniformed Pension Plan</u>	<u>Police Retirement Plan</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 59,532	\$ 108,405	\$ 23,448
Receivables:			
Member contributions	7,708	2,146	-
Accrued income	-	42,111	-
Total receivables	<u>7,708</u>	<u>44,257</u>	<u>-</u>
Investment assets, at fair value:			
Municipal debt	-	317,439	-
Corporate debt	-	3,063,535	-
Equities	-	4,169,295	-
Mutual funds - fixed income	2,912,561	-	-
Mutual funds - balanced	-	356,301	-
Mutual funds - alternative	-	262,144	-
Mutual funds - equities	4,403,607	-	-
Total investments	<u>7,316,168</u>	<u>8,168,714</u>	<u>-</u>
Total Assets	<u>\$ 7,383,408</u>	<u>\$ 8,321,376</u>	<u>\$ 23,448</u>
<u>LIABILITIES</u>			
Benefits payable	\$ -	\$ 27,221	\$ -
Accounts payable for investment sales pending	-	10,562	-
Escrow liabilities	-	-	23,448
Total Liabilities	<u>-</u>	<u>37,783</u>	<u>23,448</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>			
Net position restricted for pension benefits	<u>\$ 7,383,408</u>	<u>\$ 8,283,593</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, 2018

<u>ADDITIONS</u>	<u>Non-Uniformed Pension Plan</u>	<u>Police Retirement Plan</u>
Contributions:		
Plan members	\$ 77,745	\$ 27,211
Employer	32,689	255,286
State	173,322	79,736
Total contributions	<u>283,756</u>	<u>362,233</u>
Net Investment Income:		
Net appreciation (depreciation) in fair value of investments	(504,749)	(521,004)
Interest/dividends	-	179,981
Investment expenses	(38,860)	(51,253)
Net investment income	<u>(543,609)</u>	<u>(392,276)</u>
Total Additions	<u>(259,853)</u>	<u>(30,043)</u>
<u>DEDUCTIONS</u>		
Benefits and refunds of member contributions	693,074	372,991
Miscellaneous	-	1,065
Total deductions	<u>693,074</u>	<u>374,056</u>
Change in Net Position	(952,927)	(404,099)
Net Position Restricted for Pension Benefits-Beginning	<u>8,336,335</u>	<u>8,687,692</u>
Net Position Restricted for Pension Benefits-Ending	<u>\$ 7,383,408</u>	<u>\$ 8,283,593</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018

Note 1 – Reporting Entity

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

Includible Component Units

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

Joint Ventures/Jointly Governed Organizations

DuBois, Falls Creek, Sandy Township Joint Transportation Authority

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared on the basis of cash receipts and disbursements (cash basis) of accounting, which differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies of the City are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund

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

Health Insurance Fund

The Health Insurance Fund accounts for all necessary and sufficient funding for benefits required to support administration of the City Health Reimbursement Account program.

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds (Continued)

Agency Funds

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

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

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Fund Balances (Continued)

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.

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

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 3 – Cash Deposits and Investments (Continued)

any of it 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.

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, 2018. 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, 2018, the carrying amount of the City's cash deposits with financial institutions was \$2,373,551 and the financial institutions balances totaled \$2,867,184, which is categorized as follows:

Category 1	\$ 766,788
Category 3	<u>2,100,396</u>
Total Cash Deposits	<u>\$ 2,867,184</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 had no investments subject to the concentration of credit risk disclosure criteria.

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

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:

	Government- wide	Pension Trust Fund	Total
Negotiable Certificates of Deposit	\$ 296,069	\$ –	\$ 296,069
Municipal Debt	–	317,439	317,439
Corporate Debt	–	3,063,535	3,063,535
Mutual Funds – Fixed Income	–	2,912,561	2,912,561
Mutual Funds – Equities	1,492,782	4,403,607	5,896,389
Mutual Funds -- Balanced	–	356,301	356,301
Mutual Funds – Alternative Equities	–	262,144	262,144
	–	4,169,295	4,169,295
Total	\$ 1,788,851	\$ 15,484,882	\$ 17,273,733

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, 2018, the credit quality ratings of the debt securities are as follows:

Investment Type	Fair Value		Rating	Organization
	Government- wide	Pension Trust Fund		
Municipal Debt	\$ –	\$ 99,927	Aa	Moody's
Municipal Debt	–	101,917	A	Moody's
Municipal Debt	–	115,595	N/A	
Total Municipal Debt	–	317,439		
Corporate Debt/Bonds	–	291,298	Aaa	Moody's
Corporate Debt/Bonds	–	156,389	Aa	Moody's
Corporate Debt/Bonds	–	609,325	A	Moody's
Corporate Debt/Bonds	–	1,758,514	Baa	Moody's
Corporate Debt/Bonds	–	248,009	N/A	
Total Corporate Debt/Bonds	–	3,063,535		
Mutual Funds – Fixed Income	–	168,259	A	Morningstar
Mutual Funds – Fixed Income	–	1,071,854	BBB	Morningstar
Mutual Funds – Fixed Income	–	1,063,696	BB	Morningstar
Mutual Funds – Fixed Income	–	608,752	N/A	
Total Fixed Income	–	2,912,561		
Mutual Funds – Balanced	–	356,301	N/A	
Mutual Funds – Equities	421,192	–	5 Star	Morningstar
Mutual Funds – Equities	1,071,590	–	4 Star	Morningstar
Mutual Funds – Equities	–	4,403,607	N/A	
Total Fixed Income	1,492,782	4,403,607		
Mutual Funds – Alternative	–	262,144	N/A	
Total	\$ 1,492,782	\$ 11,315,587		

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018 included the following:

Investment Type	Fair Value	Remaining Maturities (Years)				
		Less than 1	1-5	6-10	11 or more	N/A
Negotiable Certificates of Deposit	\$ 296,069	\$ 296,069	\$ -	\$ -	\$ -	\$ -
Municipal Debt	317,439	-	317,439	-	-	-
Corporate Debt	3,063,535	401,041	1,959,295	500,537	202,662	-
Mutual Funds – Balanced	356,301	-	-	-	-	356,301
Mutual Funds – Alternative	262,144	-	-	-	-	262,144
Mutual Funds – Fixed Income	2,912,561	534,479	777,011	1,063,696	537,375	-
Mutual Funds – Equities	5,896,389	-	-	-	-	5,896,389
Total by Maturity Dates	\$ 13,104,438	\$ 1,231,589	\$ 3,053,745	\$ 1,564,233	\$ 740,037	\$ 6,514,834

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, PENNSYLVANIANOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 4 – Taxes (Continued)

Assessed value is 25% of market value. The City's net taxable assessed value for 2018 was \$59,596,103. The real estate tax millage rates for 2018 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

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, 2018, 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, 2018 was \$355.

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, 2018 was \$11,023.

Note 5 – Interfund Transfers

Interfund transfers for the year ended December 31, 2018 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sewer	\$ 2,852,719
	Water	9,937
Liquid Fuels Tax Fund	General Fund	121,706

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 5 – Interfund Transfers (Continued)

Health Insurance Fund	General Fund	<u>285,000</u>
Total		<u>\$ 3,269,362</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 6 – Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2018:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Due within One Year</u>
Notes payable	\$ 2,098,028	\$ 3,129,700	\$ (159,322)	\$ 5,068,406	\$ 139,344
<u>Business-Type Activities</u>					
Notes payable	14,440,337	-	(691,333)	13,849,004	608,226
Total long-term debt	<u>\$ 16,538,365</u>	<u>\$ 3,129,700</u>	<u>\$ (750,655)</u>	<u>\$ 18,917,410</u>	<u>\$ 747,570</u>

A summary of long-term debt outstanding at December 31, 2018, 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.	\$ 669,273
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.	58,476

CITY OF DUBOIS, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 6 – Debt (Continued)

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.	7,297,253
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.	3,821,663
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.	3,943,809
3,000,000	General Obligation Note issued to S&T Bank, dated February 2018, as bridge financing while waiting for R-CAP grant used for capital projects, secured by the full faith credit and taxing power of the City. The note is repayable in interest only monthly installments, with all unpaid principal and accrued interest due in full at maturity of February 1, 2021 with a current interest rate of 3.56%.	3,000,000
129,700	Commonwealth of Pennsylvania, USDA, loan for equipment purchase, dated September 21, 2018, repayable in monthly installments of \$1,269 with 3.25% interest and a maturity date of September 18, 2028.	126,936
	Total Long-Term Debt Outstanding	<u>\$18,917,410</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 6 – 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>
2019	\$ 747,570	\$ 458,261	\$ 1,205,831
2020	705,348	441,847	1,147,195
2021	3,724,004	363,911	4,087,915
2022	742,134	333,691	1,075,825
2023	760,721	315,104	1,075,825
2024-2028	3,924,419	1,284,952	5,209,371
2029-2033	4,054,141	796,919	4,851,060
2034-2038	3,918,160	270,295	4,188,455
2039-2040	340,913	7,276	348,189
	<u>\$18,917,410</u>	<u>\$ 4,272,256</u>	<u>\$23,189,666</u>

Note 7 – 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. Effective January 1, 2019, TCG Investment Advisory, Inc., the Registered Investment Advisory company which provides municipal pension consulting services under the name Univest Municipal Pension Services (UMPS), will be known as Girard Pension Services, LLC.

Membership

Membership of the plan consisted of the following at December 31, 2018:

Retirees and Beneficiaries Receiving Benefits	33
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	2
Active Plan Members	<u>40</u>
Total Membership	<u>75</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

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 7 – Non-Uniformed Pension Plan (Continued)

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 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, 2018, the plan reported a total net pension liability of \$4,247,965. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2017. 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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 8 – 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, 2018:

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.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Note 8 – Police Retirement Plan (Continued)

Commitment Related to Net Pension Liability

At December 31, 2018, the plan reported a total net pension liability of \$1,376,205. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2017. 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 9 – Grants

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

CITY OF DUBOIS, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,320,547	\$ 2,320,547	\$ 2,387,844	\$ 67,297
Intergovernmental	3,288,337	3,288,337	2,770,929	(517,408)
Charges for services	384,328	384,328	522,939	138,611
Licenses and permits	147,387	147,387	141,070	(6,317)
Fines and forfeitures	84,531	84,531	56,741	(27,790)
Interest and rentals	13,540	13,540	96,226	82,686
Miscellaneous	389,200	389,200	1,066,746	677,546
Total Revenues	6,627,870	6,627,870	7,042,495	414,625
Expenditures:				
Current:				
General government	1,620,783	1,620,783	1,541,480	79,303
Public safety	2,137,608	2,137,608	1,948,231	189,377
Public works	1,041,834	1,041,834	872,668	169,166
Community and economic development	-	-	-	-
Culture and recreation	371,393	371,393	385,269	(13,876)
Debt service:				
Principal	156,486	156,486	159,322	(2,836)
Interest	49,864	49,864	111,511	(61,647)
Capital outlay	3,070,687	3,070,687	7,251,964	(4,181,277)
Other	749,268	749,268	990,002	(240,734)
Total Expenditures	9,197,923	9,197,923	13,260,447	(4,062,524)
Excess (Deficiency) of Revenues over Expenditures	(2,570,053)	(2,570,053)	(6,217,952)	(3,647,899)
Other Financing Sources (Uses):				
Capital assets sales	-	-	10,500	10,500
Proceeds from borrowings	-	-	3,129,700	3,129,700
Transfers in	2,850,053	2,850,053	2,862,656	12,603
Transfers out	(280,000)	(280,000)	(406,706)	(126,706)
Total Other Financing Sources (Uses)	2,570,053	2,570,053	5,596,150	3,026,097
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	-	(621,802)	(621,802)
Fund Balance-Beginning	4,229,021	4,229,021	4,229,021	-
Fund Balance-Ending	\$ 4,229,021	\$ 4,229,021	\$ 3,607,219	\$ (621,802)

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2018

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, 2018.

CITY OF DUBOIS, PENNSYLVANIACOMBINING BALANCE SHEET
CASH BASISNON-MAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Community Development Block Grant	Liquid Fuels Tax	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and cash investments	\$ 25	\$ 180,573	\$ 180,598
Interfund receivables	-	-	-
Total Assets	\$ 25	\$ 180,573	\$ 180,598
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Employee payroll deductions	\$ -	\$ -	\$ -
Interfund payables	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted:			
General government	-	-	-
Public works	-	180,573	180,573
Culture and recreation	-	-	-
Unassigned	25	-	25
Total Fund Balances	25	180,573	180,598
Total Liabilities and Fund Balances	\$ 25	\$ 180,573	\$ 180,598

CITY OF DUBOIS, PENNSYLVANIACOMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CASH BASISNON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	Community Development Block Grant	Liquid Fuels Tax	Total Other Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	661,403	291,460	952,863
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Interest and rentals	-	213	213
Miscellaneous	-	-	-
Total Revenues	661,403	291,673	953,076
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	238,544	238,544
Community and economic development	661,403	-	661,403
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Other	-	-	-
Total Expenditures	661,403	238,544	899,947
Excess (Deficiency) of Revenues Over Expenditures	-	53,129	53,129
Other Financing Sources (Uses):			
Capital assets sales	-	-	-
Transfers In	-	121,706	121,706
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	121,706	121,706
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	174,835	174,835
Fund Balances-Beginning	25	5,738	5,763
Fund Balances-Ending	\$ 25	\$ 180,573	\$ 180,598

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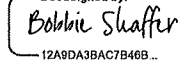
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