

CITY OF DUBOIS, PENNSYLVANIA

December 31, 2019

CITY OF DUBOIS, PENNSYLVANIA

DuBois, Pennsylvania

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT AUDITORS INCLUDING REPORTS
REQUIRED BY THE SINGLE AUDIT ACT AMENDMENTS
OF 1996 AND TITLE 2 U.S. CODE OF FEDERAL
REGULATIONS PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS

December 31, 2019

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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

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2019, 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 for the primary government of the City of DuBois, Pennsylvania, as of December 31, 2019, 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 Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the primary government of the City of DuBois, Pennsylvania, as of December 31, 2019, 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 primary government basic financial statements. The budgetary comparison information and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the primary government basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the primary government basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of the City of DuBois, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of DuBois, Pennsylvania's internal control over financial reporting and compliance.

Sharkey Piccirillo + Keen, LLP

SHARKEY PICCIRILLO & KEEN, LLP
November 19, 2020

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 2,117,302	\$ 57,222	\$ 2,174,524
Due from DuBois Area United Way	128,500	-	128,500
Due from other funds	-	441	441
investments	1,199,700	-	1,199,700
Total Assets	\$ 3,445,502	\$ 57,663	\$ 3,503,165
<u>LIABILITIES</u>			
Liabilities:			
Employee payroll deductions	\$ 33,591	\$ -	\$ 33,591
Due to other funds	441	-	441
Total Liabilities	34,032	-	34,032
<u>NET POSITION</u>			
Restricted for:			
General government	234,779	-	234,779
Public works	44,302	-	44,302
Culture and recreation	-	-	-
Unrestricted	3,132,389	57,663	3,190,052
Total Net Position	\$ 3,411,470	\$ 57,663	\$ 3,469,133

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
CASH BASIS

For the Year Ended December 31, 2019

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		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 2,660,572	\$ 200,993	\$ 313,251	\$ -	\$ (2,146,328)	\$ -	\$ (2,146,328)
Public safety	3,072,538	327,170	-	975,598	(1,769,770)	-	(1,769,770)
Public works	1,875,467	-	295,396	-	(1,580,071)	-	(1,580,071)
Community and economic development	972,499	-	306,736	738,154	72,391	-	72,391
Culture and recreation	2,279,817	94,289	-	541,574	(1,643,954)	-	(1,643,954)
Principal on long-term debt	257,254	-	-	-	(257,254)	-	(257,254)
Interest on long-term debt	119,733	-	-	-	(119,733)	-	(119,733)
Total governmental activities	11,237,880	622,452	915,383	2,255,326	(7,444,719)	-	(7,444,719)
Business-type activities:							
Sewer	2,004,157	4,443,178	-	10,000	-	2,449,021	2,449,021
Water	2,862,427	3,347,815	-	148,500	-	633,888	633,888
Total business-type activities	4,866,584	7,790,993	-	158,500	-	3,082,909	3,082,909
Total Primary Government	\$ 16,104,464	\$ 8,413,445	\$ 915,383	\$ 2,413,826	(7,444,719)	3,082,909	(4,361,810)
General Revenues:							
Taxes:							
Real estate					1,398,893	-	1,398,893
Residence					137	-	137
Per capita					138	-	138
Real estate transfer					90,566	-	90,566
Earned income					706,581	-	706,581
Local services tax					369,410	-	369,410
Intergovernmental revenues					75,361	-	75,361
Interest					97,829	54	97,883
Miscellaneous					460,545	-	460,545
Capital asset sales					43,325	-	43,325
Transfers					3,047,013	(3,047,013)	-
Total General Revenues and Transfers					6,289,798	(3,046,959)	3,242,839
Change in Net Position					(1,154,921)	35,950	(1,118,971)
Net Position - Beginning					4,214,391	21,713	4,236,104
Prior period adjustment					352,000	-	352,000
Net Position - Beginning, as restated					4,566,391	21,713	4,588,104
Net Position - Ending					\$ 3,411,470	\$ 57,663	\$ 3,469,133

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2019

	<u>ASSETS</u>	General	Other Governmental Funds	Total Governmental Funds
Cash and cash investments		\$ 1,838,196	\$ 279,106	\$ 2,117,302
Due from DuBois Area United Way		128,500	-	128,500
Investments		1,199,700	-	1,199,700
Total Assets		<u>\$ 3,166,396</u>	<u>\$ 279,106</u>	<u>\$ 3,445,502</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Employee payroll deductions		\$ 33,591	\$ -	\$ 33,591
Due to other funds		441	-	441
Total Liabilities		<u>34,032</u>	<u>-</u>	<u>34,032</u>
Fund Balances:				
Restricted:				
General government		-	234,779	234,779
Public works		-	44,302	44,302
Culture and recreation		-	-	-
Unassigned		3,132,364	25	3,132,389
Total Fund Balances		<u>3,132,364</u>	<u>279,106</u>	<u>3,411,470</u>
Total Liabilities and Fund Balances		<u>\$ 3,166,396</u>	<u>\$ 279,106</u>	<u>\$ 3,445,502</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

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

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 2,565,725	\$ -	\$ 2,565,725
Intergovernmental	2,681,059	564,883	3,245,942
Charges for services	423,837	-	423,837
Licenses and permits	138,447	-	138,447
Fines and forfeitures	60,168	-	60,168
Interest and rentals	97,829	128	97,957
Miscellaneous	460,545	-	460,545
Total Revenues	<u>6,427,610</u>	<u>565,011</u>	<u>6,992,621</u>
Expenditures:			
Current:			
General government	1,524,597	116,795	1,641,392
Public safety	2,080,393	-	2,080,393
Public works	1,179,042	431,667	1,610,709
Community and economic development	-	269,615	269,615
Culture and recreation	484,644	-	484,644
Debt service:			
Principal	257,254	-	257,254
Interest	119,733	-	119,733
Capital outlay	3,781,680	-	3,781,680
Other	992,460	-	992,460
Total Expenditures	<u>10,419,803</u>	<u>818,077</u>	<u>11,237,880</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,992,193)</u>	<u>(253,066)</u>	<u>(4,245,259)</u>
Other Financing Sources (Uses):			
Capital assets sales	43,325	-	43,325
Transfers in	3,347,013	225,000	3,572,013
Transfers out	(225,000)	(300,000)	(525,000)
Total Other Financing Sources (Uses)	<u>3,165,338</u>	<u>(75,000)</u>	<u>3,090,338</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(826,855)</u>	<u>(328,066)</u>	<u>(1,154,921)</u>
Fund Balances-Beginning (As originally reported)	3,607,219	607,172	4,214,391
Prior Period Adjustment	352,000	-	352,000
Fund Balances-Beginning (Restated)	<u>3,959,219</u>	<u>607,172</u>	<u>4,566,391</u>
Fund Balances-Ending	<u>\$ 3,132,364</u>	<u>\$ 279,106</u>	<u>\$ 3,411,470</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET POSITION
CASH BASIS

PROPRIETARY FUNDS

December 31, 2019

		<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash		\$ 42,218	\$ 15,004	\$ 57,222
Interfund receivables		-	441	441
Total current assets		<u>42,218</u>	<u>15,445</u>	<u>57,663</u>
Total Assets		<u>\$ 42,218</u>	<u>\$ 15,445</u>	<u>\$ 57,663</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>42,218</u>	<u>15,445</u>	<u>57,663</u>
Total Net Position		<u>\$ 42,218</u>	<u>\$ 15,445</u>	<u>\$ 57,663</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, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 4,443,178	\$ 3,347,815	\$ 7,790,993
Total Operating Revenues	<u>4,443,178</u>	<u>3,347,815</u>	<u>7,790,993</u>
Operating Expenses:			
Public works	1,556,668	1,716,147	3,272,815
Total Operating Expenses	<u>1,556,668</u>	<u>1,716,147</u>	<u>3,272,815</u>
Operating Income	<u>2,886,510</u>	<u>1,631,668</u>	<u>4,518,178</u>
Non-Operating Revenues (Expenses):			
Capital grants	10,000	148,500	158,500
Interest income	54	-	54
Debt service principal	(201,600)	(404,384)	(605,984)
Debt service interest	(85,343)	(249,577)	(334,920)
Capital outlay	(160,546)	(492,319)	(652,865)
Total Non-Operating Revenues (Expenses)	<u>(437,435)</u>	<u>(997,780)</u>	<u>(1,435,215)</u>
Income Before Transfers	<u>2,449,075</u>	<u>633,888</u>	<u>3,082,963</u>
Transfers:			
Transfers In	-	-	-
Transfers Out	(2,426,860)	(620,153)	(3,047,013)
Total Transfers	<u>(2,426,860)</u>	<u>(620,153)</u>	<u>(3,047,013)</u>
Change in Net Position	22,215	13,735	35,950
Total Net Position - Beginning	<u>20,003</u>	<u>1,710</u>	<u>21,713</u>
Total Net Position - Ending	<u>\$ 42,218</u>	<u>\$ 15,445</u>	<u>\$ 57,663</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, 2019

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,443,178	\$ 3,347,815	\$ 7,790,993
Payments to vendors and suppliers	(1,556,668)	(1,716,147)	(3,272,815)
Net Cash Provided by Operating Activities	<u>2,886,510</u>	<u>1,631,668</u>	<u>4,518,178</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers (to)/from other funds	(2,426,860)	(620,153)	(3,047,013)
Net Cash Used by Noncapital Financing Activities	<u>(2,426,860)</u>	<u>(620,153)</u>	<u>(3,047,013)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	10,000	148,500	158,500
Acquisition and construction of capital assets	(160,546)	(492,319)	(652,865)
Principal paid on debt	(201,600)	(404,384)	(605,984)
Interest paid	(85,343)	(249,577)	(334,920)
Net Cash Used by Capital and Related Financing Activities	<u>(437,489)</u>	<u>(997,780)</u>	<u>(1,435,269)</u>
Cash Flows from Investing Activities:			
Interest	<u>54</u>	<u>-</u>	<u>54</u>
Net Increase in Cash	22,215	13,735	35,950
Cash:			
Beginning	<u>20,003</u>	<u>1,710</u>	<u>21,713</u>
Ending	<u>\$ 42,218</u>	<u>\$ 15,445</u>	<u>\$ 57,663</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, 2019

	<u>Pension Trust Fund</u>
<u>ADDITIONS</u>	
Contributions:	
Plan members	\$ 107,493
Employer	462,893
State	312,350
Total contributions	<u>882,736</u>
Net Investment Income:	
Net appreciation (depreciation) in fair value of investments	2,373,201
Interest/dividends	181,532
Investment expenses	<u>(87,095)</u>
Net investment income	<u>2,467,638</u>
Total Additions	<u>3,350,374</u>
<u>DEDUCTIONS</u>	
Benefits and refunds of member contributions	1,155,987
Miscellaneous	319
Total deductions	<u>1,156,306</u>
Change in Net Position	2,194,068
Net Position Restricted for Pension Benefits-Beginning	<u>15,667,001</u>
Net Position Restricted for Pension Benefits-Ending	<u>\$ 17,861,069</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2019

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, 2019

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.

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, 2019

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, 2019

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, 2019

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, 2019

Note 3 – Cash Deposits and Investments (Continued)

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.

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, 2019. 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, 2019, the carrying amount of the City's cash deposits with financial institutions was \$2,193,028 and the financial institutions balances totaled \$2,450,643, which is categorized as follows:

Category 1	\$ 776,493
Category 3	<u>1,674,150</u>
Total Cash Deposits	<u>\$ 2,450,643</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, 2019

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	\$ 299,435	\$ –	\$ 299,435
Municipal Debt	–	283,400	283,400
Corporate Debt	–	3,084,206	3,084,206
Mutual Funds – Fixed Income	–	3,204,504	3,204,504
Mutual Funds – Equities	889,874	5,228,984	6,118,858
Mutual Funds -- Balanced	–	362,400	362,400
Mutual Funds – Alternative	–	275,386	275,386
Equities	–	4,761,387	4,761,387
Total	<u>\$ 1,189,309</u>	<u>\$ 17,200,267</u>	<u>\$ 18,389,576</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, 2019, 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	\$ –	\$ 182,210	Aa	Moody's
Municipal Debt	–	101,190	A	Moody's
Total Municipal Debt	–	<u>283,400</u>		
Corporate Debt/Bonds	–	252,727	Aaa	Moody's
Corporate Debt/Bonds	–	224,602	Aa	Moody's
Corporate Debt/Bonds	–	820,091	A	Moody's
Corporate Debt/Bonds	–	1,485,756	Baa	Moody's
Corporate Debt/Bonds	–	301,030	N/A	
Total Corporate Debt/Bonds	–	<u>3,084,206</u>		
Mutual Funds – Fixed Income	–	184,795	A	Morningstar
Mutual Funds – Fixed Income	–	1,758,078	BBB	Morningstar
Mutual Funds – Fixed Income	–	586,343	BB	Morningstar
Mutual Funds – Fixed Income	–	675,288	N/A	
Total Fixed Income	–	<u>3,204,504</u>		
Mutual Funds – Balanced	–	362,400	N/A	
Mutual Funds – Equities	444,272	–	4 Star	Morningstar
Mutual Funds – Equities	445,602	–	3 Star	Morningstar
Mutual Funds – Equities	–	5,228,984	N/A	
Total Fixed Income	<u>889,874</u>	<u>5,228,984</u>		
Mutual Funds – Alternative	–	275,386	N/A	
Total	<u>\$ 889,874</u>	<u>\$ 12,438,880</u>		

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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, 2019 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	\$ 299,435	\$ 299,435	\$ -	\$ -	\$ -	\$ -
Municipal Debt	283,400	101,190	101,965	80,245	-	-
Corporate Debt	3,084,206	357,665	1,845,044	773,997	107,500	-
Mutual Funds – Balanced	362,400	-	-	-	-	362,400
Mutual Funds – Alternative	275,386	-	-	-	-	275,386
Mutual Funds – Fixed Income	3,204,504	585,834	860,083	1,170,113	588,474	-
Mutual Funds – Equities	6,118,858	-	-	-	-	6,118,858
Total by Maturity Dates	\$ 13,628,189	\$ 1,344,124	\$ 2,807,092	\$ 2,024,355	\$ 695,974	\$ 6,756,644

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, 2019

Note 4 – Taxes (Continued)

Assessed value is 25% of market value. The City's net taxable assessed value for 2019 was \$59,134,687. The real estate tax millage rates for 2019 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, 2019, 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, 2019 was \$266.

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, 2019 was \$11,023.

Note 5 – Interfund Balances

Interfund balances at December 31, 2019 consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Water	General Fund	\$ 441

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 5 – Interfund Balances (Continued)

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, 2019 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sewer	\$ 2,426,860
	Water	620,153
	Health Insurance Fund	300,000
Health Insurance Fund	General Fund	<u>225,000</u>
Total		<u>\$ 3,572,013</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, 2019:

	<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	\$ 5,068,406	\$ —	\$ (257,254)	\$ 4,811,152	\$ 71,279
<u>Business-Type Activities</u>					
Notes payable	<u>13,849,004</u>	<u>—</u>	<u>(605,984)</u>	<u>13,243,020</u>	<u>622,428</u>
Total long-term debt	<u>\$ 18,917,410</u>	<u>\$ —</u>	<u>\$ (863,238)</u>	<u>\$ 18,054,172</u>	<u>\$ 693,707</u>

A summary of long-term debt outstanding at December 31, 2019, 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	\$ 594,232

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 7 – Debt (Continued)

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.

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.	6,989,187
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.	3,662,923
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.	3,807,830
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

Total Long-Term Debt Outstanding

\$18,054,172

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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>
2020	\$ 693,707	\$ 438,260	\$ 1,131,967
2021	3,711,979	360,708	4,072,687
2022	729,712	330,885	1,060,597
2023	747,889	312,708	1,060,597
2024	765,703	294,894	1,060,597
2025-2029	3,863,332	1,183,561	5,046,893
2030-2034	4,155,518	695,542	4,851,060
2035-2039	3,284,646	179,377	3,464,023
2040	101,686	722	102,408
	<u>\$18,054,172</u>	<u>\$ 3,796,657</u>	<u>\$21,850,829</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 and which is controlled by the provisions of Ordinance No. 1776, as amended, adopted pursuant to Act 317. The plan is governed by the City Council which is responsible for the management of plan assets. The City Council has appointed a Committee 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 the Girard Pension Services LLC., 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, 2019:

Retirees and Beneficiaries Receiving Benefits	34
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	2
Active Plan Members	<u>39</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, 2019

Note 8 – 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, 2019, the plan reported a total net pension liability of \$3,942,222. 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2019. 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, 2019

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, 2019:

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, 2019

Note 9 – Police Retirement Plan (Continued)

Commitment Related to Net Pension Liability

At December 31, 2019, the plan reported a total net pension liability of \$965,575. 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at January 1, 2019. 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 – Prior Period Adjustment

Prior period adjustment related to a correction in revenue for the year ended December 31, 2019 and resulted in an increase in beginning governmental fund balances and beginning net position of \$352,000. The DuBois Area United Way (the Organization) in 2018 acted as an agent for the City of DuBois by collecting contributions for capital construction and improvements for several baseball fields and related facilities of \$352,000. The Organization remits the contributions to the City as needed for these projects. The remaining funds collected in 2019 and owed to the City are reported on the statement of net position and balance sheet.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 – Due from DuBois Area United Way

As described in Note 11, the Organization began acting as agent for the City of DuBois in 2018 by collecting contributions for capital construction and improvements for several baseball fields and related facilities. The Organization remits the contributions to the City as needed for these projects. Below is a summary of this activity:

	<u>2019</u>
Due from DuBois Area United Way, January 1	\$ 352,000
Contributions collected for the City	76,500
Remittances to the City	<u>(300,000)</u>
Due from DuBois Area United Way, December 31	<u>\$ 128,500</u>

Note 13 – Subsequent Events

Subsequent events were evaluated through November 19, 2020 which is the date the financial statements were available to be issued. The spread of the COVID-19 coronavirus outbreak in the United States has caused disruption through voluntary and mandated closings of businesses and other organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. However, the related financial impact and duration cannot be reasonable estimated at this time.

CITY OF DUBOIS, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,396,751	\$ 2,396,751	\$ 2,565,725	\$ 168,974
Intergovernmental	1,731,717	1,731,717	2,681,059	949,342
Charges for services	392,376	392,376	423,837	31,461
Licenses and permits	152,500	152,500	138,447	(14,053)
Fines and forfeitures	74,828	74,828	60,168	(14,660)
Interest and rentals	8,167	8,167	97,829	89,662
Miscellaneous	760,200	760,200	460,545	(299,655)
Total Revenues	<u>5,516,539</u>	<u>5,516,539</u>	<u>6,427,610</u>	<u>911,071</u>
Expenditures:				
Current:				
General government	1,549,202	1,549,202	1,524,597	24,605
Public safety	2,167,393	2,167,393	2,080,393	87,000
Public works	1,000,359	1,000,359	1,179,042	(178,683)
Community and economic development	-	-	-	-
Culture and recreation	415,971	415,971	484,644	(68,673)
Debt service:				
Principal	129,295	129,295	257,254	(127,959)
Interest	119,010	119,010	119,733	(723)
Capital outlay	1,948,215	1,948,215	3,781,680	(1,833,465)
Other	992,384	992,384	992,460	(76)
Total Expenditures	<u>8,321,829</u>	<u>8,321,829</u>	<u>10,419,803</u>	<u>(2,097,974)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,805,290)</u>	<u>(2,805,290)</u>	<u>(3,992,193)</u>	<u>(1,186,903)</u>
Other Financing Sources (Uses):				
Capital assets sales	-	-	43,325	43,325
Transfers in	3,030,290	3,030,290	3,347,013	316,723
Transfers out	(225,000)	(225,000)	(225,000)	-
Total Other Financing Sources (Uses)	<u>2,805,290</u>	<u>2,805,290</u>	<u>3,165,338</u>	<u>360,048</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>(826,855)</u>	<u>(826,855)</u>
Fund Balance-Beginning	<u>3,607,219</u>	<u>3,607,219</u>	<u>3,607,219</u>	<u>-</u>
Fund Balance-Ending	<u>\$ 3,607,219</u>	<u>\$ 3,607,219</u>	<u>\$ 2,780,364</u>	<u>\$ (826,855)</u>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2019

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, 2019.

CITY OF DUBOIS, PENNSYLVANIA

COMBINING BALANCE SHEET
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2019

	<u>Community Development Block Grant</u>	<u>Health Insurance</u>	<u>Liquid Fuels Tax</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash investments	\$ 25	\$ 234,779	\$ 44,302	\$ 279,106
Interfund receivables	-	-	-	-
Total Assets	<u>\$ 25</u>	<u>\$ 234,779</u>	<u>\$ 44,302</u>	<u>\$ 279,106</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Employee payroll deductions	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
General government	-	234,779	-	234,779
Public works	-	-	44,302	44,302
Culture and recreation	-	-	-	-
Unassigned	25	-	-	25
Total Fund Balances	<u>25</u>	<u>234,779</u>	<u>44,302</u>	<u>279,106</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 234,779</u>	<u>\$ 44,302</u>	<u>\$ 279,106</u>

CITY OF DUBOIS, PENNSYLVANIA

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>Community Development Block Grant</u>	<u>Health Insurance</u>	<u>Liquid Fuels Tax</u>	<u>Total Other Governmental Funds</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	269,615	-	295,268	564,883
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	128	128
Miscellaneous	-	-	-	-
Total Revenues	<u>269,615</u>	<u>-</u>	<u>295,396</u>	<u>565,011</u>
Expenditures:				
Current:				
General government	-	116,795	-	116,795
Public safety	-	-	-	-
Public works	-	-	431,667	431,667
Community and economic development	269,615	-	-	269,615
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>269,615</u>	<u>116,795</u>	<u>431,667</u>	<u>818,077</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(116,795)</u>	<u>(136,271)</u>	<u>(253,066)</u>
Other Financing Sources (Uses):				
Capital assets sales	-	-	-	-
Transfers in	-	225,000	-	225,000
Transfers out	-	(300,000)	-	(300,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>(191,795)</u>	<u>(136,271)</u>	<u>(328,066)</u>
Fund Balances-Beginning	<u>25</u>	<u>426,574</u>	<u>180,573</u>	<u>607,172</u>
Fund Balances-Ending	<u>\$ 25</u>	<u>\$ 234,779</u>	<u>\$ 44,302</u>	<u>\$ 279,106</u>



<u>(Accrued) Deferred Balance 1/1/2019</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Other</u>	<u>(Accrued) Deferred Balance 12/31/2019</u>	<u>Expenditures to Subrecipients</u>
\$ -	\$ 269,615	\$ 269,615	\$ -	\$ -	\$ 269,615
-	655,656	657,658	-	(2,002)	-
-	970,167	970,167	-	-	-
<u>\$ -</u>	<u>\$ 1,895,438</u>	<u>\$ 1,897,440</u>	<u>\$ -</u>	<u>\$ (2,002)</u>	<u>\$ 269,615</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of DuBois, Pennsylvania under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of DuBois, Pennsylvania, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of DuBois, Pennsylvania.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of DuBois, Pennsylvania has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SHARKEY PICCIRILLO & KEEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of DuBois, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of DuBois, Pennsylvania's primary government basic financial statements and have issued our report thereon dated November 19, 2020. The report on the aggregate remaining fund information was qualified because of the effects of omitting blended component units. The report on aggregate discretely presented component units was adverse because the primary government financial statements do not include financial data for the City's legally separate component units.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DuBois, Pennsylvania's primary government financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of primary government financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of DuBois, Pennsylvania's Response to Findings

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

Purpose of this Report

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

Sharkey Piccirillo & Keen, LLP

SHARKEY PICCIRILLO & KEEN, LLP
November 19, 2020

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of DuBois, Pennsylvania's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of DuBois, Pennsylvania's major federal programs for the year ended December 31, 2019. The City of DuBois, Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of DuBois, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of DuBois, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of DuBois, Pennsylvania's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of DuBois, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City of DuBois, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of DuBois, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of DuBois, Pennsylvania's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



SHARKEY PICCIRILLO & KEEN, LLP
November 19, 2020

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the governmental activities, the business-type activities, and each major fund, and a qualified opinion on the aggregate remaining fund information for the primary government financial statements of the City of DuBois, Pennsylvania. The auditor's report expresses an adverse opinion on the aggregate discretely presented component units because the primary government financial statements do not include financial data for the City's legally separate component units.
2. One material weakness related to the audit of the primary government financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the primary government financial statements of the City of DuBois, Pennsylvania were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City of DuBois, Pennsylvania expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major federal programs included:

<u>Program</u>	<u>CFDA No.</u>
Assistance to Firefighters Grant	97.044
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of DuBois, Pennsylvania was determined not to be a low-risk auditee.

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001: Financial Reporting Duties of the City

Statement of Condition

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

Criteria

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

Effect of Condition

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

Recommendation

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

Response

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

CITY OF DUBOIS, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

2019-002: Receipt and custody of donations due from the DuBois Area United Way

Statement of Condition

The ball field donations for the City were inadvertently deposited into the DuBois Area United Way account as they were acting as an agent for the City of DuBois and not detected by the City's internal controls.

Criteria

Internal control over financial reporting includes procedures and processes for the receipt and custody of donations and other income, including proper financial reporting, which would prevent or detect a misstatement in the financial statements, including note disclosures.

Effect of Condition

It was noted that the City of DuBois did not properly report a significant amount of donations that were deposited into the DuBois Area United Way. This condition increases the risk of possible misstatements in the financial statements.

Recommendation

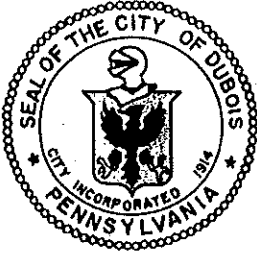
All field donations made out to the City need to be deposited in a separate account of the City's.

Response

The City Council and management once becoming aware of the issue of City field donations being deposited into the DuBois Area United Way account opened a new bank account under the City. The remaining funds of the City that were in the DuBois Area United Ways accounts were transferred into the new City account. All new donations made out to the City are being deposited into the new account. The finding has been immediately corrected.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.



CITY OF DUBOIS, PENNSYLVANIA

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P.O. BOX 408

DUBOIS, PENNSYLVANIA 15801

TELEPHONE: (814) 371-2000, Ext. 135
FAX: (814) 371-1290

Office of the City Manager
Department of Administration & Finance

CORRECTIVE ACTION PLAN

November 19, 2020

U.S. Department of Homeland Security

The City of DuBois, Pennsylvania respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm: Sharkey Piccirillo & Keen, LLP, 991 Beaver Drive, DuBois, PA 15801

Audit period: The year ended December 31, 2019

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2019-001: Financial Reporting Duties of the City

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

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

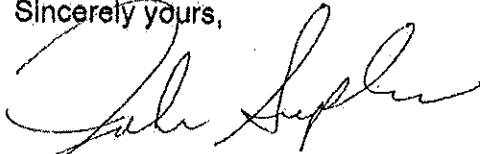
2019-002: Receipt and custody of donations due from the DuBois Area United Way

Recommendation: All field donations made out to the City need to be deposited in a separate account of the City's.

Action Taken: The City Council and management once becoming aware of the issue of City field donations being deposited into the DuBois Area United Way account opened a new bank account under the City. The remaining funds of the City that were in the DuBois Area United Ways accounts were transferred into the new City account. All new donations made out to the City are being deposited into the new account. The finding has been immediately corrected.

If the U.S. Department of Homeland Security has questions regarding this plan, please call the City office at (814) 371-2000.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John S. [unclear]", written over a horizontal line.

City Manager