

**CITY OF TITUSVILLE, PENNSYLVANIA**

**AUDIT REPORT**

**DECEMBER 31, 2010**

# CITY OF TITUSVILLE, PENNSYLVANIA

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive · Erie, Pennsylvania 16506

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### **Independent Auditors' Report**

Honorable Mayor and Members of Council  
City of Titusville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Titusville, Pennsylvania, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Titusville, Pennsylvania's management. 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Titusville, Pennsylvania, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011 on our consideration of the City of Titusville, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

**Independent Auditors' Report**  
**(Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Titusville's financial statements as a whole. The combining financial statements and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining financial statements, budgetary comparison schedule, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

May 26, 2011  
Erie, Pennsylvania

# CITY OF TITUSVILLE, PENNSYLVANIA

## Management's Discussion and Analysis

For the Year Ended December 31, 2010

This discussion and analysis of the City of Titusville's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the City's financial statements and the accompanying notes to those financial statements.

### FINANCIAL HIGHLIGHTS

The governmental activities assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,756,008 (*net assets*). The unrestricted portion is a deficit of \$482,409.

At the close of the current fiscal year, the City reported combined ending net assets of \$3,130,873 for both governmental and business-type activities. Of this balance, \$1,672,198 is available for spending at the City's discretion.

The City's General Fund reported a positive fund balance of \$200,424 as of December 31, 2010, compared to a positive fund balance of \$271,544 as of December 31, 2009.

### THE FINANCIAL STATEMENTS

This annual report is represented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. The government-wide financial statements have been prepared using the accrual basis of accounting; whereas, the fund financial statements have been prepared using the modified accrual basis of accounting. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements.

The *government-wide financial statements* present the financial picture of the City from the economic resources measurement focus. They present governmental activities and business-type activities separately. These statements include all assets (including capital assets) of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *fund financial statements* include statements for each of the three categories - governmental, proprietary and fiduciary. The governmental funds are prepared using the modified accrual basis of accounting. The proprietary and fiduciary funds are prepared using the accrual basis of accounting. Reconciliation of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach prescribed by GASB No. 34.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City government-wide and business-type activities and present a longer-term view of the City's finances. These two statements report the City's net assets and changes in them. Net assets are the differences between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

In the Statement of Net Assets and the Statement of Activities, we separate the City activities as follows:

**Governmental Activities:** Most of the City's basic services are reported in this category, including General Government, Public Safety, Public Works, Human Services, and Culture and Recreation. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grant finance these activities.

**Business-Type Activities:** The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's refuse, water and sewer activities are reported in this category.

### **Fund Financial Statements**

The fund financial statements provide detailed information about all the funds - not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. The City's fund financial statements are divided into three categories: 1) governmental funds, (2) proprietary funds, and 3) fiduciary funds.

#### Governmental Funds

Governmental fund financial statements consist of a statement of assets, liabilities and fund balances, and a statement of revenues, expenditures and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between fund's total assets and total liabilities is labeled as the fund balance and generally indicates the amount that can be used to finance the next year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current period and very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis after the statement of revenues, expenditures and changes in fund balance that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in that statement of activities.

The City's governmental fund financial statements are presented on pages 16-19.

### Proprietary Funds

Proprietary fund financial statements consist of a statement of net assets, statement of revenues, expenses and changes in fund net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

*Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and refuse.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds, which are water, sewer and refuse.

The proprietary fund financial statements can be found on pages 20-23 of the report.

### Fiduciary Funds

Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets held by the City for other parties, either as a trust or as an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is the trustee, or fiduciary, for three pension plans.

The fiduciary fund financial statements can be found on pages 24-25 of the report.

### **Notes to the Financial Statements**

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. (See pages 26-47)

### **Basis of Accounting**

The City has elected to present its government-wide financial statements on the accrual basis of accounting and its fund financial statements on the modified accrual basis of accounting. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of the related cash flows.

## Government-Wide Financial Analysis

The following schedule is a summary of the Statement of Net Assets:

### City of Titusville, Pennsylvania Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and other assets	\$ 764,737	\$ 822,947	\$ 2,333,142	\$ 1,605,010	\$ 3,097,879	\$ 2,427,957
Capital assets, (net of depreciation)	2,327,824	2,438,705	4,494,177	4,680,364	6,822,001	7,119,069
<b>Total Assets</b>	<b>\$ 3,092,561</b>	<b>\$ 3,261,652</b>	<b>\$ 6,827,319</b>	<b>\$ 6,285,374</b>	<b>\$ 9,919,880</b>	<b>\$ 9,547,026</b>
<b>Liabilities</b>						
Current and other liabilities	\$ 67,134	\$ 91,302	\$ 626,844	\$ 894,655	\$ 693,978	\$ 985,957
Noncurrent liabilities	1,267,419	1,400,769	4,825,610	5,287,257	6,095,029	6,688,026
<b>Total Liabilities</b>	<b>1,336,553</b>	<b>1,492,071</b>	<b>5,452,454</b>	<b>6,181,912</b>	<b>6,789,007</b>	<b>7,673,983</b>
<b>Net Assets</b>						
Investment in capital assets (net of debt)	2,238,417	1,434,925	(749,742)	(1,402,316)	1,488,675	32,609
Unrestricted	(482,409)	334,656	2,124,607	1,505,778	1,642,198	1,840,434
<b>Total Net Assets</b>	<b>\$ 1,756,008</b>	<b>\$ 1,769,581</b>	<b>\$ 1,374,865</b>	<b>\$ 103,462</b>	<b>\$ 3,130,873</b>	<b>\$ 1,873,043</b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. In the case of the City, assets exceeded liabilities by \$3,130,873, an increase of 67% from 2009. Net assets of the City's governmental activities decreased .8% or \$13,573. However, \$2,238,417 of those net assets is invested in capital assets. Consequently, unrestricted net assets showed a deficit of \$482,409 at the end of this year.

The City's net assets reflect investment in capital assets (e.g., land, building, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Investment in capital assets, in the business-type activities, reflects the recent debt incurred due to the construction costs for two phases of the mandated sewer projects.

Typically, the unrestricted net assets, for both governmental and proprietary funds, \$1,642,198 may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities:

**City of Titusville, Pennsylvania**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for services	\$ 122,522	\$ 108,868	\$ 3,099,299	\$ 3,136,023	\$ 3,221,821	\$ 3,244,891
Operating grant and contributions	348,728	216,335	-	5,124	348,728	221,459
Capital grants and contributions	532,738	952,247	-	-	532,728	952,247
General Revenues						
Taxes	2,365,330	2,256,303	-	-	2,365,330	2,256,303
Licenses and permits	72,932	73,397	-	-	72,932	73,397
Fines and forfeits	58,570	59,710	-	-	58,570	59,710
Interest earnings	10,903	13,516	11,909	11,355	22,812	24,871
Miscellaneous	11,046	23,001	54,456	62,461	65,502	85,462
Transfers	234,500	315,600	(234,500)	(315,600)	-	-
<b>Total Revenues</b>	<b>3,757,269</b>	<b>4,018,977</b>	<b>2,931,164</b>	<b>2,899,363</b>	<b>6,688,423</b>	<b>6,918,340</b>
Expenses						
General government	996,809	1,364,343	-	-	996,809	1,364,343
Public safety	1,857,608	1,880,828	-	-	1,857,608	1,880,828
Public works	830,271	864,552	-	-	830,271	864,552
Human services	1,689	1,484	-	-	1,689	1,484
Culture and recreation	78,960	203,153	-	-	78,690	203,153
Interest	5,505	39,433	-	-	5,505	39,433
Water, sewer and refuse Facilities	-	-	1,659,761	1,808,672	1,659,761	1,808,672
<b>Total Expenses</b>	<b>3,770,842</b>	<b>4,353,793</b>	<b>1,659,761</b>	<b>1,808,672</b>	<b>5,430,603</b>	<b>6,162,465</b>
Change in Net Assets	(13,573)	(334,816)	1,271,403	1,090,691	1,257,820	755,875
Net Assets, Beginning of Year	1,769,581	2,104,397	103,462	(987,229)	1,873,043	1,117,168
Net Assets, End of Year	\$ 1,756,008	\$ 1,769,581	\$ 1,374,865	\$ 103,462	\$ 3,130,863	\$ 1,873,043

The City's governmental activities rely heavily upon tax revenue (63%) to fund its operations. The cost of governmental activities totaled \$3,770,842 for the year ended December 31, 2010.

## **General Fund Budgetary Highlights**

The General Fund is the chief operating fund of the City. At the end of the current fiscal, unreserved fund balance of the General Fund was \$200,424, while the total governmental fund balance was \$571,809. As a measure of the General Fund's liquidity, it may be useful to note that the total fund balance is unrestricted.

Fund balance in the City's General Fund decreased by \$71,120 during the current fiscal year. While revenues exceeded the budget by \$771,000, the expenditures exceeded the budget by \$649,000. These fluctuations from the budget are due to pass-through funds from CDBG and the Airport Improvement Grant not budgeted for by the City and recorded on the books at year end.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounts to \$6,822,001 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, equipment and systems, and construction in progress.

### **City of Titusville, Pennsylvania Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 170,813	\$ 170,813	\$ 32,245	\$ 32,245	\$ 203,058	\$ 203,058
Construction in progress	-	448,709	41,474	-	41,474	448,709
Buildings/improvements	4,968,670	4,510,461	6,882,079	6,882,079	11,850,749	11,392,540
Equipment and systems	2,916,224	2,864,658	5,954,698	5,957,803	8,870,922	8,822,461
Total	8,055,707	7,994,641	12,910,496	12,872,127	20,966,203	20,866,768
Less accumulated depreciation	(5,727,883)	(5,555,936)	(8,416,319)	(8,191,763)	(14,144,202)	(13,747,699)
Total Capital Assets	<u>\$ 2,327,824</u>	<u>\$ 2,438,705</u>	<u>\$ 4,494,177</u>	<u>\$ 4,680,364</u>	<u>\$ 6,822,001</u>	<u>\$ 7,119,069</u>

### **Long-Term Debt**

At the end of the current fiscal year, the City had total debt and accrued interest of \$5,435,112. 93% of the total indebtedness is attributed to notes payable. Total debt and accrued interest is down by 13% from 2009.

Additional information on the City's long-term debt and related accrued interest can be found in the Notes to Financial Statements on pages 26-47 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For the upcoming fiscal year 2010, the City's general fund budget was increased by 3% to \$3,325,736 to bring general operating expenses more in line with the actual general fund revenues received in a year. As the City ages, population numbers, tax assessments and revenue sources in general have declined. Throughout the 2011 year, the City will be evaluating numerous initiatives and opportunities to better match services provided with the available funding sources.

The General Fund property tax millage will not be increased for 2011. The City continues to seek out revenue sources from tax-exempt entities.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Titusville's City Manager, 107 N. Franklin Street, Titusville, Pennsylvania 16354 or telephone at (814) 827-5300.

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# CITY OF TITUSVILLE, PENNSYLVANIA

## Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 472,502	\$ 2,240,273	\$ 2,712,775
Accounts receivable			
Taxes, net of allowance for doubtful accounts	243,722	-	243,722
City services	-	86,852	86,852
Other	44,749	9,781	54,530
Due from other funds	3,764	(3,764)	-
	<u>764,737</u>	<u>2,333,142</u>	<u>3,097,879</u>
<b>Noncurrent assets</b>			
Land	170,813	32,245	203,058
Construction in progress	-	41,474	41,474
Capital assets, net	2,157,011	4,420,458	6,577,469
Total noncurrent assets	<u>2,327,824</u>	<u>4,494,177</u>	<u>6,822,001</u>
	<u>\$ 3,092,561</u>	<u>\$ 6,827,319</u>	<u>\$ 9,919,880</u>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Vouchers payable and other current liabilities	\$ 25,931	\$ 59,920	\$ 85,851
Accrued compensated absences	13,061	10,296	23,357
Accrued interest	-	101,786	101,786
Notes payable	12,287	273,148	285,435
Capital lease obligations	15,855	-	15,855
General obligation bonds payable	-	181,694	181,694
Total current liabilities	<u>67,134</u>	<u>626,844</u>	<u>693,978</u>
<b>Noncurrent liabilities</b>			
Accrued compensated absences	248,154	36,533	284,687
OPEB obligation	960,000	-	960,000
Notes payable	1,520	4,789,077	4,790,597
Capital lease obligations	59,745	-	59,745
Total noncurrent liabilities	<u>1,269,419</u>	<u>4,825,610</u>	<u>6,095,029</u>
	<u>1,336,553</u>	<u>5,452,454</u>	<u>6,789,007</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,238,417	(749,742)	1,488,675
Unrestricted	(482,409)	2,124,607	1,642,198
Total net assets	<u>1,756,008</u>	<u>1,374,865</u>	<u>3,130,873</u>
	<u>\$ 3,092,561</u>	<u>\$ 6,827,319</u>	<u>\$ 9,919,880</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE, PENNSYLVANIA

## Statement of Activities

For the Year Ended December 31, 2010

Functions/Programs	Program Revenue			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities				
General government	\$ 1,368,354	\$ 68,865	\$ 348,728	\$ 718,876
Public safety	1,857,608	49,766	-	-
Public works	830,271	-	-	143,089
Human services	1,689	-	-	-
Culture and recreation	78,960	3,891	-	42,318
Interest expense	5,505	-	-	-
Total governmental activities	4,142,387	122,522	348,728	904,283
Business-type activities				
Water fund	494,324	828,447	-	-
Sewer fund	853,440	1,893,228	-	-
Refuse fund	311,997	377,624	-	-
Total business-type activities	1,659,761	3,099,299	-	-
Total primary government	\$ 5,802,148	\$ 3,221,821	\$ 348,728	\$ 904,283
General revenues				
Taxes				
Licenses and permits				
Fines and forfeitures				
Interest earnings				
Other revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets				
Beginning of year, as restated				
End of year				

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (231,885)	\$ -	\$ (231,885)
(1,807,842)	-	(1,807,842)
(687,182)	-	(687,182)
(1,689)	-	(1,689)
(32,751)	-	(32,751)
(5,505)	-	(5,505)
<u>(2,766,854)</u>	<u>-</u>	<u>(2,766,854)</u>
-	334,123	334,123
-	1,039,788	1,039,788
-	65,627	65,627
<u>-</u>	<u>1,439,538</u>	<u>1,439,538</u>
<u>(2,766,854)</u>	<u>1,439,538</u>	<u>(1,327,316)</u>
2,365,330	-	2,365,330
72,932	-	72,932
58,570	-	58,570
10,903	11,909	22,812
11,046	54,456	65,502
234,500	(234,500)	-
<u>2,753,281</u>	<u>(168,135)</u>	<u>2,585,146</u>
(13,573)	1,271,403	1,257,830
<u>1,769,581</u>	<u>103,462</u>	<u>1,873,043</u>
<u>\$ 1,756,008</u>	<u>\$ 1,374,865</u>	<u>\$ 3,130,873</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Assets, Liabilities and Fund Balance**  
**Governmental Funds**  
**December 31, 2010**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 101,117	\$ 13,427	\$ 357,958	\$ 472,502
Taxes receivable, net	243,722	-	-	243,722
Due from other funds	3,764	-	-	3,764
Accounts receivable	44,749	-	-	44,749
<b>Total assets</b>	<b>\$ 393,352</b>	<b>\$ 13,427</b>	<b>\$ 357,958</b>	<b>\$ 764,737</b>
<b>Liabilities and fund balance</b>				
Vouchers payable and other current liabilities	\$ 25,931	\$ -	\$ -	\$ 25,931
Deferred taxes	166,997	-	-	166,997
<b>Total liabilities</b>	<b>192,928</b>	<b>-</b>	<b>-</b>	<b>192,928</b>
<b>Fund balance</b>				
Reserved	-	13,427	357,958	371,385
Unreserved	200,424	-	-	200,424
<b>Total fund balance</b>	<b>200,424</b>	<b>13,427</b>	<b>357,958</b>	<b>571,809</b>
<b>Total liabilities and fund balance</b>	<b>\$ 393,352</b>	<b>\$ 13,427</b>	<b>\$ 357,958</b>	<b>\$ 764,737</b>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Assets, Liabilities and Fund Balance,**  
**and Reconciliation to the Statement of Net Assets**  
**Governmental Funds**  
**December 31, 2010**

Differences in amounts reported for governmental activities in the Statement of Net Assets

Fund balances - total governmental funds	\$	571,809
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		2,327,824
Certain long-term assets are not available to pay current period expenditures and, therefore, are not deferred in the funds		166,997
Other post-employment benefits are reflected on the Statement of Net Assets, but are not considered a current expenditure for the fund statements		(960,000)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	\$	(261,215)
Long-term debt		(89,407)
		(350,622)
Net assets of governmental activities		\$ 1,756,008

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2010**

	General	Special Revenue	Capital Project	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,392,780	\$ -	\$ -	\$ 2,392,780
Interest, rents and royalties	10,044	424	435	10,903
Intergovernmental	1,064,479	143,089	42,318	1,249,886
Charges for services	122,522	-	-	122,522
Licenses and permits	72,932	-	-	72,932
Fines and forfeitures	58,570	-	-	58,570
Contributions and donations	3,125	-	-	3,125
Other	11,047	-	-	11,047
Total revenues	<u>3,735,499</u>	<u>143,513</u>	<u>42,753</u>	<u>3,921,765</u>
<b>Expenditures</b>				
General government	1,185,611	-	-	1,185,611
Public safety	1,949,358	-	-	1,949,358
Public works	515,485	173,833	140,953	830,271
Human services	1,689	-	-	1,689
Culture and recreation	88,460	-	-	88,460
Debt service	32,498	27,076	-	59,574
Other	74,641	-	-	74,641
Total expenditures	<u>3,847,742</u>	<u>200,909</u>	<u>140,953</u>	<u>4,189,604</u>
Excess (deficiency) of revenues over expenditures	<u>(112,243)</u>	<u>(57,396)</u>	<u>(98,200)</u>	<u>(267,839)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	434,500	-	193,377	627,877
Operating transfers (out)	(393,377)	-	-	(393,377)
Total other financing sources (uses)	<u>41,123</u>	<u>-</u>	<u>193,377</u>	<u>234,500</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(71,120)	(57,396)	95,177	(33,339)
<b>Fund balance</b>				
Beginning of year	<u>271,544</u>	<u>70,823</u>	<u>262,781</u>	<u>605,148</u>
End of year	<u>\$ 200,424</u>	<u>\$ 13,427</u>	<u>\$ 357,958</u>	<u>\$ 571,809</u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2010**

Net change in fund balances - total governmental funds	\$	(33,339)
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Assets		140,008
Depreciation expenses on governmental capital assets included in the governmental activities in the Statement of Activities		(250,889)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Deferred real estate tax		(27,450)
Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the Statement of Net Assets. In the current year, these amounts are:		
Note payable	\$	38,212
Capital lease obligation		15,857
Change in OBEP		87,600
Change in compensated absences		16,428
		158,097
Change in net assets of governmental activities	\$	(13,573)

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Statement of Net Assets**

**Proprietary Fund Types**

**December 31, 2010**

	Enterprise Funds			
	Water	Sewer	Refuse	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 393,191	\$ 1,825,277	\$ 21,805	\$ 2,240,273
Accounts receivable, net				
City services	20,795	59,485	6,572	86,852
Other	8,402	1,379	-	9,781
Due from other funds	-	-	-	-
<b>Total current assets</b>	<u>422,388</u>	<u>1,886,141</u>	<u>28,377</u>	<u>2,336,906</u>
<b>Noncurrent assets</b>				
Land	6,003	26,242	-	32,245
Construction in progress	-	41,474	-	41,474
Buildings and building improvements	667,230	6,214,849	-	6,882,079
Equipment and systems	587,282	5,367,416	-	5,954,698
	<u>1,260,515</u>	<u>11,649,981</u>	<u>-</u>	<u>12,910,496</u>
Accumulated depreciation	<u>(1,160,762)</u>	<u>(7,255,557)</u>	<u>-</u>	<u>(8,416,319)</u>
<b>Total capital assets, net</b>	<u>99,753</u>	<u>4,394,424</u>	<u>-</u>	<u>4,494,177</u>
<b>Total assets</b>	<u>\$ 522,141</u>	<u>\$ 6,280,565</u>	<u>\$ 28,377</u>	<u>\$ 6,831,083</u>
<b>Liabilities and net assets</b>				
<b>Current liabilities</b>				
Vouchers payable and other current liabilities	\$ 15,495	\$ 17,865	\$ 26,560	\$ 59,920
Due to other funds	3,501	263	-	3,764
Accrued compensated absences	5,478	4,818	-	10,296
Accrued interest	-	101,786	-	101,786
Notes payable	-	273,148	-	273,148
General obligation bonds payable	-	181,694	-	181,694
<b>Total current liabilities</b>	<u>24,474</u>	<u>579,574</u>	<u>26,560</u>	<u>630,608</u>
<b>Noncurrent liabilities</b>				
Accrued compensated absences	26,748	9,785	-	36,533
Notes payable	-	4,789,077	-	4,789,077
<b>Total noncurrent liabilities</b>	<u>26,748</u>	<u>4,798,862</u>	<u>-</u>	<u>4,825,610</u>
<b>Total liabilities</b>	<u>51,222</u>	<u>5,378,436</u>	<u>26,560</u>	<u>5,456,218</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	99,753	(849,495)	-	(749,742)
Unrestricted	371,166	1,751,624	1,817	2,124,607
<b>Total net assets</b>	<u>470,919</u>	<u>902,129</u>	<u>1,817</u>	<u>1,374,865</u>
<b>Total liabilities and net assets</b>	<u>\$ 522,141</u>	<u>\$ 6,280,565</u>	<u>\$ 28,377</u>	<u>\$ 6,831,083</u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Statement of Revenues, Expenses and**

**Changes in Fund Net Assets**

**Proprietary Fund Types**

**For the Year Ended December 31, 2010**

	Enterprise Funds			Total
	Water	Sewer	Refuse	
Operating revenues				
Charges for services	\$ 828,447	\$ 1,893,228	\$ 377,624	\$ 3,099,299
Operating grant	-	-	-	-
Other revenues	25,582	28,609	265	54,456
<b>Total operating revenues</b>	<b>854,029</b>	<b>1,921,837</b>	<b>377,889</b>	<b>3,153,755</b>
Operating expenses				
Salaries and wages	165,520	152,870	-	318,390
Employee benefits	77,516	69,522	-	147,038
Utilities	99,736	-	-	99,736
Materials and supplies	26,158	173,632	-	199,790
Contractual services	12,269	82,947	306,143	401,359
Equipment	15,107	19,955	-	35,062
Depreciation	24,040	203,621	-	227,661
Insurance	33,880	36,495	-	70,375
Bad debt expense	12,000	15,000	-	27,000
Administrative	28,098	22,931	5,854	56,883
<b>Total operating expenses</b>	<b>494,324</b>	<b>776,973</b>	<b>311,997</b>	<b>1,583,294</b>
<b>Operating income (loss)</b>	<b>359,705</b>	<b>1,144,864</b>	<b>65,892</b>	<b>1,570,461</b>
Non-operating revenues (expenses)				
Interest income	2,906	8,903	100	11,909
Interest expense	-	(76,467)	-	(76,467)
<b>Total non-operating revenues (expenses)</b>	<b>2,906</b>	<b>(67,564)</b>	<b>100</b>	<b>(64,558)</b>
<b>Income (loss) before transfers</b>	<b>362,611</b>	<b>1,077,300</b>	<b>65,992</b>	<b>1,505,903</b>
Other financing sources				
Transfers in	100,000	100,000	-	200,000
Transfers (out)	(187,000)	(187,000)	(60,500)	(434,500)
<b>Change in net assets</b>	<b>275,611</b>	<b>990,300</b>	<b>5,492</b>	<b>1,271,403</b>
Net assets				
Beginning of year	195,308	(88,171)	(3,675)	103,462
<b>End of year</b>	<b>\$ 470,919</b>	<b>\$ 902,129</b>	<b>\$ 1,817</b>	<b>\$ 1,374,865</b>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Statement of Cash Flows**

**Proprietary Fund Types**

**For the Year Ended December 31, 2010**

	Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Receipts from users	\$ 866,029	\$ 1,936,837	\$ 377,889	\$ 3,180,755
Payments to suppliers	(50,172)	(259,204)	(306,143)	(615,519)
Payments for personnel services	(247,266)	(227,573)	-	(474,839)
Payments for operating expenses	(173,714)	(74,426)	(5,854)	(253,994)
Net cash provided by operating activities	<u>394,877</u>	<u>1,375,634</u>	<u>65,892</u>	<u>1,836,403</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	100,000	100,000	-	200,000
Transfers to other funds	(187,000)	(187,000)	(60,500)	(434,500)
Net cash provided (used) by noncapital and related activities	<u>(87,000)</u>	<u>(87,000)</u>	<u>(60,500)</u>	<u>(234,500)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(41,474)	-	(41,474)
Repayment on general obligation bonds payable	-	(540,000)	-	(540,000)
Repayment on notes payable	(51,025)	(270,437)	-	(321,462)
Loan proceeds	-	100,000	-	100,000
Change in accreted value	-	24,487	-	24,487
Interest paid on capital debt	-	(76,467)	-	(76,467)
Net cash provided (used) by financing activities	<u>(51,025)</u>	<u>(803,891)</u>	<u>-</u>	<u>(854,916)</u>
Cash flows from investing activities:				
Interest income	2,906	8,903	100	11,909
Net cash from investing activities	<u>2,906</u>	<u>8,903</u>	<u>100</u>	<u>11,909</u>
Net increase (decrease) in cash	259,758	493,646	5,492	758,896
Cash balance, January 1, 2010	<u>133,433</u>	<u>1,331,631</u>	<u>16,313</u>	<u>1,481,377</u>
Cash balance, December 31, 2010	<u>\$ 393,191</u>	<u>\$ 1,825,277</u>	<u>\$ 21,805</u>	<u>\$ 2,240,273</u>

See accompanying notes to financial statements.  
Schedule continued on next page.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Statement of Cash Flows**

**Proprietary Fund Types**

**For the Year Ended December 31, 2010**

**(Continued)**

	Enterprise Funds			
	Water	Sewer	Refuse	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 359,705	\$ 1,144,864	\$ 65,892	\$ 1,570,461
Adjustments to reconcile operating income (loss) to net cash (used for) operating activities:				
Depreciation	24,040	203,621	-	227,661
Changes in compensated absences	(13,472)	(9,958)	-	(23,430)
Changes in assets and liabilities				
(Increase) decrease in receivables	12,000	15,000	-	27,000
(Increase) decrease in due from other funds	5,741	4,514	-	10,255
Increase (decrease) in due to other funds	3,501	263	-	3,764
Increase (decrease) in payables	3,362	17,330	-	20,692
Net cash provided (used) by operations	<u>\$ 394,877</u>	<u>\$ 1,375,634</u>	<u>\$ 65,892</u>	<u>\$ 1,836,403</u>
Supplemental disclosures of cash flows information:				
Cash paid during the year ended for:				
Interest	<u>\$ -</u>	<u>\$ 76,467</u>	<u>\$ -</u>	<u>\$ 76,467</u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds - Trust and Agency**  
**December 31, 2010**

Assets	
Cash and cash equivalents	\$ 166,898
Investments	<u>8,641,872</u>
Total assets	<u><u>\$ 8,808,770</u></u>
Net assets	
Held in trust for pension benefits and other purposes	<u><u>\$ 8,808,770</u></u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Trust and Agency**  
**For the Year Ended December 31, 2010**

Additions	
Contributions	
Contributions - employees	\$ 78,443
Contributions - state and city	<u>490,086</u>
Total contributions	<u>568,529</u>
Investment income	
Net change in fair value of investments	750,833
Interest and dividends	<u>152,779</u>
Net investment income	<u>903,612</u>
Total additions	<u>1,472,141</u>
Deductions	
Benefits	841,771
Administrative expenses	<u>44,021</u>
Total deductions	<u>885,792</u>
Net increase	586,349
Net assets	
Beginning of year	<u>8,222,421</u>
End of year	<u><u>\$ 8,808,770</u></u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Notes to Financial Statements**  
**December 31, 2010**

**NOTE 1 - ENTITY**

The City of Titusville, Pennsylvania (“City”) was incorporated on February 2, 1866 in the Commonwealth of Pennsylvania. The City operates under a Council – Manager form of government and provides the following services as authorized by its charter: public safety (in the form of fire and police protection), public works (streets, sanitation, public improvements, etc.), health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also provides additional services including water, sewage treatment and refuse collections.

**NOTE 2 - REPORTING ENTITY**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Titusville. The financial statements presented herein do not include agencies that have been formed under applicable state laws as separate and distinct units of government apart from the City of Titusville.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-wide Financial Statements

Government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary funds such as employee pension plans. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or part with fees charged to external customers.

The statement of activities reports expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or more than one fund to capture the expenses and program revenues associated with a distinct functional activity. (Program revenues include charges for services which report fees, fines, forfeitures and other charges to users of the City services, operating grants and contributions which finance annual operations activities including restricted investment income, capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers). These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with the program revenues are reported as general revenues.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported in separate columns with a composite column for non-major funds.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough, thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Operating income reported in the proprietary funds financial statements includes revenues and expenses related to the operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

#### Fund Types and Major Funds

##### Governmental Fund Types

These are the funds which most governmental functions are furnished. The funds included in this category are:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted (by the Council or otherwise) to expenditures for specified purposes. The City of Titusville, Pennsylvania's special revenue fund is the liquid fuels fund, which monies awarded are used for public works expenditures including street improvements and lighting.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust fund).

##### Proprietary Fund Types

These funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Water, Sewer, and Refuse Funds are proprietary funds.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fiduciary Fund Types**

Pension trust funds are used to account for resources held in trust and the receipt, investment and distribution of retirement contributions. The City's trust funds include the non-uniform employees' pension of the City and the police and fire departments' pensions. The Pension Trust is accounted for in a manner similar to a proprietary fund.

#### **Budgets and Budgetary Accounting**

The City annually adopts budgets for the General Fund, Special Revenue Funds, Water Fund and Sewer Fund since the amounts of tax levies and rates of user charges assessed to the area citizens are involved. Once approved by Council, changes may be made to the legally adopted budget when unexpected modifications are required.

The adopted budgets are integrated into the accounting system and the budgetary data, as presented in the financial statements for all funds with annual budgets, compares the budgeted and actual revenues and expenditures or expenses. Unexpected appropriations lapse at the end of the year.

Expenditures exceeded the budget by \$275,438. This is mainly related to CDBG funds received and passed through to the Redevelopment Authority. These revenues and expenditures are not budgeted.

#### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows of its proprietary fund types, cash includes time deposits and certificates of deposit with original maturities of three months or less.

#### **Capital Assets**

General fund capital assets are those assets not specifically related to activities reported in the business-type activities in the statement of net assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds' financial statements.

In the case of capitalization of general infrastructure assets, as allowed from smaller governments, the City has elected to report these items prospectively (as the government constructs or acquires additional infrastructure assets).

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets, except for construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building and improvements	25-40 years	25-40 years
Equipment and systems	5-20 years	5-10 years
Vehicles	5 years	5-10 years
Infrastructure	25-50 years	25-50 years

Compensated Absences

City employees are permitted to accumulate unused vacation, sick and personal time. Contract provisions require payment of this benefit upon retirement, death or disability based on fifty percent of the accumulated days up to a maximum of 150.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting as defined above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed by the City.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Credit Risk

During the course of operations, the City grants credit to its customers, substantially all of whom are located in the City's area.

#### Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

### **NOTE 4 - CASH AND INVESTMENTS**

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations 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.

#### NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

The City of Titusville's cash and investments consist of deposits with financial institutions and certificates of deposit. The City maintains a cash and investment pool that is available for use by all funds, except for the Pension Trust Funds, to maximize its earnings potential. Investments in the pool primarily consist of repurchase agreements and bank certificates of deposit, which are recorded at fair market value.

The City also utilizes a "zero-balance account" mechanism that provides for daily sweeps of deposits made to the City's checking accounts to be transferred immediately into an investment account. Thus, the majority of funds in the City's general accounts are invested at all times.

Investments are reported at fair value, which is determined using selected basis. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value.

#### Cash and Cash Equivalents

Custodial credit risk is credit that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of December 31, 2010, \$2,385,165 of the City's bank balance of \$2,951,246 was exposed to custodial credit risk.

Uninsured and collateral held by the pledging bank's trust department not in the City's name	<u>\$ 2,385,165</u>
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#### Reconciliation to Financial Statements

Insured amount	\$ 566,081
Uninsured amount	2,385,165
Less: outstanding checks	<u>(238,971)</u>
Carrying amount of bank balances	2,712,275
Plus: petty cash	<u>500</u>
Total cash and cash equivalents per financial statements	<u>\$ 2,712,775</u>

**NOTE 5 - PROPERTY TAX REVENUES AND RECEIVABLES**

Property Taxes

Property taxes are levied on assessed (appraised) values of listed properties as of the prior month ended January 31 for all real estate and business properties located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by City Council. Assessed values are 100% of base values. Millage rates during 2010 were 71.25 mills and 20.71 mills for land and buildings, respectively.

City real estate taxes are levied in March and are due December 31. A 2% discount is permitted if taxes are paid prior to April 30. A penalty is imposed after June 30. All unpaid taxes become delinquent December 31 of the current year. The City bills and collects its own real estate taxes, except for delinquent taxes, which are collected by Crawford County, Pennsylvania and remitted to the City.

Taxes Receivable

Taxes receivable consisted of the following at December 31, 2010:

Real estate taxes - current year	\$ 8,613
Delinquent real estate taxes	166,996
Per capita tax	6,119
Earned income tax receivable	64,427
Allowance for doubtful accounts	<u>(2,433)</u>
	<u>\$ 243,722</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2010, the amount of delinquent property taxes receivable reported as deferred revenue is \$166,996.

**NOTE 6 - ACCOUNTS RECEIVABLE - OTHER**

Accounts receivable - other consisted of the following at December 31, 2010:

Governmental Funds	
General Funds	<u>\$ 44,749</u>
Proprietary Funds	
Sewer Fund	\$ 1,379
Water Fund	<u>8,402</u>
	<u>\$ 9,781</u>

**NOTE 7 - ACCOUNTS RECEIVABLE - CITY SERVICES**

Accounts receivable as of December 31, 2010 for city services, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Accounts receivable	\$ 32,795	\$ 74,485	\$ 6,572	\$ 113,852
Less allowance for uncollectibles	<u>(12,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(27,000)</u>
	<u>\$ 20,795</u>	<u>\$ 59,485</u>	<u>\$ 6,572</u>	<u>\$ 86,852</u>

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT**

Proprietary Fund Types

The following is a summary of the proprietary fund types' capital assets at December 31, 2010:

	<u>Balance at 12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/10</u>
Capital assets not being depreciated:				
Land	\$ 32,245	\$ -	\$ -	\$ 32,245
Construction in progress	<u>-</u>	<u>41,474</u>	<u>-</u>	<u>41,474</u>
	<u>\$ 32,245</u>	<u>\$ 41,474</u>	<u>\$ -</u>	<u>\$ 73,719</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 6,882,079	\$ -	\$ -	\$ 6,882,079
Equipment and systems	<u>5,957,803</u>	<u>-</u>	<u>(3,105)</u>	<u>5,954,698</u>
	12,839,882	-	(3,105)	12,836,777
Accumulated depreciation	<u>(8,191,763)</u>	<u>(227,661)</u>	<u>3,105</u>	<u>(8,416,319)</u>
Total capital assets being depreciated, net	<u>\$ 4,648,119</u>	<u>\$ (227,661)</u>	<u>\$ -</u>	<u>\$ 4,420,458</u>
Depreciation expense for the year ended December 31, 2010				
Water fund	\$ 24,040			
Sewer fund	<u>203,621</u>			
	<u>\$ 227,661</u>			

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Government Fund Type

The following is a summary of the changes in capital assets during the year ended December 31, 2010:

	Balance at 12/31/09	Additions	Deletions	Balance at 12/31/10
Capital assets not being depreciated:				
Land	\$ 170,813	\$ -	\$ -	\$ 170,813
Construction in progress	448,709	9,500	(458,209)	-
	<u>\$ 619,522</u>	<u>\$ 9,500</u>	<u>\$ (458,209)</u>	<u>\$ 170,813</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 4,510,461	\$ 458,209	\$ -	\$ 4,968,670
Equipment and systems	2,864,658	130,508	(78,942)	2,916,224
	7,375,119	588,717	(78,942)	7,884,894
Accumulated depreciation	<u>(5,555,936)</u>	<u>(250,889)</u>	<u>78,942</u>	<u>(5,727,883)</u>
Total capital assets being depreciated, net	<u>\$ 1,819,183</u>	<u>\$ 337,828</u>	<u>\$ -</u>	<u>\$ 2,157,011</u>
Depreciation expense for the year ended December 31, 2010				
General government	<u>\$ 250,889</u>			

**NOTE 9 - PENSION PLANS**

The City of Titusville maintains three separate pension plans - Police, Firemen and General Employees. The Police Pension Plan and Firemen’s Pension Plan, which are defined benefit programs, are administered by separate boards and funded through separate trust funds held by Commonwealth Financial Network and PNC. Citistreet, a member of the State Street and Citigroup financial services companies, administers the General Employees Pension Plan, which is a defined contribution plan.

**General Employees Pension Plan (Defined Contribution Plan)**

The City of Titusville has a single-employer defined contribution plan to provide retirement benefits to the non-uniformed employees of the City under the provisions of a group annuity contract. For 2010, plan participants are required to contribute \$.50 per hour for each hour worked to the Plan. The City is required to contribute \$1.00 per hour for each hour worked to the Plan. Provisions and contribution rates for this plan are established and may be amended by City Council.

Plan investments for this plan are managed by Citistreet, a member of the State Street and Citigroup financial services companies, and are reported at contract value, which approximates fair value.

**NOTE 9 - PENSION PLANS (CONTINUED)**

Summary of Significant Accounting Policies

Basis of Accounting – The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Firemen’s and Police Pension Plans (Defined Benefit Plans)**

1. Plan Description

The City of Titusville’s firemen and police participate in single-employer defined benefit pension plans. Each plan includes provisions for retirement, disability and death benefits for its members and their beneficiaries. City Ordinance No. 141 (Police) and 143 (Fire) assigns the Authority to establish and amend benefit provisions to City Council. A separate financial report is not issued for the City of Titusville Police and Fire Pension Plans. The financial statements of the Plan are included in the financial statements of the City of Titusville.

Plan Membership

Membership information for each plan consisted of the following at January 1, 2009, which is the most recent actuarial evaluation. These biannual Actuarial Valuation Reports prepared by Conrad Siegel Actuaries reflect the following plan membership:

	<u>Police</u>	<u>Firemen</u>
Retirees, Beneficiaries & Disabled Receiving Benefits	18	19
Terminated Members with Vested Benefits	0	2
Active Plan Members	11	10

2. Summary of Significant Accounting Policies

Basis of Accounting – The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments - Investments are stated at market value.

3. Contributions

Contributions to the Firemen’s Pension Fund by the employees are based on 5.85% of annual pay. Contributions to the Police Pension Fund by the employees are based upon 5% of annual pay plus \$1 per month if hired before January 1, 2005. Contributions to the Police Pension Fund if hired after January 1, 2005 are based upon 7% of annual pay plus \$1 per month. All fire department and full-time police employees participate as of their date of hire.

**NOTE 9 - PENSION PLANS (CONTINUED)**

**4. Investments**

The Plan's investments at December 31, 2010 are as follows:

	Fair Value	
	Police Pension	Fire Pension
Equities	\$ 205,671	\$ 137,446
Mutual Funds	3,998,735	2,267,207
	<u>\$ 4,204,406</u>	<u>\$ 2,404,653</u>

**5. Reserves**

There are not assets legally reserved for purposes other than the payment of Plan member benefits. There are no long-term contracts for contributions. The Plan held no individual investments whose fair value exceeded 5% or more of the net assets available for benefit.

**6. Trend Information**

A. Schedule of Employer Contribution				Year Ended December 31,	Annual Pension Cost	Percentage Contributed
Police Pension				2005	\$ 208,921	100%
				2006	\$ 243,227	100%
				2007	\$ 241,556	100%
				2008	\$ 254,183	100%
				2009	\$ 250,384	100%
				2010	\$ 260,568	100%
Fire Pension				2005	\$ 178,522	100%
				2006	\$ 182,717	100%
				2007	\$ 184,115	100%
				2008	\$ 161,496	100%
				2009	\$ 166,383	100%
				2010	\$ 178,875	100%
B. Firemen's and Police Pension Schedules of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Police Pension</u>						
1/1/2001	\$ 4,280,461	\$ 4,672,936	\$ 392,475	91.60%	\$ 546,749	71.78%
1/1/2003	\$ 3,986,545	\$ 5,249,416	\$ 1,262,871	75.94%	\$ 594,211	212.53%
1/1/2005	\$ 4,495,885	\$ 5,779,582	\$ 1,283,697	77.80%	\$ 604,734	212.30%
1/1/2007	\$ 5,321,375	\$ 6,282,698	\$ 961,323	84.70%	\$ 608,686	158.00%
1/1/2009	\$ 4,097,309	\$ 6,777,467	\$ 2,680,158	60.50%	\$ 536,350	499.70%
<u>Firemen's Pension</u>						
1/1/2001	\$ 2,776,751	\$ 3,348,998	\$ 572,247	82.91%	\$ 173,637	329.57%
1/1/2003	\$ 2,134,605	\$ 3,610,563	\$ 1,475,958	59.12%	\$ 299,886	492.17%
1/1/2005	\$ 2,522,518	\$ 3,966,117	\$ 1,443,599	63.60%	\$ 294,194	490.70%
1/1/2007	\$ 3,000,164	\$ 4,170,056	\$ 1,169,892	71.90%	\$ 327,911	356.80%
1/1/2009	\$ 2,324,898	\$ 4,393,891	\$ 2,068,993	52.90%	\$ 341,699	605.50%

**NOTE 9 - PENSION PLANS (CONTINUED)**

7. Supplemental Information

	<u>Police Pension</u>	<u>Fire Pension</u>
Valuation Date	1/1/2009	1/1/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	16 Years	18 Years
Asset valuation method	5 year smoothing	5 year smoothing
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	5.0%	5.0%
* Includes inflation at	0.0%	0.0%
Cost of living adjustments	None	None

**NOTE 10 - LONG-TERM DEBT**

Series 2001

On February 21, 2001, the City authorized the selling of new bonds. The Bonds were issued as follows: \$3,948,990 General Obligation Bonds, dated March 15, 2001. The Bonds include current interest bonds maturing July 1, 2001 to July 1, 2010 payable semiannually on January 1 and July 1 of each year commencing July 1, 2001 and Capital Appreciation Bonds maturing on July 1, 2010 and July 1, 2011. The Bonds are issued in accordance with the Local Government Unit Debt Act of the General Assembly of the Commonwealth of Pennsylvania, approved December 19, 1996, Act No. 177, codified at 53 Pa.C.S. Chapters 80 through 82, and pursuant to the approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania dated March 12, 2001, No. GOB 14102. The Bonds are issued as “tax-exempt.”

The Bonds are issued for the refunding of the Series 1995 bonds. The purpose of this refunding is a reduction in total debt service over the life of the 1995 Bonds.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

Scheduled maturities of this debt are as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Capital Appreciation Bonds</u>	<u>Interest</u>	<u>Payments</u>
2011	4.50%	\$ 181,694	\$ 108,306	\$ 290,000
		<u>\$ 181,694</u>	<u>\$ 108,306</u>	<u>\$ 290,000</u>

Interest expense for the year ended December 31, 2010 was \$182,704.

2000 Pennvest Sanitary Sewer Note

During 2000, the City entered into an agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) for the sewer project. This agreement requires monthly payments of \$1,473, including interest at 1%, maturing in March 2021. As of December 31, 2010, the principal balance due to Pennvest was \$171,652.

Scheduled maturities of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2011	1.00%	\$ 16,514	\$ 1,162	\$ 17,676
2012	1.00%	16,680	996	17,676
2013	1.00%	16,847	829	17,676
2014	1.00%	17,017	659	17,676
2015	1.00%	17,187	489	17,676
2016-2020	1.00%	87,407	5,192	92,599
		<u>\$ 171,652</u>	<u>\$ 9,327</u>	<u>\$ 180,979</u>

Interest expense for the year ended December 31, 2010 was \$1,326.

2001 Pennvest Stormwater Sewer Note

During 2001, the City entered into an agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) for the sewer project. The agreement requires monthly payments of \$10,252, including interest at 1%, maturing in July 2021. As of December 31, 2010, the principal balance due was \$1,234,983.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

Scheduled maturities of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2011	1.00%	\$ 111,243	\$ 11,787	\$ 123,030
2012	1.00%	112,355	10,675	123,030
2013	1.00%	113,479	9,551	123,030
2014	1.00%	114,613	8,417	123,030
2015	1.00%	115,760	7,270	123,030
2016-2020	1.00%	596,393	18,752	615,145
2021	1.00%	71,140	235	71,375
		<u>\$1,234,983</u>	<u>\$ 66,687</u>	<u>\$ 1,301,670</u>

Interest expense for the year ended December 31, 2010 was \$12,889.

2003 Pennvest Stormwater Sewer Note

During 2003, the City entered into an agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) for a storm and sanitary sewer line project. The agreement requires monthly payments of \$15,010, including interest at 1%, maturing in December 2032. As of December 31, 2010, the principal balance due was \$3,555,590.

Scheduled maturities as of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2011	1.00%	\$ 145,391	\$ 34,732	\$ 180,123
2012	1.00%	146,845	33,278	180,123
2013	1.00%	148,313	31,810	180,123
2014	1.00%	149,796	30,327	180,123
2015	1.00%	151,294	28,829	180,123
2016-2020	1.00%	779,471	121,144	900,615
2021-2025	1.00%	819,230	81,385	900,615
2026-2030	1.00%	861,020	39,595	900,615
2031-2032	1.00%	354,230	3,663	357,893
		<u>\$3,555,590</u>	<u>\$ 404,763</u>	<u>\$ 3,960,353</u>

Interest expense for the year ended December 31, 2010 was \$36,172.

2006 Commonwealth of Pennsylvania Loan Agreement

During 2006, the City entered into an agreement with the Commonwealth of Pennsylvania, acting through the Department of Community and Economic Development, for a Local Government Capital Projects Loan to assist with the acquisition of a vehicle. The agreement requires quarterly payments of \$1,530, including interest at 2%, commencing May, 2007 and maturing February, 2012. As of December 31, 2010, the principal balance was \$7,534.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

Scheduled maturities as of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2011	2.00%	\$ 6,013	\$ 106	\$ 6,119
2012	2.00%	<u>1,520</u>	<u>7</u>	<u>1,527</u>
		<u>\$ 7,533</u>	<u>\$ 113</u>	<u>\$ 7,646</u>

Interest expense for the year ended December 31, 2010 was \$225.

2006 Commonwealth of Pennsylvania Infrastructure Loan

During 2006, the City entered into an agreement with the Commonwealth of Pennsylvania, acting through the Department of Transportation, for a loan to assist with the acquisition of a vehicle. The agreement requires annual payments of \$6,524, including interest at 4%, commencing August, 2007 and maturing August, 2011. As of December 31, 2010, the principal balance due was \$6,274.

Scheduled maturities of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2011	4.00%	\$ 6,274	\$ 250	\$ 6,524
		<u>\$ 6,274</u>	<u>\$ 250</u>	<u>\$ 6,524</u>

Interest expense for the year ended December 31, 2010 was \$492.

2010 General Obligation Note

During 2010, the City entered into an \$800,000 agreement with the Commonwealth of Pennsylvania for an infrastructure loan to assist with the Phase III sewer project. The agreement requires annual payments of \$175,736, including interest at 3.75%, commencing October, 2011. As of December 31, 2010, the principal balance was \$100,000.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the year ended December 31, 2010:

	Balance at 12/31/09	Additions	Reductions	Balance at 12/31/10	Due Within One Year
<u>Governmental Activities</u>					
2005 Commonwealth of Pennsylvania Note	\$ 26,287	\$ -	\$ 26,287	\$ -	\$ -
2006 Commonwealth of Pennsylvania Note	13,428	-	5,893	7,533	6,013
2006 Commonwealth of Pennsylvania Note	12,306	-	6,032	6,274	6,274
2010 Tax Anticipation Note	-	900,000	900,000	-	-
	<u>\$ 52,021</u>	<u>\$ 900,000</u>	<u>\$ 938,212</u>	<u>\$ 13,807</u>	<u>\$ 12,287</u>
Compensated absences	<u>\$ 277,643</u>	<u>\$ 99,812</u>	<u>\$ (116,240)</u>	<u>\$ 261,215</u>	<u>\$ 13,061</u>
<u>Business-Type Activities</u>					
1992 Titusville Municipal Water Authority Note	51,025	-	51,025	-	-
2000 Pennvest Sanitary Sewer Note	188,002	-	16,350	171,652	16,514
2001 Pennvest Stormwater Note	1,345,124	-	110,141	1,234,983	111,243
2003 Pennvest Stormwater Note	3,699,536	-	143,946	3,555,590	145,391
2010 Phase III Note	-	100,000	-	100,000	-
	<u>\$5,283,687</u>	<u>\$ 100,000</u>	<u>\$ 321,462</u>	<u>\$ 5,062,225</u>	<u>\$ 273,148</u>
Series of 2001					
4.50% Capital Appreciation Bonds	\$ 357,296	\$ -	\$ 357,296	\$ -	\$ -
4.60% Capital Appreciation Bonds	181,694	-	-	181,694	181,694
	<u>\$ 538,990</u>	<u>\$ -</u>	<u>\$ 357,296</u>	<u>\$ 181,694</u>	<u>\$ 181,694</u>

The following is a summary of changes in accrued bond interest for the year ended December 31, 2010:

	Balance at 12/31/09	Additions	Reductions	Balance at 12/31/10	Due Within One Year
Series of 2001					
4.50% Capital Appreciation Bonds	\$ 170,821	\$ 11,883	\$ (182,704)	\$ -	\$ -
4.60% Capital Appreciation Bonds	89,182	12,604	-	101,786	101,786
	<u>\$ 260,003</u>	<u>\$ 24,487</u>	<u>\$ (182,704)</u>	<u>\$ 101,786</u>	<u>\$ 101,786</u>
Compensated absences	<u>\$ 70,259</u>	<u>\$ 22,027</u>	<u>\$ (45,457)</u>	<u>\$ 46,829</u>	<u>\$ 10,296</u>

The liability for compensated absences is normally liquidated by the general or proprietary funds depending on what department the employee is assigned to.

**NOTE 11 - CAPITAL LEASES**

The City has entered into lease agreements to purchase a street sweeper. The asset acquired through the capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Street sweeper	\$ 109,000
Less: accumulated depreciation	<u>(15,571)</u>
	<u>\$ 93,429</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2010 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2011	\$ 24,034
2012	24,034
2013	24,034
2014	<u>24,034</u>
Total minimum lease payments	96,136
Less amount representing interest	<u>(20,536)</u>
Present value of minimum lease payments	<u>\$ 75,600</u>

**NOTE 12 - LEASES**

The City has entered into several operating leases for office equipment which leases extend beyond one year.

Future minimum lease expense is as follows:

Year ending December 31, 2011	\$ 6,930
Year ending December 31, 2012	<u>1,155</u>
	<u>\$ 8,085</u>

The City also leases equipment on a month-to-month basis. The total lease expense for the year ended December 31, 2010 was \$6,930.

**NOTE 13 - INTERFUND DUE TO/DUE FROM**

The composition of interfund balances as of December 31, 2010 is as follows:

Due To	Due From	Amount
General Fund	Sewer Fund	\$ 263
General Fund	Water Fund	3,501
		<u>\$ 3,764</u>

The outstanding balances between funds result mainly from time lags between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Transfer In:	Transfer Out						Total
	General Fund	Capital Projects Fund	Water Fund	Sewer Fund	Refuse Fund	Fringe Benefits Fund	
General Fund	\$ -	\$ -	\$ 187,000	\$ 187,000	\$ 60,500	\$ -	\$ 434,500
Capital Projects Fund	193,377	-	-	-	-	-	193,377
Water Fund	100,000	-	-	-	-	-	100,000
Sewer Fund	100,000	-	-	-	-	-	100,000
	<u>\$ 393,377</u>	<u>\$ -</u>	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ 60,500</u>	<u>\$ -</u>	<u>\$ 827,877</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, excluding amounts provided as subsidies or matching funds for various grant programs.

**NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description

In addition to the pension benefits described in Note 9, the City provides post-employment health insurance to retirees. The Plan is not accounted for as a trust fund. The Plan does not issue a separate report and activity of the Plan is reported in the General Fund. The City has implemented GASB 45 prospectively for the year ended December 31, 2010.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of December 31, 2010, 10 retired employees are covered by health insurance.

**NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Funding Policy

The benefits for employees are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The City covers up to \$300 of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The City’s annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount determined in accordance with the alternate measurement method parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the City’s annual OPEB cost for the year, the amount actually contributed, and changes in the City’s net OPEB obligation/(asset):

Annual required contribution	\$ -
Interest on net OPEB obligation	-
Annual OPEB cost	-
Contribution made	(87,600)
Decrease in net OPEB obligation/(asset)	(87,600)
Net OPEB obligation/(asset) - beginning of year	1,047,600
Net OPEB obligation/(asset) - end of year	<u>\$ 960,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation/(asset) were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2010	\$ 960,000	100%	\$ 960,000
December 31, 2008	N/A	N/A	N/A
December 31, 2007	N/A	N/A	N/A

N/A - not applicable, 2009 is the implementation year for GASB Statement No. 45.

The City uses the alternative measurement method using the following information: (1) expected retirement age, (2) expected age when eligible for Medicare, and (3) actual health insurance costs for the current year.

**NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

The alternative measurement method of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports its risk management activities in the General Fund. The City carries commercial insurance for all other types of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 16 - RELATED ORGANIZATIONS**

Related organizations holding agency relationships with the City are excluded from the City's financial reporting since the City does not carry a significant role in these organizations' operations. Audited financial statements are available from the respective organizations. These organizations are described as follows:

- |   |  |
|---|--|
| Titusville Municipal Water Authority              | Provides repayment of loan from Pennvest with monthly lease payments made to the Authority by the City. The City has no significant influence over the Authority. The Titusville Municipal Water Authority reports separately.   |
| Redevelopment Authority of the City of Titusville | Administers federal funding for housing condition improvements and community development activities approved by the U.S. Department of Housing and Urban Development. The City has no significant influence over the budget, management, or policies of the Authority. The Redevelopment Authority of the City of Titusville reports separately. |

**NOTE 16 - RELATED ORGANIZATIONS (CONTINUED)**

Titusville Airport Authority	Administers federal funding for airport improvements and maintenance approved by the Federal Aviation Administration. The City has no significant influence over the budget, management, or policies of the Authority. The Titusville Airport Authority reports separately.
Leisure Services Board	Organized for the establishment and maintenance of recreational activities and services. The City has no significant influences over the Board. The Leisure Services Board reports separately.

**NOTE 17 - CONTINGENT LIABILITES**

General Programs - The City participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

**NOTE 18 - RESTATEMENT OF NET ASSETS**

The beginning net assets of the governmental activities were restated as follows:

	<u>Governmental Activities</u>
Beginning balance	\$ 2,629,885
Restatement for other post-employment benefits	<u>(860,304)</u>
	<u>\$ 1,769,581</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - Trust and Agency**  
**December 31, 2010**

	Police Pension Trust	Fire Pension Trust	General Pension Trust	Trust Fund Totals
Assets				
Cash and cash equivalents	\$ 132,154	\$ 34,744	\$ -	\$ 166,898
Investments	4,204,406	2,404,653	2,032,813	8,641,872
Total assets	<u>\$ 4,336,560</u>	<u>\$ 2,439,397</u>	<u>\$ 2,032,813</u>	<u>\$ 8,808,770</u>
Net assets				
Held in trust for pension benefits and other purposes	<u>\$ 4,336,560</u>	<u>\$ 2,439,397</u>	<u>\$ 2,032,813</u>	<u>\$ 8,808,770</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Trust and Agency**  
**For the Year Ended December 31, 2010**

	Police Pension Trust	Fire Pension Trust	General Pension Trust	Trust Fund Totals
Additions				
Contributions				
Contributions - employees	\$ 28,947	\$ 21,622	\$ 27,874	\$ 78,443
Contributions - state and city	260,568	178,875	50,643	490,086
Total contributions	<u>289,515</u>	<u>200,497</u>	<u>78,517</u>	<u>568,529</u>
Investment income				
Net change in fair value of investments	420,905	204,944	124,984	750,833
Interest and dividends	89,940	62,839	-	152,779
Net investment income	<u>510,845</u>	<u>267,783</u>	<u>124,984</u>	<u>903,612</u>
Total additions	<u>800,360</u>	<u>468,280</u>	<u>203,501</u>	<u>1,472,141</u>
Deductions				
Benefits	484,018	305,311	52,442	841,771
Administrative expenses	25,382	18,639	-	44,021
Total deductions	<u>509,400</u>	<u>323,950</u>	<u>52,442</u>	<u>885,792</u>
Net increase	290,960	144,330	151,059	586,349
Net assets				
Beginning of year	<u>4,045,600</u>	<u>2,295,067</u>	<u>1,881,754</u>	<u>8,222,421</u>
End of year	<u>\$ 4,336,560</u>	<u>\$ 2,439,397</u>	<u>\$ 2,032,813</u>	<u>\$ 8,808,770</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 2,256,375	\$ 2,256,375	\$ 2,392,780	\$ 136,405
Interest, rents and royalties	18,250	18,250	10,044	(8,206)
Intergovernmental	293,263	293,263	1,064,479	771,216
Charges for services	81,105	81,105	122,522	41,417
Licenses and permits	85,375	85,375	72,932	(12,443)
Fines and forfeits	58,300	58,300	58,570	270
Contributions and donations	-	-	3,125	3,125
Other	17,200	17,200	11,047	(6,153)
Total revenues	<u>2,809,868</u>	<u>2,809,868</u>	<u>3,735,499</u>	<u>925,631</u>
<b>Expenditures</b>				
General government	342,765	342,765	1,185,611	(842,846)
Public safety	1,887,595	1,887,595	1,949,358	(61,763)
Public works	694,145	694,145	515,485	178,660
Human services	-	-	1,689	(1,689)
Culture and recreation	110,856	110,856	88,460	22,396
Debt service	47,643	47,643	32,498	15,145
Other	117,755	117,755	74,641	43,114
Total expenditures	<u>3,200,759</u>	<u>3,200,759</u>	<u>3,847,742</u>	<u>(646,983)</u>
Excess (deficiency) of revenues over expenditures	<u>(390,891)</u>	<u>(390,891)</u>	<u>(112,243)</u>	<u>278,648</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	434,500	434,500	434,500	-
Operating transfers (out)	(43,609)	(43,609)	(393,377)	349,768
Total other financing sources (uses)	<u>390,891</u>	<u>390,891</u>	<u>41,123</u>	<u>349,768</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(71,120)	(71,120)
<b>Fund balance</b>				
Beginning of year, as restated	<u>271,544</u>	<u>271,544</u>	<u>271,544</u>	<u>-</u>
End of year	<u>\$ 271,544</u>	<u>\$ 271,544</u>	<u>\$ 200,424</u>	<u>\$ (71,120)</u>



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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards**

Honorable Mayor and Members of Council  
City of Titusville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Titusville, Pennsylvania, as of and for the year ended December 31, 2010, which collectively comprise the City of Titusville, Pennsylvania's basic financial statements and have issued our report thereon dated May 26, 2011. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Titusville, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedure for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Titusville, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Titusville, Pennsylvania's internal control over financial reporting.

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 City of Titusville's financial statements will not be prevented, or detected and corrected on a timely basis.

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*  
(Continued)**

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Titusville, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

We noted certain matters that we reported to management of the City of Titusville, Pennsylvania in a separate letter dated May 26, 2011.

This report is intended solely for the information and use of the audit committee, management, City Council, management, federal awarding agencies, the Pennsylvania Department of Community and Economic Development, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

May 26, 2011  
Erie, Pennsylvania



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FELIX & GLOEKLER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
2306 Peninsula Drive • Erie, Pennsylvania 16506

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**Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

To the Board of Directors  
City of Titusville, Pennsylvania  
Titusville, Pennsylvania

**Compliance**

We have audited the City of Titusville, Pennsylvania's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City of Titusville, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Titusville, Pennsylvania's management. Our responsibility is to express an opinion on the City of Titusville, Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Titusville'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. Our audit does not provide a legal determination of the City of Titusville, Pennsylvania's compliance with those requirements.

In our opinion, the City of Titusville, Pennsylvania complied, in all material respects with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2010-1.

**Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**  
**(Continued)**

Internal Control Over Compliance

Management of City of Titusville, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Titusville, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Titusville 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 a 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. 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.

The City of Titusville, Pennsylvania's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Titusville, Pennsylvania's responses and, accordingly, we express no opinion on the responses.

**Independent Auditors' Report on Compliance With Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133  
(Continued)**

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Commonwealth of Pennsylvania, and federal awarding agencies and is not intended to be, and should not be used by anyone other than these specified parties.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

May 26, 2011  
Erie, Pennsylvania

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended December 31, 2010**

<u>Description of Grantor/Agency Program Title</u>	<u>CFDA No.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Office of Justice Program	16.810	N/A	\$ 124,542
Lethal Force Grant - ARRA	16.803	N/A	9,296
Police Retention Grant - ARRA	16.803	N/A	<u>12,500</u>
Total U.S. Department of Justice			<u>146,338</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through the Pennsylvania Department of Community and Economic Development			
2007 Community Development Block Grant	14.228	N/A	9,000
2008 Community Development Block Grant	14.228	N/A	62,698
2009 Community Development Block Grant	14.228	C000046595	212,862
2010 Community Development Block Grant	14.228	C000049978	<u>117</u>
Total U.S. Department of Housing and Urban Development			<u>284,677</u>
<u>U.S. Department of Transportation</u>			
Passed Through to Pennsylvania Department of Transportation			
Federal Aviation State Block Grant	20.106	N/A	<u>434,756</u>
Total U.S. Department of Transportation			<u>434,756</u>
Total Expenditures of Federal Awards			<u><u>\$ 865,771</u></u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2010**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Titusville, Pennsylvania and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Titusville, Pennsylvania provided federal awards to subrecipients as follows:

Program Title	Federal CFDA #	Amount Provided to Subrecipients
Community Development Block Grant	14.228	\$ 284,677
Federal Aviation State Block Grant	20.106	434,756
		<u>\$ 719,433</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2010**

1. Summary of auditors' results

- (i) Type of report issued on the financial statements:  
Unqualified opinion.
- (ii) Significant deficiencies that were material weaknesses in internal control: N/A
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Significant deficiencies that are material weaknesses in internal control over major programs: N/A
- (v) Type of report issued on compliance for major programs:  
Unqualified opinion.
- (vi) Findings which are required to be reported: See finding 2010-1 below.
- (vii) Major programs:  
Federal Aviation State Block Grant CFDA# 20.106
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (ix) The City of Titusville did not qualify as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None

3. Findings and questioned costs for Federal awards

Finding 2010-1: Community Development Block Grant, CFDA # 14.228,  
Federal Aviation State Block Grant, CFDA # 20.106

- Criteria: The City must establish procedures to monitor subrecipients to ascertain whether program funds are used in accordance with program regulations.
- Condition: We noted that the City did not have adequate procedures in place to reconcile pass-through amounts to City records and to the subrecipient contract. There was also a lack of review of the subrecipient's audit reports for compliance and internal control findings.
- Results of Condition: The City does not have documented assurance that program funds were expended in accordance with applicable regulations.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2010**  
**(Continued)**

- Recommendations: The City should implement procedures to properly identify federal awards, review audit reports and follow up on subrecipient compliance issues.
  
- Response: See corrective action plan.

# CITY OF TITUSVILLE, PENNSYLVANIA

## Summary Schedule of Prior Year Findings

For the Year Ended December 31, 2010

1. Findings required to be reported in accordance with generally accepted government auditing standards

Finding 2009-1 has been repeated at Finding 2010-1 relative to the Community Development Block Grant, CFDA # 14.228. Procedures have been implemented to improve subrecipient monitoring of Community Development Block Grant, CFDA # 14.228.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**Corrective Action Plan**

**For the Year Ended December 31, 2010**

The City of Titusville, Pennsylvania respectfully submits the following corrective action plan for the year ended December 31, 2010.

Finding 2010 – 1	Community Development Block Grant	CFDA No. 14.228.
	Federal Aviation State Block Grant	CFDA No. 20.106

Recommendation: The City of Titusville, Pennsylvania should follow the monitoring compliance requirements and perform review of subrecipients.

Action Taken: We concur with the recommendation and will ensure subrecipient monitoring is performed. The Business Manager will be responsible to ensure the corrective actions take place.

**CITY OF TITUSVILLE, PENNSYLVANIA**

**List of Report Distribution**

**For the Year Ended December 31, 2010**

The following is a listing of all agencies to which the audit reports are distributed:

1. United States Bureau of the Census
2. Pennsylvania Bureau of Audits