

CITY OF PITTSTON, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018
&
INDEPENDENT AUDITORS' REPORT
&
REQUIRED SUPPLEMENTARY INFORMATION
&
ADDITIONAL INFORMATION**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor - and Members of City Council
City of Pittston, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittston, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittston, Pennsylvania, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6–12 and 13–26 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.

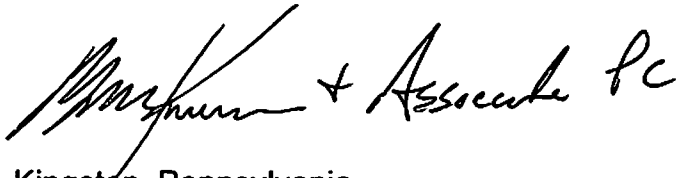
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pittston, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink, appearing to read "M. J. ... + Associate PC". The signature is written in a cursive style.

Kingston, Pennsylvania
September 16, 2019

CITY OF PITTSTON, PENNSYLVANIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Managements' discussion and analysis of the City of Pittston's financial performance provides an overview of the City's financial activities for the years ended December 31, 2018 and 2017 for governmental activities and business-type activity.

Pursuant to Article IV of the Pittston City Home Rule Charter (Pittston City Code §C4.04) the City Administrator is responsible for specified budgetary and financial administration and this discussion and analysis has been prepared by the Office of the City Administrator. The Independent Auditors' report is authorized by the Pittston City Council pursuant to the Article X of the Pittston City Home Rule Charter (Pittston City Code §C10.01-§C10.03).

FINANCIAL HIGHLIGHTS

Government-Wide Level

- The City's overall net assets increased as a result of this year's operations. The net assets of the business-type activity decreased by \$7,718, and net assets of the governmental activities increased in 2018 by \$8,188,763.
- During 2018, the City of Pittston general fund had expenses that were \$2,259,166 greater than the \$4,941,139 generated in tax and other revenues for governmental programs.

Fund Level

- The General Fund reported a balance of \$148,445 at December 31, 2018 and a balance of \$20,930 at December 31, 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 29 and 30) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 31 and tell how these services were financed in the short term as well as what remains for future spending. 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 funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

REPORTING THE CITY AS A WHOLE

"The Statement of Net Position and the Statement of Activities"

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as 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. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads and housing units, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**-Most of the City's basic services are reported here including the administration, code enforcement/building inspection, police, fire, public works (includes street, sanitation, recycling, sewer, and recreation functions), community development, and **City of Pittsburgh Redevelopment Authority** (Pittsburgh City Code §18-1). Property (Real Estate) taxes, earned income and business taxes, franchise fees, licenses, sewage transmission fees, garbage fees, and state and federal grants finance most of these activities.
- **Business-Type activity**-The **Pittsburgh Parking Authority** is a Municipal Authority entity organized under the laws of the Commonwealth of Pennsylvania (Pittsburgh City Code §18-3). The Authority collects fees from parking spaces.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 7. The fund financial statements begin on page 29 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by state law and by debt/bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (such as the Sewer Maintenance Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

- **Governmental funds**-Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on pages 29 and 30.
- **Proprietary funds**-When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements, but provide more detail and additional information.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the Trustee, or fiduciary, for its employees' pension plans (Pittston City Code Chapter 68). It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 37 and 38. We exclude these activities from the City's other financial

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The pension funds are audited every two years by the Commonwealth's Office of the Auditor General and the audit reports are available at city hall and from the Pennsylvania State Auditor General.

THE CITY AS A WHOLE

The City's combined assets increased from a year ago to \$14 million from \$5.8 million. Our analysis below focuses on the net assets and changes in net assets of the City's governmental activities.

Net deficit of the City's governmental activities decreased to \$4,115,600 compared to \$5,682,311 in 2017. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, changed from a \$7,273,349 deficit at December 31, 2017 to a \$4,813,384 deficit at the end of fiscal year 2018.

The assets of our business-type activity decreased to \$78,346 in 2018 compared to \$86,058 in 2017.

The cost of all governmental activities in 2018 and 2017, respectively, was \$13.1 million and \$7.2 million. However, as shown in the Statement of Activities on page 30, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$9.1 million in 2018 and \$3 million in 2017 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain program with grants and contributions.

CITY'S MAJOR FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 31) reported a combined fund balance of \$1,011,502, which is less than last year's total of \$1,827,594.

- Principal and interest payments made on long-term debt and capital leases were approximately \$761,000 and \$162,000.
- During the current year, the fund balance of the Office of Community Development Program decreased by \$337,026.
- Each year, the State provides the City with a portion of the gasoline tax revenues it collects. These funds are deposited into the city's **Liquid Fuels Fund**, a restricted use

CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

special purpose revenue fund subject to separate audit by the office of the Commonwealth's Auditor General. These funds can only be used for certain purposes related to maintenance and improvement of public roads and street lighting and specific equipment directly related to roadway maintenance. The amount the city receives has been increasing because of a change in state law that resulted in more funds being available. The following table shows the amount of Liquid Fuels funds received by the city in the last 3 years:

Fiscal Year	Liquid Fuels Funds Received from the Commonwealth of Pennsylvania
2018	\$ 235,326
2017	224,432
2016	214,474

March 2017 Blizzard and Effect on Paygo Street Paving

The city suffered an unexpected record-setting blizzard in March 2017 that resulted in costs for annual winter weather response for 2016-2017 far exceeding the budget.

Total city costs incurred over March 14-18 2017 for the response to the blizzard were calculated at \$47,222, much of which was incurred by the Liquid Fuels Fund for emergency snow removal, snow removal equipment and road salt. This level of expenditure was far from the median annual amount for this activity and occurred at the end of the winter season when nearly all regular appropriations for winter weather response had already been expended along normal historical spending patterns. Thus, the blizzard costs represented a true increase in winter weather costs on top of the regular anticipated costs which did not deviate from the historical pattern. The cost of the blizzard was more than 100% above the total appropriation for winter weather response which prior to the blizzard had followed historical spending patterns and which prior to the blizzard were within levels of the approved fiscal year 2017 budget. Despite an application for disaster relief funding submitted to the state and federal government on behalf of various affected municipalities by the Luzerne County Government, none of the extraordinary costs incurred during the March 2017 blizzard were ultimately reimbursed by the state or federal government. Accordingly, during Fiscal Year 2017, funds were not available for the regular paygo capital annual street resurfacing project.

PayGo Street Repaving Program Resumed in 2018

CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The annual PayGo Street resurfacing program resumed for Fiscal Year 2018 with a large project in the "Oregon" section of the city. Portions of Garfield, River, West Oak and West Frothingham Streets were repaved under a PayGo Capital project in the amount of \$132,065.

CAPITAL ASSETS (GASB 34)—INCLUSION IN FISCAL YEAR 2018 FINANCIAL STATEMENTS

During Fiscal Year 2017, city leadership initiated the planning process to establish a current asset inventory of city owned capital assets which is a required component of the annual Financial Statement. Previous administrations had not maintained the fixed assets inventory. The failure to include this required information resulted in a deleterious comment by the Independent Auditor in the audits prior to 2018. Not only is the fixed asset inventory a Government Accounting Standards Board (GASB) requirement (GASB 34), it is noted that the inclusion of the inventoried capital assets would have a significant positive financial impact on the annual financial statement.

Funds to implement the capital asset inventory program were included in the fiscal year 2018 approved budget, and the project was initiated in the third quarter of 2018. The city utilized Industrial Appraisal Company of Pittsburgh, PA to complete the fixed asset analysis and report. The project was completed in the final quarter of Fiscal Year 2018.

The Fiscal Year 2018 Independent Audit and Financial Statements include all GASB 34 requirements related to the "Fixed Asset Inventory." This is a significant improvement in the city's financial statements and presents a more accurate depiction of the city's financial condition.

GASB 45 AND GASB 75-- OTHER POST-EMPLOYMENT BENEFITS

Compliance with GASB 45 related to Other Post-Employment Benefits was achieved in the spring of 2016 when the City contracted with the Beyer-Barber Company, Employee Benefit and Actuarial Consultants, to produce the required OPEB report. This report dated June 28, 2016, was provided to the Independent Auditor for inclusion in the Independent Audit and Financial Statements as required by GASB 45 and is also on file for review at City Hall.

GASB updated the financial reporting requirements for Other Post-Employment Benefits by issuing GASB 75. In order to comply with this new requirement, the city again contracted with the Beyer-Barber Company, Employee and Actuarial Consultants, to produce the new report required under GASB 75. This report, dated August 2, 2019, was provided to the Independent Auditor for inclusion in the 2018

**CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Independent Audit and Financial Statements as required by GASB 75 and is also on file for review at City Hall

Other obligations include accrued vacation pay, compensatory time and sick leave.

GASB 68 Disclosure

For compliance with requirements of GASB 68, the city contracted with Beyer-Barber Company, Employee Benefit and Actuarial Consultants, to provide the required disclosures for each city pension plan pursuant to GASB 68. Copies of the GASB 68 disclosure report for each pension plan were provided to the Independent Auditor and are on file at City Hall for review.

CITY OF PITTSBURGH, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
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2018 ANNUAL BUDGET

The City Council has adopted a comprehensive budgetary, financial management and debt management policy (Pittsburgh City Code Chapter 23) and the Fiscal Year 2018 budget was prepared in accordance with the parameters of the policy (§23-2). The Fiscal Year 2018 Budget was approved by Ordinance, File of Council # 10 of 2017 and the other required supporting tax revenue ordinances all were adopted by the City Council at the meeting of December 20, 2017.

During the course of the fiscal year, the City Council proactively amended the General Fund budget in September (Resolution 12167) and October (Resolution 12181); and the Liquid Fuels Funds in August (Resolution 12158) to reflect the then most current projections of revenue and expenditures and to reflect proceeds received from grants and the issuance of long-term debt. Additionally, the City Council established an approved budget for the new PayGo Capital Fund in October (Resolution 12183).

The following table shows the total annual budget for each appropriated fund for Fiscal Year 2018:

Fund Name	Approved FY 2018 Budget	Final Revised FY 2018 Budget
General Fund	\$ 5,340,440	\$ 5,444,498
Sewer Maintenance Fund	1,095,718	No Change From Approved
Liquid Fuels Fund	288,500	311,000
PayGo Capital Fund	-	124,418

CAPITAL PROJECTS FUNDS

Beginning in Fiscal Year 2014, the city established a number of capital projects funds to account for several large capital improvement projects. These included capital improvement funds for the expansion of the city library; replacement of city street lights; energy savings programs at city hall and the public library; renovation of city hall, streetscaping of Main Street, renovations of a building to house a branch of the Luzerne County Community College, and renovation of sewer lines (PENNVEST Sewer Capital Improvement Fund). Authority to establish, receive, and expend these funds was appropriated in specific Resolutions adopted by the City Council during the fiscal year in which they were established. Additionally, in the final quarter of Fiscal Year 2017 an additional capital project fund was authorized and appropriated to undertake renovations to Sullivan Park. While the streetlight replacement and city hall energy system savings projects were completed, the other projects were still ongoing throughout Fiscal Year 2018 and all activity with regard to funds received and expenditures paid were recorded in the capital project account for each project.

CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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During Fiscal Year 2018, capital expenditures for these projects were as follows:

<u>Capital Project Account</u>	<u>FY 2018 Total Expenditures</u>
Streetscape Phase IV	\$ 530,057
LCCC Project	1,867,893
Pittston Memorial Library Expansion	215,919
Pittston City Hall Renovations	1,446,394
Sullivan Park Renovation Fund	<u>157,331</u>
Totals	<u>\$ 3,740,594</u>

PAYGO Capital Fund

During Fiscal Year 2018, the city established a PayGo Capital Fund (Resolution 12183) with an approved budget to fund small capital projects during the course of the fiscal year. During Fiscal Year 2018, \$145,833 was expended per the appropriated budget and established project approval process.

SUMMARY

Despite an increase in the earned income tax in 2013, updating and modernization of permit and user fees and the imposition of a flat rate business privilege tax beginning in 2015, the City still continues to be challenged forthright by its ability to generate sufficient revenues and maintain its financial capacity to afford a level of services that our residents are accustomed and in fact, have come to expect. During 2018 the Administration continued to strive to improve the City's finances and maintain control of department-wide expenditures.

FINANCIAL NOTES TO 2018 BUDGET

REVENUE ACCOUNTS

The City's overall General Fund revenue over the past three years is as follows:

Fiscal Year	Total General Fund Revenue
2018	\$ 4,941,139
2017	4,680,353
2016	4,960,191

The City's two primary revenue sources are earned income tax and real estate tax (property tax). Following adoption of the City's new Home Rule Charter in Fiscal Year 2013, and to offset the cost of a new property tax deduction for homeowners required by the City's new Home Rule Charter, the earned income tax was increased to generate sufficient operating revenue for enhanced city services.

Earned Income Tax. The City levies an Earned Income Tax (Pittston City Code §436-12) Earned income tax collections over the past three years are as follows:

Fiscal Year	Earned Income Tax
2018	\$ 1,699,880
2017	1,224,705
2016	1,417,793

Like many jurisdictions in the region, the City's earned income tax collection was adversely affected from FY 2010-FY 2012 by the bankruptcy and dissolution of the Don Wilkinson Tax Collection agency. Fluctuations occurred through FY 2013 as a result of the outcome of this bankruptcy, institution of Act 32, appointment of Berkheimer Associates as the new Earned Income Tax Collector, and an increase in the earned income tax rate enacted in FY 2013 under the City's new Home Rule Charter. Since FY 2014 this revenue source has stabilized and is showing annual growth in line with the growth of the national economy.

The City is an active member of the Luzerne County Act 32 Tax Collection Committee [Pittston City Code §436-15(B)] and the City's Administration Department communicates regularly with

CITY OF PITTSBURGH, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (UNAUDITED)

the contracted collection agency, Berkheimer Associates, for alignment of the City's Budget to forecasted earned income tax revenue.

Real Estate (Property) Taxes. Real estate taxes represent the City's largest single source of revenue. After a period of decline due to demolition of blighted structures, abatements approved by the Luzerne County Board of Assessment Appeals, and properties temporarily off the tax rolls while undergoing rehabilitation projects under the purview of the City Redevelopment Authority, the city's overall assessment level showed an increase for FY 2018 as follows:

Fiscal Year	Total City Taxable Property Assessment
2009	\$268,740,400
2010	\$268,441,700
2011	\$266,718,600
2012	\$265,365,900
2013	\$264,073,000
2014	\$265,758,500
2015	\$262,925,000
2016	\$265,622,100
2017	\$267,114,400
2018	\$267,538,900

Data Source: Luzerne County Assessor's Office

Actual collections of current year real estate taxes in the last three years are as follows:

Fiscal Year	Current Year Real Estate Tax
2018	\$ 1,395,707
2017	1,473,978
2016	1,457,044

The decrease is partially attributed to the increased Homestead Deduction for 2018 property taxes for owner-occupied homes further discussed in the following section.

Homestead Deduction & Delinquent Real Estate Tax

The City's new Home Rule Charter required the establishment of a "Homestead Deduction" for the assessment amounts of owner-occupied residential homes. Pittston City Code Section §436-42(A) initially set the amount of the deduction at \$15,000. This resulted in a reduction of approximately \$220,000 in annual property tax revenue beginning in FY 2013. Since that time, real estate tax revenue has seen both increases and decreases. Increases are due primarily to commercial building construction and improvements in the downtown as well as new homes and some residential structure improvements. Decreases are due to demolition of blighted structures, abatements granted by the Luzerne County Board of Assessment Appeals, acquisition of properties by the City Redevelopment Authority pending redevelopment and return to the tax rolls and acquisition of properties by non-profits.

For Fiscal Year 2018, the City Council increased the Homestead Deduction by ten percent (10%) when Ordinance 2017 was adopted on December 20, 2017. The projected impact on revenue for Fiscal Year 2018 was included in the proposed and adopted budget for Fiscal Year 2018.

Luzerne County Government is responsible for collection of delinquent real estate taxes and enhanced administration of delinquent property tax revenue has also contributed to more current year tax revenue being received as property owners seek to avoid the fees and costs associated when taxes go delinquent.

Local Services Tax: After several years of fluctuations in the "Local Services Tax" (Pittston City Code Section 436 Title V) due to the bankruptcy of the Don Wilkinson Agency as previously noted and a determination by the new collection agency, Berkheimer Associates, that the City has been incorrectly receiving revenue from businesses not located in the city, this revenue source is now stabilized at approximately \$90,000 annually.

Business Privilege Tax: The city is constrained by current state law in expanding its tax base through the use of business privilege and mercantile taxes. However, beginning in 2015, the city council enacted an ordinance that imposed a flat rate business privilege tax (BPT) which is allowed by current state law. The BPT is now codified in Chapter 436, Article VIII of the Pittston City Code, and business with proceeds greater than \$15,000 per calendar year are assessed a flat tax of \$200. To maximize efficiency in tax collections, the city contracted with Berkheimer Associates, also the Act 32 tax collector for the earned income and local services taxes, to collect this tax. The first year's collections of \$34,196 was slightly below the projection, but has increased to over \$40,000 annually as businesses became aware of the tax and the tax collector initiated delinquency processing.

Realty Transfer Tax: The city increased the Real Estate Transfer Tax (Pittston City Code §436-19) to 1.5% effective January 1, 2018. This increase, as well as the growing economy and gradual recovery of the national housing market, has resulted in a significant increase in this revenue source for the city's General Fund.

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Fees. The City has also modernized and improved collections of various permit and license fees issued by its building inspection, code enforcement, fire inspection, and zoning offices pursuant to adopted ordinances.

Delinquent Revenue: Beginning in the last quarter of fiscal year 2015 the city began placing liens on properties with significant multi-year delinquencies in refuse fees and plans in 2018 to begin placing liens and undertaking water shut-offs for seriously delinquent sewer maintenance fees. Persistently delinquent accounts have resulted in revenue loss for these revenue sources that support vital public services and the city's action in collecting delinquent accounts is consistent with enforcement actions set forth in the enacting ordinances for the fees in Pittston City Code Chapters 386 and 412. The city also plans to develop a uniform accounting policy for any write-offs of delinquent or bankrupt accounts in accordance with standard accounting policies to most accurately portray receivables.

Impact of Luzerne County Community College Building

During Fiscal Years 2017-2018, the city undertook a progressive capital and economic development program to convert a large commercial building on South Main Street from its former use as a bank to a city branch of Luzerne County Community College. The macro-level economic redevelopment goal was to attract students to the city, supporting the downtown business district, and over time, increase regional educational levels, which generally results in increased revenue, because statistics indicate that higher-educated persons earn more than those with lower levels of education. There was also concern this building had sat closed for some time in a vital downtown location. The project was successfully completed, and the building opened for use at the end of the fiscal year.

However, the city did incur financial impact from this project. Chiefly, the city real estate (property) tax revenue was lost for the parcel, while the city incurred annual operating cost for new debt service for the long-term General Obligation Note debt taken out in 2017 to finance the project. The City Redevelopment Authority also incurred a new recurring annual cost for required insurance on the building. These new costs are only partially offset by the annual lease rental income for the building. While the macro-level benefits to the city for this project are positive, the impact on the city's finances must be managed over the term of the loan and lease.

Overall Revenue Picture: Overall, the City's revenue is expected to continue to increase at slightly more than the rate of inflation. Downtown business district improvements will result in several new commercial buildings coming into the property tax stream in the near future. In late 2015 for example a large new private medical office building opened on North Main Street and a condominium building was completed on Kennedy Boulevard, both of which will result in additional property tax revenue. A home revitalization project, the new downtown condominium building and a multi-story building with apartments at South Main Street and Tomato Festival Drive opened in 2015 serve as catalysts for improvements in the earned

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income tax revenue system. At the same time, however, it will continue to be a challenge for the City's revenue growth to match pace with anticipated expenditures

EXPENSE ACCOUNTS

The City adopted a comprehensive budgetary, financial, and debt service management policy in FY 2013 (Pittston City Code Chapter 23) that significantly improved the accuracy of the City's annual budget and resulted in proactive monthly budget to actual reporting by the office of the city administrator with monitoring by the elected officials. This policy has been followed and is regularly updated.

The improvements in the budgetary and financial reporting have made department heads more aware of and involved in administering their budgets and understanding the city's overall financial condition and this has resulted in a significant improvement in department spending being at or below budget appropriations. The office of the city administrator also proposes mid-year budget amendments to the mayor and city council as needed to adopt the budget to changing financial circumstances within the fiscal year.

Consequently, overall 2018 General Fund expenditures were \$7,362,371 which includes the police pension liability payment of \$2,174,000 which was funded by general obligation bond 2018C (see 2018 debt issuance below). Without such a payment the expenditures were below the budget level.

All areas of FY 2018 overspending were minor and were monitored throughout the year and addressed during FY 2019 budget formation.

While departments did an excellent job of administering their budgets, the city continued to face significant spending pressures, particularly in the area of the required employer contribution to the defined benefit pension plans, increased debt service required to sustain capital improvements; increased lease costs to replenish the vehicle fleet and increased health and liability insurance costs

2018 Debt Issuance

During Fiscal Year 2018, the city issued several new long-term debt issues:

- **General Obligation Bond 2018A:** The South Main Street Streetscape Capital Project was completed and the temporary bridge loan refinanced by a 40 year note from the United States Department of Agriculture. Monthly payments begin in August 2019;
- **General Obligation Bond 2018 B:** was issued to consolidate previous debt issuances (2004 General Obligation Note and 2011 General Obligation Note) and to provide funding for the PayGo Capital Account while reducing monthly debt servicing costs;

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- **General Obligation Note 2018C:** in the amount of \$2,174,000 was issued and fully deposited into the police pension fund towards reduction of the fund's Unfunded Assumed Actuarial Liability with a goal of stabilizing the fund and reducing the annual Minimum Municipal Obligation to the fund, which had dramatically escalated in recent years (see further discussion later in this analysis).

These debt issuances will significantly impact the city's overall debt service beginning in FY 2019 and will need to be incorporated into the operating budget and financial plan.

Defined Pension Plan Liability. The City is required by state law to provide certain defined benefit pension plans to several classes of full time employees. Decisions made by previous administrations, combined with the effects of the 2008 global recession have greatly increased the cost of these pension plans to the city taxpayers.

The state aid payments for 2014-2018 completely covered the Minimum Municipal Obligation (MMO) for the paid firefighters and nonuniform plans, but only partially covered the MMOs for the police pension plan in those periods.

The city moved aggressively to combat this spending pressure through three proactive measures: The city pension boards completed a comprehensive process that resulting in changing the investment company for the pension plans with the goal of reducing administrative costs while prudently investing for responsible but sustainable market returns; the city successfully negotiated an increase in the member (employee) contribution rate (Pittston City Code §68-37) to the police pension plan in the most current collective bargaining process; and the city council by ordinance dedicated property tax millage specifically to fund the minimum municipal obligation to the pension plans.

Police Pension Plan Minimum Municipal Obligation (MMO) Liability. The police pension plan minimum municipal obligation (MMO) contribution increased dramatically in recent years due to a past administration's decision in collective bargaining to allow lower than normal member contributions; unexpected disability retirements; effects of the 2008 stock market downturn; and a pension "buy-back" for certain police officers provided for in the current collective bargaining agreement between the city and unionized full-time city police officers. Subsequent action taken by the city will result in this "buy-back" being sun-setted in future agreements but it has definite and significant fiscal impact on the MMO as a result of the officers who exercised the clause during the current agreement.

Even after the available state aid was applied to the police pension plan in FY 2015, an obligation in excess of \$247,000, to the police pension plan, remained to the city and during the audit process was noted on the balance sheet as a liability. Towards meeting this liability, beginning in FY 2016, 1.0 mill of Real Estate Tax revenue was dedicated by ordinance to defeasement of this liability and this millage was continued in FY 2017. However, the rate of growth of the police pension liability MMO increased in FY 2016 such that the additional

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millage was insufficient to both defease the FY 2015 police pension fund MMO liability and fully pay the FY 2016 police pension fund MMO liability and the pattern of not fully funding the police pension MMO fully in the budget year continued in FY 2017 despite the city council's proactive measure to dedicate millage for this purpose. Thus the FY 2017 Financial Statements continued to note this material liability.

During FY 2018, the Mayor and City Council continued to aggressively address the concern with the liability of the police pension plan. After careful analysis and discussion, the city council issued a long-term general obligation note (2018C) in the amount of \$2,174,000 and applied the proceeds to the unfunded actuarial liability of the police pension plan. The goal was to dramatically reduce the annual minimum municipal obligation beginning for FY 2018, which was achieved. However, there remained the balance due on recent MMOs as noted in the financial statements. In the short term, the city will have to carefully manage repayment of the unpaid prior MMOs, the reduced current MMO, and the debt service obligation on the note whose proceeds were deposited into the police pension fund. In the short term, management of these three costs will pose a challenge to the city's general fund, but once the prior unpaid MMOs are defeased, the general fund impact will be significantly mitigated in this regard.

In addition to managing the financial impact, the city will need to negotiate changes to the police pension fund benefits through collective bargaining in order to mitigate the cost of the police pension fund MMO. Specifically, establishing a minimum retirement age, changing benefits for widows to align with prevailing standards, and increasing member contributions will need to be considered to mitigate this cost.

The police pension fund MMO has been the largest single cost-driver in the city's budget over the past few years despite aggressive actions by the city council and administration to contain the cost.

This liability will continue to force the city to carefully manage cash flow and restrict spending in the city general fund for all other operations funded through the general fund. The city will seek, through collective bargaining, to further increase member contributions to the police pension plan in the future, and carefully manages pension plan investments to maximize earnings while managing investment risk, but short of attributing the number of full-time police officers employed by the city, which is not prudent given the city's population and crime rates, state-level reform of municipal pensions is the only way the city and many other jurisdictions can stabilize and afford this liability.

CAPITAL INVESTMENTS: INFRASTRUCTURE AND PUBLIC PROPERTY

For many years, the city deferred maintenance and improvement of its infrastructure and public buildings. The present administration has invested heavily in repairs, maintenance, and improvement of city-wide infrastructure and public property. To fund this work, the city has pursued grants, partnered with state agencies and public utilities and taken on long term debt.

City Street Resurfacing. The city has pursued an aggressive program of repaving city streets in residential neighborhoods as follows:

- **During 2018**, the PayGo Capital annual road-paving project funded from the Liquid Fuels Fund resumed, allowing for the paving of portions of the following roads: Garfield Street, West Frothingham Street, West Oak Street, River Street;
- **In 2017**, the annual road-paving project had to be suspended due the extraordinary costs incurred during the record-setting March 2017 blizzard. It is anticipated the annual paygo road resurfacing project will resume in 2018
- **In 2016**, the following streets were repaved: Dewitt Street; Ormsby Alley from Dewitt to Green Streets; portion of Spring Street between Tomato Festival Drive and Market Street; intersection of Cornelia and New Streets; drainage swale along East Columbus Avenue; Market Street; Wood Street; Stark Street; lower Church Street; Butler Street; East Columbus Avenue
- **In 2015**, the following streets were repaved: North Main Street, Parsonage Street, East Frothingham Street, East Oak Street, Cron Street, last block of Carroll Street.
- **In 2014**, the following streets were repaved: William Street, Kennedy Boulevard, John Street, Lower Market Street from South Main Street to Kennedy Boulevard, Swallow Street, Defoe Street, Bolin Street, Atlantic Alley, Curtis Street, Wilford Street, Reap Court.
- **In 2013** the following streets were repaved: New Street from Cornelia Street to the City limits; Wilford Street from New Street to the dead end; Dock Street from North

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Main Street to Kennedy Boulevard; Water Street from North Main Street to Kennedy Boulevard; Cron Street from Water Street to the terminus; Morgan Lane

- In 2012, road-paving included: Plank Street, Broad Street, Front Street, Union Street.

This street paving was accomplished through city appropriations and by utility companies and the state government:

- **Investments by Pennsylvania American Water Company.** For the last several years, the city has worked closely with the Pennsylvania American Water Company, which has replaced thousands of feet of water mains on city streets and repaved the affected streets at no cost to the city. During 2015-2016, Wood, Stark, East Frothingham, East Oak, Butler and parts of Tompkins and Church Streets all had new water mains installed and were repaved by the water company. This work continued in 2016 with the installation of a new water main and the repaving of Market Street from South Main Street to the city limits at Pittston Township, and this annual investment continues. During 2017 PAWC began work on installing new water mains along the entire length of Cliff Street and first three blocks of Tompkins Street with the work to be completed and the roads were repaved in 2018.
- **Investments by Pennsylvania State Department of Transportation (PENNDOT).** Additionally, with the encouragement of city officials, the state transportation department, PENNDOT, has invested in repaving state highways in the city. In recent years, PENNDOT has repaved: Plank Street, North Main Street, Kennedy Boulevard, and in 2016 repaved East Columbus Avenue.

Sewer System. Much of the city's sewer system was constructed more than 100 years ago and both the storm (rain/snowmelt drainage) sewer and sanitary sewer systems require extensive maintenance and are prone to blockage and failure. In recent years, the city has invested hundreds of thousands of dollars in maintenance and repairs to the storm and sanitary sewer system:

- **Stormwater Sewers:** The city has devoted hundreds of thousands of dollars from the General Fund, Liquid Fuels Fund and Sewer Maintenance Fund to repair and maintain hundreds of catch basins (street drains) throughout the city since 2010. Many of these catch basins were constructed of bricks more than 100 years ago and were topped with grates that don't meet current safety standards. Since 2010, tens of dozens of these drains have been replaced by modern precast concrete inlets with modern safe grates. The City has also instituted an aggressive annual program to annually clean drains and purchased a street sweeper which clears debris from the streets that otherwise might wash into and block drains.

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- **Sanitary Sewers:** The city borrowed several million dollars from the state PENNVEST agency to replace portions of the 100+ year old sanitary sewer system but is constrained in undertaking additional large projects until that loan is paid off. The city has been plagued with annual serious sanitary sewer failures in portions of the city that have not yet had the sanitary sewers replaced. Annual large emergency sanitary sewer repairs have cost hundreds of thousands of dollars since 2010 but the city diligently promptly responds to each such occurrence and is making progress towards city-wide rehabilitation. This work is funded primarily from the Sewer Maintenance Fund, a special purpose revenue fund which receives revenue from an annual sewer maintenance fee charged to city properties.

Grant Funds. The city actively pursues state and federal grant funding opportunities and has been successful in receiving millions of dollars in recent years from grants, particularly grants from the proceeds of state casino taxes, grants from PENNDOT, and federal and state funds for stormwater and sanitary improvements and disaster recovery, but the grant funds have been insufficient to meet all deferred maintenance needs. Many of these projects are administered by the City Community Development Office and Redevelopment Authority, which can provide detailed information.

Long-Term Debt. Current-year appropriations (pay-go) and grants are insufficient to address the city's capital improvement needs and the years of deferred maintenance. Accordingly, the city council has enacted ordinances to incur long-term debt for sewer replacement (areas of the city sewer system are more than 100 years old), replacement of the city streetlight system, energy use improvements at City Hall and the Public Library; expansion of the Public Library, renovations to the 1939 city hall, and streetscaping for the downtown business district. In 2017, an additional ordinance was enacted to authorize and appropriate funding for renovation of Sullivan Park. However, this investment comes at a cost of increased debt service. The City fully budgets for anticipated debt service, but future capital improvements may be constrained by the limits of the borrowing base as determined by state law, and the ability to budget the resulting debt service.

MOTOR POOL

Many city vehicles were deteriorated to the point that annual maintenance costs equaled or exceeded replacement costs. Where possible, the city has pursued grants to help fund replacement of the motor pool. During 2015 the city received a state recycling program grant that provided more than \$90,000 of the \$105,000 cost of a new recycling collection vehicle and a grant for more than \$200,000 was awarded in 2018. But the cost of most fleet replacement is fully borne by the city. Further fleet improvements were made in FY 2016. The city has invested heavily in modernizing its public works and police fleets but with a resulting increase in debt lease payments.

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This increase is partially offset by decreased maintenance costs and as the leases are paid off the city anticipates lease costs again decreasing. For example, during 2015 the city invested in a new street sweeper through a lease purchase option. The city had not been regularly sweeping streets for many years resulting in accumulation of debris in street drains, leading to increased storm system maintenance costs and continual complaints from residents and businesses of debris in the street gutters. This equipment represents an investment of more than \$200,000, but will achieve long-term goals in preventing blocking of street drains and improving the appearance of downtown and neighborhood streets which will work towards attracting more businesses and residents, growing the tax base.

INSURANCE COSTS

Workers Compensation Insurance. The city's resources are insufficient to self-insure, so the city obtains third party insurance for workers compensation. Changes in state law to workers compensation particularly for firefighters a few years ago left the City and many other jurisdictions unable to obtain workers compensation insurance from private insurers and the city had to obtain insurance from a state entity, the State Workers Compensation Fund (SWIF) resulting in a significant spike in the cost of this insurance from FY 2013-FY 2015.

The City currently pays the workers compensation insurance for its two volunteer fire companies (Erie and Niagra) which represents a significant strain on the General Fund in the face of the tremendously increased cost of such coverage. In FY 2018 this cost for workers compensation insurance for the two volunteer fire companies exceeded \$50,000.

Towards reducing workers compensation cases the city instituted an Employee Safety Committee [Pittsburgh City Code §7-2(I)] that meets regularly and has worked to reduce workplace accidents. The city was able to return to the private market for overall city workers compensation insurance for FY 2015 through hard work by the Safety Committee and the city insurance broker. However, because of the changes made by the state legislature to the state workers compensation law, the insurance for the two volunteer companies has had to remain with SWIF at considerable cost.

Employee Health Insurance. Like all other municipalities, the city also faces uncertainty in the cost of health insurance for its full-time municipal employees, as required by collective bargaining. Initially, the city saw a manageable impact health insurance premium increase since the passage of the federal Affordable Care Act, but for FY 2016 the city's health insurance premium increased by approximately 18% or six times the rate of overall inflation. This substantial increase was budgetarily managed only through position elimination, an increase in the city-paid deductible, and other spending reductions in the General Fund to offset the cost. The significant spike in the cost of employee healthcare had a material impact on the General Fund's stability.

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In an effort to more aggressively address this cost for FY 2017 the city moved to a health insurance trust, Pennsylvania Municipal Health Cooperative, which over time, should result in a reduction of the current rate of medical insurance inflation and a stabilization of the annual premium fluctuations. Unfortunately, due to the small size of the employee pool and some serious claims, these savings were not immediately realized.

With additional changes to federal law affecting health insurance, further uncertainty in the cost of employee healthcare is projected for FY 2019. At this point, each renewal presents uncertainty. The city has been challenged in obtaining union agreement to require full-time employees pay a meaningful share of the monthly premium and annual deductibles, all of which are negotiable under the Pennsylvania state collective bargaining laws. The city will continue to pursue this approach of requiring employees to share some of the cost of health insurance costs to try to ameliorate the cost to the taxpayers, but is constrained by state collective bargaining laws and the cost of arbitration, given an uncertain outcome, is not deemed prudent by city leadership at this time.

Property and Liability Insurance. The city utilizes a local broker to obtain property and liability insurance at the most competitive rates. The city's aggressive Risk Management and insurance administration program has significantly decreased insurance costs. However, some of the savings is offset by the need to responsibly insure new capital investments.

SUMMARY

In conclusion, given the need to years of deferred capital maintenance, and increased personnel costs largely due to the state collective bargaining, employee health insurance, workers compensation and pension laws, the City can anticipate a continued challenge in holding the line on expenditures to the anticipated growth in revenue.

COMMENTS ON NON-GENERAL FUNDS

Special Purpose Revenue Funds

The City maintains a number of special purpose revenue funds. These funds have specific sources of revenue and their expenditures are limited to purposes defined in their authorizing legislation.

- **Sewer Maintenance Fund.** The City's primary special purpose revenue fund is the Sewer Maintenance Fund. This fund receives revenue from an annual sewer maintenance fee established pursuant to Chapter 386 Article IV of the Pittston City Code. Expenditures from this fund are limited to debt service on the PENNVEST sewer improvement loan and repairs and maintenance of the City's sanitary and stormwater sewer system. The existing debt service of approximately \$545,000 annually uses up the majority of this fund's annual budget. However, approximately 60% of the City's sewer system has yet to be renovated and is 80 to more than 100 years old. The City regularly is faced with emergency sewer repairs that challenge this fund's finances and which may require future revenue enhancement.
- **PENNVEST Capital Improvement Fund.** This fund is the loan from the state PENNVEST agency used to replace a portion of the city's sewer system.
- **Liquid Fuels Fund.** The City has been a prudent steward of its Liquid Fuels Fund for road repairs. Unlike many jurisdictions the City does not charge any personnel costs to this fund, and regularly uses this fund for paygo capital improvements to roads and for road maintenance equipment. An annual PayGo capital project for street resurfacing, previously discussed is typically also funded from this source.
 - **LED Streetlight Replacement:** Several years ago, the city undertook a capital project to replace all of its street lights with energy-efficient LED lighting heads that improved the lighting and drastically reduced operating costs. The city also executed a contract to obtain lower cost wholesale electricity rates. Significantly reduced operating costs for street lighting and traffic signals was shifted to the Liquid Fuels Fund while a level rate debt service payment for the project is included in the General Fund, eliminating cost fluctuations for budgeting this cost.
- **Disaster Fund:** This fund holds charges and reimbursements for costs associated with state and federal disaster declarations. There were no such events during FY 2018 and this fund was not active during FY 2018.

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Capital Project Funds

During FY 2014, the City established several new capital project funds for the expansion of the public library, planned renovations to city hall and expansion of the downtown streetscape. An additional project to renovate Sullivan Park was authorized by ordinance during FY 2017. The City has implemented careful and prudent budgeting and accounting to successfully manage these capital projects on a budgetary basis. All of these projects were underway during 2017 and continued during FY 2018.

Other Funds

The Office of the City Treasurer also holds escrow funds for fire damaged properties under the City's fire escrow ordinance (Pittston City Code Chapter 255) and for certain condemned buildings pursuant to the City Condemned Building Ordinance (Pittston City Code Chapter 186). These funds are also monitored by the City Controller and Office of the City Administrator.

FLOODPLAIN MANAGEMENT

Parts of the City are in areas subject to federal floodplain regulations pertaining to the National Flood Insurance Program (NFIP). In 2012, the City adopted the most current federal floodplain regulations as required by NFIP (Pittston City Code Section 270) to assure NFIP insurance availability.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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**City Grants Administered by the Office of Community Development
and the Pittston City Redevelopment Authority**

During fiscal year 2018, the Pittston City Office of Community Development and the Pittston City Redevelopment Authority administered several large capital improvement projects funded by grants received by the city and authority. These included:

Grant Type	Funding Level
Community Development Block Grant (CDBG)	\$ 223,631
Department of Conservation and Natural Resources (DCNR)	104,000
Greenways, Trails and Recreation	136,775
PENNDOT Multi-Model	141,233
Commonwealth Financing Authority (CFA) Multi-Model	474,223
Local Share Account	<u>100,255</u>
TOTAL	<u>\$ 1,180,117</u>

Authorization and appropriation authority are approved by resolution of the City Council at the time of acceptance of the grant.

City Financial Administration

The city's staff is led by a professional City Administrator as set forth in the City's Home Rule Charter. The City Administrator is responsible for budget development, budget execution, budget monitoring and day to day financial management (Pittston City Code Section §4.04). Further enhancing professional financial administration, the City Home Charter provides for an independent elected City Treasurer/Tax Collector with prescribed duties (Pittston City Code Section §8.03). The City Council also established a City Controller position (Pittston City Code Section §61-9,10) to ensure internal controls for payments.

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(UNAUDITED)**

Pittston City Code §7-2A(4) designates the city's Director of Operations to serve as the City Budget Officer, under the direction of the City Administrator. In addition to duties for budget formulation, administration and monitoring, the City Budget Officer is charged with regularly attending continuing education towards the goal of maintaining the most current budgeting and financial administration policies for the city. Chapter 23 of the City Code, containing the city's budget, financial and debt management policies are continually monitored by the city budget officer, who makes recommendations for update to the city council.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Pittston- City Hall, 35 Broad Street, Pittston, PA 18640

CITY OF PITTSBURGH

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
CURRENT ASSETS:			
Cash	\$ 298,657	\$ 62,944	\$ 361,601
Restricted cash	707,753	-	707,753
Accounts receivable, net	775,703	-	775,703
Taxes receivable	761,305	-	761,305
Current portion of loans receivable	6,881	-	6,881
Accounts receivable, other	92,480	-	92,480
Total current assets	2,642,779	62,944	2,705,723
LOANS RECEIVABLE, Net of current portion and allowance for doubtful accounts	36,562	-	36,562
MORTGAGES RECEIVABLE	2,129,750	-	2,129,750
CAPITAL ASSETS, Net	9,177,265	15,402	9,192,667
TOTAL	\$ 13,986,356	\$ 78,346	\$ 14,064,702
CURRENT LIABILITIES:			
Notes payable	\$ 1,565,741	\$ -	\$ 1,565,741
Capital lease obligations	201,609	-	201,609
Compensated absences	111,441	-	111,441
Accounts payable	582,636	-	582,636
Accrued expenses	96,314	209	96,523
Total current liabilities	2,557,741	209	2,557,950
NONCURRENT LIABILITIES:			
Notes payable	14,018,202	-	14,018,202
Net OPEB obligation	949,247	-	949,247
Capital lease obligations	409,605	-	409,605
Compensated absences	167,161	-	167,161
Total liabilities	18,101,957	209	18,102,165
NET POSITION:			
Invested in capital assets, net of related debt	-	15,402	15,402
Restricted	697,784	-	697,784
Unrestricted	(4,813,384)	62,735	(4,750,649)
Total net position	(4,115,600)	78,137	(4,037,463)
TOTAL	\$ 13,986,356	\$ 78,346	\$ 14,064,702

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM REVENUES				NET EXPENSES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
FUNCTIONS/PROGRAMS							
Governmental activities:							
Community development	\$ 2,639,049	\$ -	\$ -	\$ 1,550,708	\$ (1,088,341)	\$ -	\$ (1,088,341)
Public safety	4,293,641	45,833	-	-	(4,247,808)	-	(4,247,808)
Public works	4,207,042	1,107,647	-	-	(3,099,395)	-	(3,099,395)
General government - administrative	1,229,692	837,761	447,867	-	55,937	-	55,937
Interest on long-term debt	534,462	-	-	-	(534,462)	-	(534,462)
Culture and recreation	204,366	-	-	-	(204,366)	-	(204,366)
Total governmental activities	\$ 13,108,251	\$ 1,991,241	\$ 447,867	\$ 1,550,708	\$ (9,118,435)	\$ -	\$ (9,118,435)
Business-type activity,							
Pittston Parking Authority	64,336	56,581	-	-	-	(7,755)	(7,755)
TOTAL	\$ 13,172,587	\$ 2,047,822	\$ 447,867	\$ 1,550,708	\$ (9,118,435)	\$ (7,755)	\$ (9,126,190)
General revenues:							
Property and other taxes					3,748,673	-	3,748,673
Unrestricted investment earnings					32,869	37	32,906
Miscellaneous					397,695	-	397,695
Total general revenues					4,179,237	37	4,179,274
Change in net position					(4,939,198)	(7,718)	(4,946,916)
Net position(deficit)-beginning					(5,682,515)	85,855	(5,596,660)
Prior period adjustment					6,506,113	-	6,506,113
Net position (deficit)-ending					\$ (4,115,600)	\$ 78,137	\$ (4,037,463)

See Notes to Financial Statements

CITY OF PITTSTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash	\$ 60,436	\$ 36,775	\$ 22,872	\$ -	\$ 178,574	\$ 298,657
Restricted cash	-	271,595	-	434,725	1,433	707,753
Accounts receivable, net	221,878	-	548,825	5,000	-	775,703
Taxes receivable	761,305	-	-	-	-	761,305
Accounts receivable, other	84,280	-	8,200	-	-	92,480
Due from other funds	67,914	-	-	-	-	67,914
Total assets	\$ 1,195,813	\$ 308,370	\$ 579,897	\$ 439,725	\$ 180,007	\$ 2,703,812
LIABILITIES:						
Accounts payable	\$ 224,258	\$ -	\$ -	\$ 345,077	\$ 13,301	\$ 582,636
Due to other funds	-	47,704	-	20,210	-	67,914
Accrued liabilities	600,246	-	-	-	-	600,246
Total liabilities	824,504	47,704	-	365,287	13,301	1,250,796
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue:						
Property taxes	222,864	-	-	-	-	222,864
Sewer fees	-	-	218,650	-	-	218,650
Total deferred inflows	222,864	-	218,650	-	-	441,514
FUND BALANCES:						
Unassigned fund balances	148,445	-	-	-	165,273	313,718
Restricted fund balances	-	260,666	361,247	74,438	1,433	697,784
Total fund balances	148,445	260,666	361,247	74,438	166,706	1,011,502
Total liabilities and fund balances	\$ 1,195,813	\$ 308,370	\$ 579,897	\$ 439,725	\$ 180,007	\$ 2,703,812

See Notes to Financial Statements

CITY OF PITTSTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2018

TOTAL FUND BALANCE (Page 27) \$ 1,011,502

Amounts reported for governmental activities in the statement of
net position are different because:

Mortgages and loans receivable are not due and collectible in the
current period and, therefore, are not reported as assets in the
governmental funds. 2,173,193

Capital assets used in government activities are not reported
as assets in governmental funds. The cost of assets is
\$16,230,034 and the accumulated depreciation is \$7,052,769 9,177,265

Unavailable revenue and deferred inflows of resources in the
governmental-fund balance sheet including accounts
receivable balances that were not considered a current
resource. 441,514

Accrued pension liability 503,932

Long-term obligations are not due and payable in the current period and are
not reported as liabilities in the general funds. Long-term obligations
at year end consist of:

Notes payable (15,583,943)
Net OPEB obligation (949,247)
Compensated absences (278,602)
Capital lease (611,214)

Total net position of governmental activities (Page 25) \$ (4,115,600)

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:						
Taxes	\$ 3,548,874	\$ -	\$ -	\$ -	\$ 235,326	\$ 3,784,200
Intergovernmental revenues	447,867	1,550,708	-	-	-	1,998,575
Charges for services	549,518	-	1,157,522	-	-	1,707,040
Licenses and permits	288,243	-	-	-	-	288,243
Fines and forfeits	45,833	-	-	-	-	45,833
Investment earnings	29,105	393	1,227	640	1,504	32,869
Miscellaneous revenues	31,699	352,051	-	26,978	874	411,602
Total revenues	4,941,139	1,903,152	1,158,749	27,618	237,704	8,268,362
EXPENDITURES:						
Current:						
Public works	910,880	-	202,313	3,953,893	308,945	5,376,031
Public safety	4,202,602	-	-	-	-	4,202,602
Community development	203,500	2,435,151	-	-	-	2,638,651
General government - administrative	1,251,652	-	-	-	-	1,251,652
Culture and recreation	204,366	-	-	-	-	204,366
Debt service:						
Principal	195,195	75,000	-	491,184	-	761,379
Interest	394,176	54,774	-	85,512	-	534,462
Total expenditures	7,362,371	2,564,925	202,313	4,530,589	308,945	14,969,143
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,421,232)	(661,773)	956,436	(4,502,971)	(71,241)	(6,700,781)
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of long-term debt	2,211,747	-	-	3,672,941	-	5,884,688
Transfers in	337,000	324,747	-	576,696	20,888	1,259,331
Transfers out	-	-	(934,584)	(324,747)	-	(1,259,331)
Total other financing sources (uses)	2,548,747	324,747	(934,584)	3,924,890	20,888	5,884,688
NET CHANGE IN FUND BALANCE	127,515	(337,026)	21,852	(578,081)	(50,353)	(816,093)
FUND BALANCE, BEGINNING	20,930	597,692	339,395	652,519	217,059	1,827,595
FUND BALANCE, ENDING	\$ 148,445	\$ 260,666	\$ 361,247	\$ 74,438	\$ 166,706	\$ 1,011,502

See Notes to Financial Statements

CITY OF PITTSTON

RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
WITH CHANGE IN NET POSITION IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Change in fund balance (Page 29)	\$ (816,093)
The change in net position reported in the statement of activities is different because:	
Depreciation of capital assets	(522,919)
Payments of long-term obligation principal are considered a use of current financial resources and are reported in the changes in fund balance but not in the statement of activities.	761,379
Proceeds from long-term debt and capital lease obligations are considered a current financial resource and are reported in the changes in fund balance but not in the statement of activities.	(5,884,688)
Net repayment of loans receivable are considered a use of current financial resources and are reported in the changes in fund balance but not in the statement of activities.	(13,907)
Net change in accrued pension liability	(72,165)
Capital assets are considered a use of current financial resources and are reported in the changes in fund balance but not in the statement of activities.	1,597,146
Net change in deferred revenue	(85,402)
Payments on capital lease principal are considered a use of current financial resources and are reported in the statement of changes in fund balance but not in the statement of activities.	162,240
Change in compensated absences	(19,912)
Change in net OPEB obligation	(44,878)
Prior period adjustment	<u>6,506,113</u>
Change in net position of governmental activities	<u>\$ 1,566,914</u>

See Notes to Financial Statements

CITY OF PITTSTON

**STATEMENT OF NET POSITION-PROPRIETARY FUND
DECEMBER 31, 2018**

CURRENT ASSETS,	
Cash and cash equivalents	\$ 62,944
CAPITAL ASSETS, NET	<u>15,402</u>
TOTAL ASSETS	<u>\$ 78,346</u>
CURRENT LIABILITIES,	
Accrued liabilities	\$ 209
NET ASSETS,	
Restricted	<u>78,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 78,346</u>

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION-PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUES:

Fees	\$ 56,581
Interest	<u>37</u>
Total revenues	<u>56,618</u>

EXPENSES:

Administration	37,144
Depreciation	14,248
Professional services	<u>12,944</u>
Total expenses	<u>64,336</u>

NET LOSS (7,718)

NET ASSETS, BEGINNING OF THE YEAR, 85,855

NET ASSETS, END OF THE YEAR \$ 78,137

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 56,581
Cash payments to suppliers for goods and services	(48,760)
Cash payments to employees for services	<u>(1,322)</u>
Net cash provided by operating activities	<u>6,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earnings	<u>37</u>
Net cash provided by investing activities	<u>37</u>
NET INCREASE IN CASH	<u>6,536</u>
CASH - BEGINNING OF YEAR	<u>56,408</u>
CASH - END OF YEAR	<u>\$ 62,944</u>
RECONCILIATION OF CHANGE IN OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (7,755)
Adjustment to reconcile changes in operating income to cash provided by operating activities:	
Depreciation	14,248
Changes in assets and liabilities:	
Payroll liabilities	<u>6</u>
Net cash provided by operating activities	<u>\$ 6,499</u>

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	<u>PENSION TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH	\$ -	\$ 288,852
DUE FROM OTHER FUND	503,932	-
DUE FROM EMPLOYEES	2,708	-
INVESTMENTS	<u>10,492,888</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,999,528</u>	<u>\$ 288,852</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES,		
Due to other governments	\$ -	\$ 207,586
Due to insured party	-	24,406
Due to nonprofit organization	-	16,237
Due to property owner	<u>-</u>	<u>40,623</u>
Total Liabilities	-	288,852
NET ASSETS,		
Reserved for pension benefits	<u>10,999,528</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,999,528</u>	<u>\$ 288,852</u>

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

ADDITIONS:

Contributions:

Employer	\$ 2,226,495
Employee	72,415
State aid	<u>215,482</u>

Total contributions 2,514,392

Investment earnings:

Net depreciation of fair value of investments	(650,913)
Interest and dividends	<u>193,450</u>

Total investment earnings (457,463)

Total additions, net 2,056,929

DEDUCTIONS:

Benefits paid	678,033
Administrative and other fees	74,792
Refund of member contributions	<u>15,863</u>

Total deductions 768,688

NET INCREASE IN NET ASSETS 1,288,241

NET ASSETS, RESERVED FOR EMPLOYEES

RETIREMENT BENEFITS:

Beginning of year 9,711,287

End of year \$ 10,999,528

See Notes to Financial Statements

CITY OF PITTSTON, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Pittston, Pennsylvania (the "City"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the City's financial statements.

FINANCIAL REPORTING ENTITY

The City was incorporated in 1894 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a third-class city, as defined by state statutes. The City has been operating under a Home Rule Charter since January 2, 2013. The City operates under a Mayor/Council form of government and provides a full range of services, including general administration, public safety, health and welfare, sanitation, culture and recreation, community development, and public works to approximately 8,000 residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit, discussed in Note 2, is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

BASIS OF PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component unit. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,
AND FINANCIAL STATEMENT PRESENTATION**

The governmental activities in 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 revenue as soon as all eligibility requirements imposed by the provider have been met. The business-type activity in the government-wide financial statements and the proprietary fund are reported using accounting principles prescribed by the Pennsylvania Department of Transportation.

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 City 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 are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 City.

The City reports the following major governmental funds:

GENERAL FUND-Used to account for all financial transactions applicable to the general operations of the City except for those required to be accounted for in another fund.

COMMUNITY REDEVELOPMENT FUND-Used to account for the grant proceeds received from the state and Federal agencies to fund local development activities such as affordable housing, anti-poverty programs, and infrastructure development.

SEWER MAINTENANCE FUND-Used to account for the sewer usage charges collected from the City residents to fund the sewer improvement project.

CAPITAL PROJECTS FUNDS-Used to account for the financial resources and activity related to the acquisition, construction, or reconstruction of the City's sewer lines, and other public property and city infrastructure. Resources are derived from proceeds of long-term debt and various grants.

LIQUID FUELS FUND-Used to account for the maintenance of city streets. Financing is provided through the City's share of the state gasoline taxes.

The City's Fiduciary Fund accounts for the Pension Trust Fund and Agency Funds. The Pension Trust Fund is used to account for pension benefits for current and retired employees. The principal revenue sources for this fund are employer, employee, and state contributions. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The Pension Trust Fund accounts for the City's defined benefit pension plans for police, firemen, and non-uniformed employees and retirees. The Agency Funds account for funds held by the City in a custodial or agent function.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City

has elected to follow subsequent private-sector guidance, except those that conflict with or contradict GASB pronouncements.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets acquired with operating assistance grants. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETARY ACCOUNTING CONTROL

The City's budget is prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") using the modified accrual basis of accounting. Annual operating budgets are legally adopted for the General Fund, and other funds as required by enacting legislation.

CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's cash is considered to be cash on hand and demand deposits. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

INTERNAL BALANCES

Internal balances arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

FUND BALANCE

The City's fund balance classifications are defined and described as follows:

Restricted: Represents fund balance amounts that are limited by external parties, or by enabling legislation.

MORTGAGES RECEIVABLE

Mortgages receivable represents various notes and mortgages between the Lincoln Heights Corporation ("grantor") and Lincoln Heights Senior Housing, LP ("grantee") for an old school building that was converted to apartments for low income housing. Payment of principal only is due 30 years from the date of the notes, which were signed on various dates in 2005. The premises acts as security for the mortgage. Total mortgages receivable at December 31, 2018 is \$2,129,750.

RECEIVABLES

All accounts receivable are shown net of an allowance for doubtful accounts of \$350,981.

The loans receivable are shown net of an allowance for estimated uncollectible loans. The allowance is calculated based on collection history and is approximately \$43,000 at December 31, 2018.

COMPENSATED ABSENCES

Contracts between the City and the three unions representing substantially all police, firemen, and non-uniformed employees provide for various compensated absences for vacation pay and unused sick days.

Vacation time must generally be used in the period earned and there is no accrual for vacation pay included in the City's financial statements.

Sick leave may be accumulated for a maximum number of days as described in each of the respective union contracts. Fifty percent of the accumulated maximum number of days is payable upon death when as the employee retires under the normal retirement provisions of the applicable pension program.

PROPERTY TAXES

The City bills and collects its own property taxes based upon assessed valuations provided by Luzerne County. All uncollected taxes are submitted to Northeast Revenue Service, LLC, agent for the Luzerne County Tax Claim Bureau for collection. For 2018, The City levied 6.85 mills per dollar of assessed valuation for general governmental, debt service, pension funding, library, and recreational purposes upon the total taxable assessed valuation of property within the City of \$267,538,900. The 2018 property tax calendar follows:

Issued date	February 12, 2018
Discount period at 2%	Until April 11, 2018
Face period	April 12, 2018 to June 11, 2018
Penalty period at 10%	June 12 and thereafter

DEFERRED REVENUES

Deferred revenues are those revenues where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Such amounts are measurable but are not available. Deferred revenue may also result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

RESTRICTED INVESTMENTS

Restricted investments represent resources set aside for the liquidation of specific obligations.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

INTER-FUND TRANSACTIONS

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. These transactions are classified as transfers-in/out, and due from/to other funds.

The operating transfers between funds for the year ending December 31, 2018 are as follows:

	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Fund</u>	<u>Sewer</u> <u>Maintenance</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
Transfers in	\$ 337,000	\$ 324,747	\$ -	\$ 576,696	\$ 20,888	\$ 1,259,331
Transfers out	\$ -	\$ -	\$ (934,584)	\$ (324,747)	\$ -	\$ (1,259,331)

The following summarizes the receivables and payables between governmental fund for the year ended December 31, 2018:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Fiduciary Funds	\$ -	\$ 503,932
Community Development Fund	47,704	-
Capital Projects Fund	<u>20,210</u>	<u>-</u>
Total General Fund	<u>\$ 67,914</u>	<u>\$ 503,932</u>
Community Development Fund:		
General Fund	<u>\$ -</u>	<u>\$ 47,704</u>
Capital Projects Fund:		
General Fund	<u>\$ -</u>	<u>\$ 20,210</u>
Fiduciary Funds:		
General Fund	<u>\$ 503,932</u>	<u>\$ -</u>

DATE OF MANAGEMENT REVIEW

Subsequent events were evaluated through September 16, 2019, which is the date the final statements were available to be issued.

2. REPORTING ENTITY

In accordance with GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14, the City evaluated the following related entities for the possible inclusion in the financial reporting entity:

The Redevelopment Authority of the City of Pittston
Lincoln Heights Corporation
Pittston Parking Authority
Housing Authority of the City of Pittston
Pittston Memorial Library
Lincoln Heights Senior Housing, LP

Based upon its evaluation, the City has included the Redevelopment Authority (the "Authority"), the Pittston Parking Authority (the "Parking Authority"), and the Lincoln Heights Corporation (the "Corporation") each as a blended component unit, whereby the financial data for the Authority is presented in the same manner as that of the City's financial operation. The remaining entities do not meet the GASB criteria and are not included in the reporting entity.

The Authority and the Parking Authority is organized under the State of Pennsylvania Community Redevelopment Law. The Authority participates in low and moderate housing activities including rehabilitation of low and moderate income rental housing projects. The City council appoints the governing board of the Authority.

The Corporation is a 501 (c)3 entity formed in 2003 to oversee and provide funding to Lincoln Heights Senior Housing, LP. Lincoln Heights Senior Housing, LP provides affordable safe housing to low income elderly individuals. The Corporation is governed by the same board as The Authority.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City follows the Home Rule Charter and applicable state law for investment of City funds.

Authorized types of investments for City funds shall be:

- a. United States Treasury bills.
- b. Short-term obligations of the United States government or its agencies or instrumentalities.
- c. Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- d. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- e. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for City funds listed.
- f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured; however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.

- g. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension or retirement fund.

In making investment of City funds, the City Council shall have authority: To permit assets pledged as collateral under subsection (d)(3), to be pooled in accordance with the act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of public funds. No custodial credit risk policy for deposits.

Investments of the Pension Fund are held by a fiscal agent under trust agreements that authorize the trustee to invest in any form of property, at its discretion, without restriction to investments authorized for fiduciaries, provided that the investments of the trust shall be kept separate and apart from other City funds.

As of December 31, 2018, the aggregate bank balance of bank deposits was \$1,310,570 of which \$1,001,059 was covered by federal depository insurance and the uninsured remaining bank deposits of \$100,753, were covered by pledged pools of assets maintained in accordance with Act No. 72 of the General Assembly that requires the institution pool collateral for all government deposits. The carrying amount of these bank deposits was \$1,006,410 at December 31, 2018.

INVESTMENTS

As of December 31, 2018, the City had the following Investments:

<u>Pension Trust Fund</u>	<u>Maturities</u>	<u>Fair Value</u>
Managed equity	N/A	<u>\$ 10,492,888</u>

CREDIT RATINGS

The City's investments had the following credit ratings:

Managed equity	NR	100%
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The City has no investment policy that would limit its investment choices to certain credit ratings.

INTEREST RATE RISK

As a means of limiting its exposure to fair value losses arising from interest rates, the City purchases securities with laddered maturities. In line with investment policy guidelines, ladders have maturities of 12 months or less.

4. CAPITAL ASSETS

Capital assets activity for the governmental units for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,782,146	\$ _____ -	\$ _____ -	\$ 2,782,146
Capital assets, being depreciated:				
Building and improvements	6,863,471	1,571,824		8,435,295
Vehicles	3,161,059	87,126	-	3,248,185
Furniture and equipment	<u>1,334,397</u>	<u>430,011</u>	_____ -	<u>1,764,408</u>
Total capital assets, being depreciated	<u>11,358,927</u>	<u>2,088,961</u>	_____ -	<u>13,447,888</u>
Less: Accumulated depreciation:				
Building and improvements	(3,385,957)	(215,173)	-	(3,601,130)
Vehicles	(2,488,206)	(204,050)	-	(2,692,256)
Furniture and equipment	<u>(655,687)</u>	<u>(103,696)</u>	_____ -	<u>(759,383)</u>
Total accumulated depreciation	<u>(6,529,850)</u>	<u>(522,919)</u>	_____ -	<u>(7,052,769)</u>
Total capital assets being depreciated, net	<u>4,829,077</u>	<u>1,566,042</u>	_____ -	<u>6,395,119</u>
Capital assets, net	<u>\$ 7,611,223</u>	<u>\$ 1,566,042</u>	<u>\$ _____ -</u>	<u>\$ 9,177,265</u>

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the discretely presented component unit for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment and furniture	\$ 81,759	\$ -	\$ -	\$ 81,759
Less: Accumulated depreciation:				
Equipment and furniture	<u>(52,109)</u>	<u>(14,248)</u>	<u>-</u>	<u>(66,357)</u>
Total capital assets being depreciated, net	<u>\$ 29,650</u>	<u>\$ (14,248)</u>	<u>\$ -</u>	<u>\$ 15,402</u>

5. LONG-TERM DEBT

At December 31, 2018, Long-Term debt obligations were as follows:

	<u>Current</u>	<u>1-Jan-18</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-18</u>
City of Pittston:					
2004 General Obligation Note, 3.95% interest, due in monthly installments of \$8,519 including interest through July 2022. Note was refinanced with 2018 General Obligation Series B Bond	\$ -	\$ 425,944	\$ -	\$ 425,944	\$ -
 2009 Pennsylvania Infrastructure Investment Authority Note, 1.274% interest, due in 36 monthly installments, 1.274% to 2.55% principal and interest due in 240 monthly installments. Used to finance replacement sanitary & storm sewer mains. Payments financed by City Sewer Maintenance Fee. This note is self-liquidating.	 504,986	 3,581,434	 -	 491,184	 3,090,250
 2011 General Obligation Note, Principal and interest at 3.65% due in monthly installments of \$9,086. Refinanced In September 2018 through 2018 Series B Note.	 -	 482,019	 -	 482,019	 -

**CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS**

2014 General Obligation Series B Note with interest only at 2.55%. Proceeds were used for the Pittston City Hall capital project.	-	219,222	1,445,910	-	1,665,132
2014 General Obligation Series D Note with interest only at 5.00%. Proceeds were used to fund Greater Pittston Memorial Library.	-	588,975	237,994	-	826,969
2015 General Obligation Series 2015 Note with Principal and interest at a rate of 2.59% due in monthly installments of \$7,925. Proceeds were for the City Hall Energy Savings Project.	62,230	1,356,457	-	58,942	1,297,515
2014 General Obligation Series 2014 Note With interest only at a rate of 2.45%. Proceeds were for the Streetscape Phase III project in the city. Refinanced in July 2018 through refinancing of 2018 USDA bonds.	-	893,699	95,972	989,671	-
2015 General Obligation Series 2015 Note Due in annual installments of \$80,187 with Interest at a rate of 3.309% Proceeds were For the Street Light Energy Savings Capital Project.	63,628	554,442	-	61,559	492,883
2015 General Obligation Series A Note at 4% due in monthly installments of \$5,076 per month in 120 installments. Proceeds were for payment of police pension plan and retirement of a 2011 Series B Note	46,578	419,191	-	39,646	379,545
2017 General Obligation Series A Note at 3.59% due in monthly installments of \$1,624 per month in 180 installments. Proceeds were for improvements to Sullivan Park.	12,091	222,164	-	10,613	211,551

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

2017 General Obligation Series A Note with interest

only for 12 months at 3.75%. Proceeds were for the Luzerne County Community College project.

36,009 231,254 1,768,746 19,142 1,980,858

2018 General Obligation Series A Bond at 3.5% with interest only until July 2019, then monthly installments of \$4,398 for 450 months. Proceeds were used for refinancing of Main Street Streetscape Phase 3.

5,665 - 1,121,700 - 1,121,700

2018 General Obligation Series B Bond at 3.65% until November 2023, increasing to 4.00% until maturity in November 2038. Monthly installments deferred until November 2019. Maximum annual payments then begin ranging from \$52,033 to \$132,833. Proceeds were used for refinancing Series 2004 and Series 2011 General Obligation Notes.

37,000 - 938,000 - 938,000

2018 General Obligation Series C Bond at 4.75% until November 2022 increasing to 6.50% until maturity in November 2038. Interest only until November 2019, then annual installments ranging from \$181,918 to \$205,339. Proceeds were used to pay the unfunded actuarial assumed liability for the police pension.

81,000 - 2,174,000 - 2,174,000

Total City of Pittston long-term notes payable

849,187 8,974,801 7,782,322 2,578,720 14,178,403

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Redevelopment Authority:

Note Payable to the County of Luzerne,

Pennsylvania, this note is a non-interest bearing note with a deferred repayment of the principal until November 2036.

This note will be forgiven in its entirety at the end of its term, contingent upon compliance with the terms of the agreement. Note proceeds were used for the development of a multi-unit residential facility for eligible elderly tenants

	-	250,000	-	-	250,000
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2015 Multiple advance term loan with interest only for three years at prime minus .20% (4.30% currently) adjusted annually.

Proceeds used to retire 3 existing loans from a bank.

	<u>1,155,540</u>	<u>1,235,833</u>	<u> -</u>	<u>80,293</u>	<u>1,155,540</u>
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Total Redevelopment Authority long-term notes

	<u>1,155,540</u>	<u>1,485,833</u>	<u> -</u>	<u>80,293</u>	<u>1,405,540</u>
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Total City of Pittsburgh and Redevelopment Authority long-term notes

	<u>\$2,004,727</u>	<u>\$10,460,634</u>	<u>\$7,782,322</u>	<u>\$ 2,659,013</u>	<u>\$15,583,943</u>
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CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Debt service requirements to maturity are as follows:

<u>YEAR ENDING DECEMBER 31:</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 2,004,727	\$ 460,236	\$ 2,464,963
2020	881,762	456,565	1,338,327
2021	3,400,659	428,901	3,829,560
2022	934,788	317,133	1,251,921
2023	959,671	293,866	1,253,537
2024-2028	2,309,012	1,292,593	3,601,605
2029-2033	1,786,246	883,399	2,669,645
2034-2038	1,669,460	505,450	2,174,910
2039-2043	574,185	249,185	823,370
2044-2049	673,610	146,585	820,195
2050-2058	<u>389,823</u>	<u>61,861</u>	<u>451,684</u>
Total	<u>\$ 15,583,943</u>	<u>\$ 5,095,774</u>	<u>\$ 20,679,716</u>

The following represents changes in long-term liabilities, other than notes and bond payables. The capital leases consist of vehicles and equipment, expiring in 2025.

	<u>JANUARY 1, 2018</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>DECEMBER 31, 2018</u>
Capital leases	<u>\$ 281,639</u>	<u>\$ 491,815</u>	<u>\$ 162,240</u>	<u>\$ 611,214</u>
Compensated absences	<u>\$ 258,690</u>	<u>\$ 106,822</u>	<u>\$ 86,910</u>	<u>\$ 278,602</u>

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2018:

<u>YEAR ENDING:</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2019	\$ 201,609
2020	137,916
2021	111,601
2022	91,537
2023	61,517
2024	35,238
2025	<u>35,238</u>
 Total commitment under capital lease	 674,656
 Less amounts representing interest	 <u>63,442</u>
 Present value of future minimum lease payments	 <u>\$ 611,214</u>

The city has adopted a debt management policy for both short and long-term debt as provided in Section 23-3 of the Pittston City Code.

6. PENSION PLANS

The City has three single-employer defined benefit pension plans: The Officers and Employees Retirement Plan, Paid Firemen's Pension Plan, and Police Pension Plan. The Police and Firemen plans provide for retirement, late retirement, disability, and death benefits to plan members and their beneficiaries. The Officers and Employees retirement plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Refer to Pittston City Code Chapter 68 for additional information on the City pension plans.

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET ASSETS

	<u>POLICE PENSION FUND</u>	<u>FIREMEN PENSION FUND</u>	<u>OFFICERS AND EMPLOYEES PENSION FUND</u>
ASSETS:			
Due from other fund	\$ 503,932	\$ -	\$ -
Due from employees	950	269	1,489
Investments	<u>4,926,453</u>	<u>2,644,611</u>	<u>2,921,824</u>
 TOTAL ASSETS	 <u>\$ 5,431,335</u>	 <u>\$ 2,644,880</u>	 <u>\$ 2,923,313</u>
 Net assets, Reserved for employees' retirement benefits	 <u>\$ 5,431,335</u>	 <u>\$ 2,644,880</u>	 <u>\$ 2,923,313</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,431,335</u>	 <u>\$ 2,644,880</u>	 <u>\$ 2,923,313</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	<u>POLICE PENSION FUND</u>	<u>FIREMEN'S PENSION FUND</u>	<u>OFFICERS & EMPLOYEES PENSION FUND</u>
ADDITIONS:			
Contributions:			
Employer	\$ 2,226,495	\$ -	\$ -
State Aid	12,472	59,635	143,375
Employees	<u>26,213</u>	<u>7,553</u>	<u>38,649</u>
Total contributions	<u>2,265,180</u>	<u>67,188</u>	<u>182,024</u>
Investment earnings:			
Net appreciation (depreciation)			
In fair value of investments	(276,370)	(178,781)	(195,763)
Interest and dividends	<u>98,085</u>	<u>45,469</u>	<u>49,896</u>
Total investment gain (loss)	<u>(178,285)</u>	<u>(133,312)</u>	<u>(145,867)</u>
Total additions (deductions)	<u>2,086,895</u>	<u>(66,124)</u>	<u>36,157</u>
DEDUCTIONS:			
Benefits paid to recipients	307,990	126,036	244,007
Administrative and other fees	26,978	22,966	24,848
Refunds of member contributions	<u>-</u>	<u>-</u>	<u>15,862</u>
Total deductions	<u>334,968</u>	<u>149,002</u>	<u>284,717</u>
NET INCREASE (DECREASE) IN NET ASSETS	1,751,927	(215,126)	(248,560)
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT - BEGINNING	<u>3,679,408</u>	<u>2,860,006</u>	<u>3,171,873</u>
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT - ENDING	<u>\$ 5,431,335</u>	<u>\$ 2,644,880</u>	<u>\$ 2,923,313</u>

The following table provides information concerning types of covered employees and benefit provisions for each of the plans. Benefit provisions and their amendments are authorized by the separate pension boards:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Active plan members	8	6	21
Inactive plan members currently receiving benefits	11	6	19
Inactive plan members entitled to but not yet receiving benefits	1	0	0

BENEFIT TYPES PROVIDED:

Eligibility Requirements:

- Police: Normal retirement at 20 years of service, vesting at 12 years of service, no early retirement.
- Fire: Normal retirement at 20 years of service, vesting at 12 years of service, no early retirement.
- Officers & Employees: Normal retirement at age 60 and 20 years of service, vesting at 12 years of service, no early retirement.

Retirement Benefit:

- Police: 50% of average monthly compensation based on higher of final rate of pay or the 5 highest year average, plus an incremental pension (maximum \$100) of 1/40th of the basic pension benefit times years of service over 20 earned prior to age 65.
- Fire: 50% of average monthly compensation based on higher of final rate of pay or the 5 highest year average, plus an incremental pension (maximum \$100) of 1/40th of the basic pension benefit times years of service over 20 earned prior to age 65.
- Officers & Employees: 50 % of average monthly compensation based on higher of final monthly compensation rate or average of 5 highest years of employment.

If joint coverage has been elected, the pension is reduced by 40% of Primary Social Security.

Survivor Benefit:

- **Police:** For death not in the line of duty and before completing 10 years of service, death benefit is 25% of pay. For death in the line of duty or after completing 10 years of service, death benefit is 50% of pay. If retired, benefit is 100% of monthly pension.
- **Fire:** If retired, eligible for retirement or killed-in-service, 100% of benefit to surviving spouse or child under 18.
- **Officers & Employees:** If retired, eligible for retirement or killed-in-service, 50% of benefit to surviving spouse.

Disability Benefit:

- **Police:** Service related – 50% of compensation. Non-service related – If member has completed ten years of service, 50% of compensation; If member has not completed ten years of service, 25% of compensation.
- **Fire:** Service related – benefit is based on normal retirement formula. Non-service related – no benefit
- **Officers & Employees:** Service and non-service related – upon completion of 15 years of service, but not after the age of 55, the benefit is 50% of average monthly compensation.

CONTRIBUTIONS

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended) (Act 205) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's annual actuarial valuation. The MMO includes the normal cost estimated administrative expenses and an amortization of the unfunded actuarial accrued liability less estimated member contributions. The Commonwealth provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds Commonwealth and member contribution must be funded by the employer.

In 2009, the Governor of Pennsylvania signed into law Act 44 of 2009 (Act 44). Act 44 clarifies the limitations on the uses of the special municipal taxing authority currently provided under the Act, and in the case of a municipality utilizing the proceeds from the special tax to fund other post-employment benefits (OPEBs), requires the inclusion of OPEB liabilities in the actuarial valuation report filed with the Commission and in the calculation of the municipality's Minimum Municipal Obligation (MMO), and became effective January 1, 2010.

Police are required to contribute 5% of covered payroll plus \$1.00 per month. Firemen are required to contribute 2% of covered payroll plus \$1.00 per month for employees hired prior to January 1, 2017. Firemen hired on or after January 1, 2017 are required to contribute 3% of covered payroll plus \$1.00 per month. Non-Uniformed employees are required to contribute 5% of covered payroll. Non-Uniformed employees may elect joint coverage. Under joint coverage, non-uniformed employees are required to contribute 3.50% of social security pay plus 5% of excess pay. These contributions are governed by the Plans governing documents and collective bargaining agreements. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings. The City did not fully fund its MMO for the Police Fund by December 31, 2018. The outstanding balance due is approximately \$503,932.

ANNUAL PENSION COST

State aid contributions amounted to \$12,472 for the police pension, \$59,635 for the firemen pension, and \$143,375 for the officers and employees pension in 2018.

ASSET ALLOCATION:

The investment policy established for the plans include the following target allocation across asset classes:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
US Large Cap Growth	18.5%	18.5%	18.5%
US Large Cap Value	18.5%	18.5%	18.5%
US Small & Mid Cap Value	6.0%	6.0%	6.0%
US Small & Mid Cap Growth	2.0%	2.0%	2.0%
International Equity	14.0%	14.0%	14.0%
Emerging Markets Equity	1.0%	1.0%	1.0%
US Fixed Income	35.0%	35.0%	35.0%
Private Real Estate	5.0%	5.0%	5.0%
Cash	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The long-term expected rate of return for each plan is 6.9%.

NET PENSION LIABILITY

The City's net pension liability is as follows:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan	Total
Total Pension Liability	\$ 5,905,274	\$ 3,056,684	\$ 3,719,581	\$ 12,681,539
Plan Fiduciary Net Position	<u>5,431,335</u>	<u>2,644,881</u>	<u>2,923,313</u>	<u>10,999,529</u>
Net Pension Liability	<u>\$ 473,939</u>	<u>\$ 411,803</u>	<u>\$ 796,268</u>	<u>\$ 1,682,010</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.0%	86.5%	78.6%	86.7%

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following table shows the changes in net pension liability recognized over the measurement period for the Police Pension Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2017	\$ 5,666,693	\$ 3,679,408	\$ 1,987,285
Changes for the year:			
Service cost	123,831	-	123,831
Interest	422,740	-	422,740
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	2,226,495	(2,226,495)
Contributions – State Aid	-	12,472	(12,472)
Contributions – Member	-	26,213	(26,213)
Net investment income	-	(178,286)	178,286
Benefit payments	(307,990)	(307,990)	-
Administrative expense	-	(26,977)	26,977
Other changes	-	-	-
Net changes	<u>238,581</u>	<u>1,751,927</u>	<u>(1,513,346)</u>
Balances at 12/31/2018	<u>\$ 5,905,274</u>	<u>\$ 5,431,335</u>	<u>\$ 473,939</u>

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following table shows the changes in net pension liability recognized over the measurement period for the Firemen's Pension Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2017	\$ 2,925,335	\$ 2,860,006	\$ 65,329
Changes for the year:			
Service cost	39,730	-	39,730
Interest	217,654	-	217,654
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – State Aid	-	59,635	(59,635)
Contributions – Member	-	7,553	(7,553)
Net investment income	-	(133,312)	133,312
Benefit payments	(126,035)	(126,035)	-
Administrative expense	-	(22,966)	22,966
Other changes	-	-	-
Net changes	<u>131,349</u>	<u>(215,125)</u>	<u>346,474</u>
Balances at 12/31/2018	<u>\$ 3,056,684</u>	<u>\$ 2,644,881</u>	<u>\$ 411,803</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The following table shows the changes in net pension liability recognized over the measurement period for the Officers and Employees Retirement Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2017	\$ 3,606,575	\$ 3,171,873	\$ 434,702
Changes for the year:			
Service cost	104,305	-	104,305
Interest	268,571	-	268,571
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – State Aid	-	143,375	(143,375)
Contributions – Member	-	38,649	(38,649)
Net investment income	-	(145,866)	145,866
Benefit payments	(259,870)	(259,870)	-
Administrative expense	-	(24,848)	24,848
Other changes	-	-	-
Net changes	<u>113,006</u>	<u>(248,560)</u>	<u>361,566</u>
Balances at 12/31/2018	<u>\$ 3,719,581</u>	<u>\$ 2,923,313</u>	<u>\$ 796,268</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The following table shows the pension expense for fiscal year ended December 31, 2018

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Service cost	\$ 123,831	\$ 39,730	\$ 104,305
Interest on total pension liability	422,740	217,654	268,571
Changes in benefit terms	-	-	-
Differences between expected and actual experience	65,685	(52,127)	771
Changes of assumptions	1,482	2,161	1,865
Employee contributions	(26,213)	(7,553)	(38,649)
Projected earnings on pension plan investments	(306,358)	(210,314)	(231,351)
Differences between projected and actual earnings on investments	109,081	101,755	110,113
Administrative expense	26,977	22,966	24,848
Other changes in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Total pension expense	<u>\$ 417,225</u>	<u>\$ 114,272</u>	<u>\$ 240,473</u>

DEFERRED OUTFLOWS OF RESOURCES

For the year ended December 31, 2018, the City recognized a pension expense of \$417,225 for the Police Pension Plan, \$114,272 for the Firemen's Pension Plan, and \$240,473 for the Officers and Employees Retirement Plan. At December 31, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Differences between expected and actual experience	\$ 98,526	\$ -	\$ 3,000
Changes in assumptions	2,223	-	7,257
Net difference between projected and actual earnings on pension plan investments	<u>339,779</u>	<u>263,683</u>	<u>286,996</u>
Total	<u>\$ 440,528</u>	<u>\$ 263,683</u>	<u>\$297,253</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Year Ended December 31:			
2019	\$ 176,249	\$ 101,755	\$ 112,750
2020	106,265	53,754	61,231
2021	61,086	39,448	45,478
2022	96,928	68,726	77,794
2023	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 440,528</u>	<u>\$ 263,683</u>	<u>\$ 297,253</u>

CHANGES IN ASSUMPTIONS

In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Tables projected to 2017 using Scale AA

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward the plans' fiscal plan year ending December 31, 2018. The plans' pension liability was based upon the plans' actuarial assumptions, asset valuation method, and cost method as described below:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Valuation Date	1/1/2017	1/1/2017	1/1/2017
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar	Level Dollar	Level Dollar
Mortality	RP-2000 Mortality Table Projected to 2017 using scale AA	RP-2000 Mortality Table Projected to 2017 using scale AA	RP-2000 Mortality Table Projected to 2017 using scale AA
Remaining Amortization Period	7 years	4 years	8 years
Asset Valuation Method	5 Year Smoothing	5 Year Smoothing	5 Year Smoothing
Actuarial Assumptions:			
Investment Rate of Return	7.50%	7.50%	7.50%
Projected Salary Increases	4.50%	4.50%	4.50%
Includes inflation at cost-of-living adjustments	2.25%	2.25%	2.25%

The discount rate used to measure the total pension liability for each plan was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate, and that municipal

contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Police	\$ 1,200,426	\$ 476,939	\$ (127,756)
Fire Fighters	704,909	411,803	162,398
Officers and employees	<u>1,154,804</u>	<u>796,268</u>	<u>486,543</u>
Total Pension Liability	<u>\$ 3,060,139</u>	<u>\$1,685,010</u>	<u>\$ 521,185</u>

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The City implemented Governmental Accounting Standards Board ("GASB") Statement no. 75, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions", for certain post-employment benefits provided by the City which include health insurance benefits. The requirement of this statement was implemented retroactively. The most recent actuarial review of post-employment benefits was performed as of December 31, 2018.

GENERAL INFORMATION ABOUT THE OPEB PLAN

PLAN DESCRIPTION

The City of Pittsburgh's Other Post Employment Benefits offered to Police employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the City of Pittsburgh and outlined in a collectively bargained agreement between the City of Pittsburgh and Pittsburgh Police Association most recently revised January 1, 2016. The City of Pittsburgh's Other Post Employment Benefits offered to Fire Fighter employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the City of Pittsburgh and outlined in a collectively bargained agreement between the City of Pittsburgh and Pittsburgh City Fire Fighters Local 840 International Association of Fire Fighters AFL-

CIO-CLC most recently revised January 1, 2017. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

BENEFIT TYPES PROVIDED:

- Fire – Same medical, prescription drug, and vision benefits as when active.
- Police – Same medical, prescription drug, and vision benefits as when active.

Duration of Benefits and Dependent Coverage:

- Fire - Coverage ends when member is eligible for Medicare. Spousal and dependent coverage is only available if retiree pays 100% of the cost of coverage. If other coverage is available through either employment or retiree’s spouse, the retiree must take that coverage.
- Police - Coverage ends when member is eligible for Medicare. Spousal and dependent coverage is only available if retiree pays 100% of the cost of coverage. If other coverage is available through either employment or retiree’s spouse, the retiree must take that coverage.

Minimum Age and Service Requirements:

- Fire – 65 years of age and a minimum of 20 years of service, or a work-related disability.
- Police - Minimum of 20 years of service, or a work-related disability

City Contribution

- Fire - Full premium paid for retiree.
- Police - Full premium paid for retiree.

EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2018, the following employees were covered by the benefit terms:

	Police	Fire
Fully eligible active employees	-	3
Other active employees not fully eligible	8	4
Retirees and beneficiaries currently receiving benefits	2	-
Total	10	7

TOTAL OPEB LIABILITY

The City's total OPEB liability of \$949,247 is comprised of \$817,966 for Police and \$131,281 for Fire. The total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Assumption:	Police and Fire Fighters OPEB Plans:
Investment return	There are no invested assets
Salary increase	4.5% compounded annually
Discount rate	3.5%
Healthcare cost trend rates	Medical and prescription drug costs are assumed to increase by 12.5% during 2019, 8.25% during 2020 reduced by 0.25% per year thereafter to an ultimate level of 5% per year. Vision costs are assumed to remain level during 2019 and increase by 1.5% per year thereafter.
Retirees' share of benefit-related costs	None

Mortality rates for the Police and Fire Fighters were based on the RP-2000 Combined Mortality Tables for Males and Females projected 17 years using Scale AA.

For the Police and Fire Fighters, no terminations were assumed.

For the Police and Fire Fighters, disability was based on SOA 1987 Group LTD Table – Makes, 3 month elimination.

Retirement is assumed to occur at a minimum age of 50 and 20 years of service for Police and 55 and 20 years of service for Fire Fighters.

Participation is assumed to be 40% of retired Police and 20% of retired Fire Fighters.

CITY OF PITTSBURGH, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability		
	Police	Fire	Total
Balance at 12/31/2017	<u>\$ 774,846</u>	<u>\$ 129,523</u>	<u>\$ 904,369</u>
Changes for the year			
Service cost	33,547	5,597	39,144
Interest	27,972	4,582	32,554
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	-	-	-
Benefit payments	<u>(18,399)</u>	<u>(8,421)</u>	<u>(26,820)</u>
Net changes	<u>43,120</u>	<u>1,758</u>	<u>44,878</u>
Balance at 12/31/2018	<u>\$ 817,966</u>	<u>\$ 131,281</u>	<u>\$ 949,247</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 3.5% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.5%) or 1 percent higher (4.5%) than the current rate.

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Police	\$ 917,039	\$ 817,966	\$ 734,066
Fire Fighters	<u>144,441</u>	<u>131,281</u>	<u>119,794</u>
Total OPEB Liability	<u>\$ 1,061,480</u>	<u>\$ 949,247</u>	<u>\$ 853,860</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher and 1 percent lower than expected.

	1% Decrease	Current Trend Rates	1% Increase
Police	\$ 732,568	\$ 817,966	\$ 916,784
Fire Fighters	<u>119,524</u>	<u>131,281</u>	<u>144,484</u>
Total OPEB Liability	<u>\$ 852,092</u>	<u>\$ 949,247</u>	<u>\$ 1,061,268</u>

8. PRIOR PERIOD ADJUSTMENTS

Prior to 2017, The City did not have a formal capital asset listing. In 2018, the City underwent an appraisal process to determine the cost and accumulated depreciation of the capital assets it holds. The City has increased beginning capital assets by \$13,665,181 and beginning accumulated depreciation by \$6,254,699 for a net increase of \$7,410,482. This brings total beginning capital assets to \$14,141,073 and beginning accumulated depreciation to \$6,529,850, bringing net beginning capital assets to \$7,611,223. The effect of this adjustment is an increase in beginning net position in the amount of \$7,410,482.

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GAS Statement No. 75 states that the City must record the total liability of their single employer other postemployment benefit plan.

The City has treated its beginning of the year net OPEB liability of \$904,369 as having been recognized in the period incurred. The effect of this adjustment is a decrease in beginning net position in the amount of \$904,369.

The net effect on beginning net position from the above prior period adjustments is as follows:

Adjustment to beginning capital assets	\$ 7,410,482
Beginning OPEB liability	<u>(904,369)</u>
Net increase to beginning net assets	<u>\$ 6,506,113</u>

9. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

LITIGATION

The City is involved in several claims and lawsuits relative to its operations. In the opinion of the City and legal counsel, the ultimate resolution of these matters is either unknown, or will not have a material adverse effect on the financial position of the City.

FEDERAL AND STATE GRANTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2018, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

CONSTRUCTION COMMITMENTS

The Community Development Fund has entered into several agreements with local contractors totaling \$2,846,693 for redevelopment projects for the City. The community development fund has paid \$2,163,656 on these agreements through December 31, 2018 while the remainder of \$683,037 remains committed.

CITY OF PITTSTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	General Fund		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,619,200	\$ 3,665,700	\$ 3,548,875	\$ (116,825)
Intergovernmental revenue	495,800	512,270	447,867	(64,403)
Charges for services	550,750	571,530	549,518	(22,012)
Investment earnings	15,500	17,500	29,105	11,605
Licenses and permits	258,690	292,500	288,243	(4,257)
Fines and forfeitures	39,500	41,000	45,833	4,833
Miscellaneous revenues	69,000	51,998	31,699	(20,299)
Total revenues	5,048,440	5,152,498	4,941,140	(211,358)
EXPENDITURES:				
Current:				
Public safety	2,500,523	2,630,687	4,202,602	1,571,915
General government - administrative	1,106,774	1,117,268	1,251,652	134,384
Public works	794,191	768,916	910,880	141,964
Community development	191,985	194,260	203,500	9,240
Culture and recreation	151,339	190,489	204,366	13,877
Debt service:				
Principal	207,749	180,236	195,195	14,959
Interest	387,879	362,642	394,176	31,534
Total expenditures	5,340,440	5,444,498	7,362,371	1,917,873
DEFICIENCY OF REVENUES OVER EXPENDITURES	(292,000)	(292,000)	(2,421,231)	(2,129,231)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	2,211,747	2,211,747
Transfers in	292,000	292,000	337,000	45,000
Transfers out	-	-	-	-
Total other financing sources (uses)	292,000	292,000	2,548,747	2,256,747
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	127,516	127,516
FUND DEFICIT, BEGINNING	20,930	20,930	20,930	-
FUND DEFICIT, ENDING	\$ 20,930	\$ 20,930	\$ 148,446	\$ 127,516

See Notes to Financial Statements

CITY OF PITTSTON

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 123,831	\$ 118,499	\$ 111,439	\$ 106,640
Interest	422,740	405,616	373,019	359,430
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	229,896	-	-
Changes in assumptions	-	5,187	-	-
Benefit payments, including refunds of member contributions	<u>(307,990)</u>	<u>(294,263)</u>	<u>(289,687)</u>	<u>(289,687)</u>
Net Change in Total Pension Liability	238,581	464,935	194,771	176,383
Net Change in Pension Liability - Beginning	<u>5,666,693</u>	<u>5,201,758</u>	<u>5,006,987</u>	<u>4,830,604</u>
Net Change in Pension Liability - Ending	<u>\$ 5,905,274</u>	<u>\$ 5,666,693</u>	<u>\$ 5,201,758</u>	<u>\$ 5,006,987</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,226,495	\$ 347,322	\$ 272,913	\$ 322,511
Contributions - State Aid	12,472	78,705	79,482	24,910
Contributions - Member	26,213	23,259	23,286	10,289
Net Investment Income	(178,286)	411,553	156,835	26,833
Benefit payments, including refunds of member contributions	(307,990)	(294,263)	(289,687)	(289,687)
Administrative expense	<u>(26,977)</u>	<u>(27,897)</u>	<u>(23,081)</u>	<u>(22,086)</u>
Net Change in Plan Fiduciary Net Position	1,751,927	538,679	219,748	72,770
Net Plan Position, Beginning	<u>3,679,408</u>	<u>3,140,729</u>	<u>2,920,981</u>	<u>2,848,211</u>
Net Plan Position, Ending	<u>\$ 5,431,335</u>	<u>\$ 3,679,408</u>	<u>\$ 3,140,729</u>	<u>\$ 2,920,981</u>
Net Plan Pension Liability	<u>\$ 473,939</u>	<u>\$ 1,987,285</u>	<u>\$ 2,061,029</u>	<u>\$ 2,086,006</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.0%	64.9%	60.4%	58.3%
Covered Employee Payroll	522,218	556,848	524,612	441,583
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	90.8%	356.9%	392.9%	472.4%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSTON

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 39,730	\$ 38,019	\$ 36,553	\$ 34,979
Interest	217,654	207,757	206,477	196,849
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(127,673)	-	-
Changes in assumptions	-	5,293	-	-
Benefit payments, including refunds of member contributions	<u>(126,035)</u>	<u>(105,039)</u>	<u>(105,039)</u>	<u>(105,039)</u>
Net Change in Total Pension Liability	131,349	18,357	137,991	126,789
Net Change in Pension Liability - Beginning	<u>2,925,335</u>	<u>2,906,978</u>	<u>2,768,987</u>	<u>2,642,198</u>
Net Change in Pension Liability - Ending	<u>\$ 3,056,684</u>	<u>\$ 2,925,335</u>	<u>\$ 2,906,978</u>	<u>\$ 2,768,987</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ -	\$ -
Contributions - State Aid	59,635	46,450	46,389	70,122
Contributions - Member	7,553	6,638	3,926	3,697
Net Investment Income	(133,312)	337,628	116,782	(43,927)
Benefit payments, including refunds of member contributions	(126,035)	(105,039)	(105,039)	(105,039)
Administrative expense	<u>(22,966)</u>	<u>(26,327)</u>	<u>(22,386)</u>	<u>(22,755)</u>
Net Change in Plan Fiduciary Net Position	(215,125)	259,350	39,672	(97,902)
Net Plan Position, Beginning	<u>2,860,006</u>	<u>2,600,656</u>	<u>2,560,984</u>	<u>2,658,886</u>
Net Plan Position, Ending	<u>\$ 2,644,881</u>	<u>\$ 2,860,006</u>	<u>\$ 2,600,656</u>	<u>\$ 2,560,984</u>
Net Plan Pension Liability	<u>\$ 411,803</u>	<u>\$ 65,329</u>	<u>\$ 306,322</u>	<u>\$ 208,003</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.5%	97.8%	89.5%	92.5%
Covered Employee Payroll	413,606	385,368	384,648	468,512
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	99.6%	17.0%	79.6%	44.4%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSSTON

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
OFFICERS AND EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 104,305	\$ 99,813	\$ 97,113	\$ 92,931
Interest	268,571	259,158	246,570	234,587
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	4,542	-	-
Changes in assumptions	-	10,987	-	-
Benefit payments, including refunds of member contributions	<u>(259,870)</u>	<u>(216,037)</u>	<u>(172,103)</u>	<u>(171,770)</u>
Net Change in Total Pension Liability	113,006	158,463	171,580	155,748
Net Change in Pension Liability - Beginning	<u>3,606,575</u>	<u>3,448,112</u>	<u>3,276,532</u>	<u>3,120,784</u>
Net Change in Pension Liability - Ending	<u>\$ 3,719,581</u>	<u>\$ 3,606,575</u>	<u>\$ 3,448,112</u>	<u>\$ 3,276,532</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ -	\$ -
Contributions - State Aid	143,375	99,669	92,861	101,010
Contributions - Member	38,649	36,360	36,614	38,545
Net Investment Income	(145,866)	374,991	130,205	(41,042)
Benefit payments, including refunds of member contributions	(259,870)	(216,037)	(172,103)	(171,770)
Administrative expense	<u>(24,848)</u>	<u>(29,129)</u>	<u>(24,460)</u>	<u>(25,169)</u>
Net Change in Plan Fiduciary Net Position	(248,560)	265,854	63,117	(98,426)
Net Plan Position, Beginning	<u>3,171,873</u>	<u>2,906,019</u>	<u>2,842,902</u>	<u>2,941,328</u>
Net Plan Position, Ending	<u>\$ 2,923,313</u>	<u>\$ 3,171,873</u>	<u>\$ 2,906,019</u>	<u>\$ 2,842,902</u>
Net Plan Pension Liability	<u>\$ 796,268</u>	<u>\$ 434,702</u>	<u>\$ 542,093</u>	<u>\$ 433,630</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.6%	87.9%	84.3%	86.8%
Covered Employee Payroll	728,904	743,958	757,618	811,084
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	109.2%	58.4%	71.6%	53.5%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSBURGH

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS
 POLICE PENSION PLAN
 LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 105,892	\$ 426,027	\$ 352,395	\$ 347,421	\$ 334,650
Contributions made	<u>12,472</u>	<u>22,767</u>	<u>352,395</u>	<u>347,421</u>	<u>334,650</u>
Contribution deficiency	\$ <u>93,420</u>	\$ <u>403,260</u>	\$ -	\$ -	\$ -
Covered employee payroll	\$ 522,218	\$ 556,848	\$ 524,612	\$ 441,563	\$ 399,172
Contributions as a percentage of covered employee payroll	2.39%	4.09%	67.17%	78.68%	83.84%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSTON

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIREMEN'S PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 59,635	\$ 46,450	\$ 46,389	\$ 70,122	\$ 76,255
Contributions made	<u>59,635</u>	<u>46,450</u>	<u>46,389</u>	<u>70,122</u>	<u>76,255</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 413,606	\$ 385,368	\$ 384,648	\$ 468,512	\$ 335,777
Contributions as a percentage of covered employee payroll	14.42%	12.05%	12.06%	14.97%	22.71%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSTON

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
OFFICERS AND EMPLOYEES PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 143,375	\$ 99,669	\$ 92,861	\$ 101,010	\$ 86,368
Contributions made	<u>143,375</u>	<u>99,669</u>	<u>92,861</u>	<u>101,010</u>	<u>86,368</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 728,904	\$ 743,958	\$ 757,618	\$ 811,084	\$ 704,777
Contributions as a percentage of covered employee payroll	19.67%	13.40%	12.26%	12.45%	12.25%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSBURGH

REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST EMPLOYMENT BENEFIT PLANS
 POLICE HEALTH AND WELFARE PLAN
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST 10 FISCAL YEARS

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 33,547
Interest	27,972
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and cost method	-
benefit payments	<u>(18,399)</u>
Net change in total OPEB liability	43,120
Total OPEB Liability, Beginning	<u>774,846</u>
Total OPEB Liability, Ending	<u>\$ 817,966</u>
Covered-employee payroll	\$ 543,950
Total OPEB liability as a percentage of covered-employee payroll	150.38%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSBURGH

REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST EMPLOYMENT BENEFIT PLANS
 FIRE FIGHTERS HEALTH AND WELFARE PLAN
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST 10 FISCAL YEARS

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 5,597
Interest	4,582
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and cost method	-
benefit payments	<u>(8,421)</u>
Net change in total OPEB liability	1,758
Total OPEB Liability, Beginning	<u>129,523</u>
Total OPEB Liability, Ending	<u>\$ 131,281</u>
Covered-employee payroll	\$ 427,453
Total OPEB liability as a percentage of covered-employee payroll	30.71%

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See Notes to Required Supplementary Information

CITY OF PITTSTON

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE, FIREMEN, AND OFFICERS AND EMPLOYEES RETIREMENT PENSION PLANS
DECEMBER 31, 2018
(UNAUDITED)**

	POLICE PENSION PLAN	FIREMEN PENSION PLAN	NONUNIFORMED PENSION PLAN
VALUATION DATE	1/1/2017	1/1/2017	1/1/2017
ACTUARIAL COST METHOD	Entry Age	Entry Age	Entry Age
AMORTIZATION METHOD	Level Dollar	Level Dollar	Level Dollar
MORTALITY	RP-2000 Mortality Table Projected to 2017 using scale AA	RP-2000 Mortality Table Projected to 2017 using scale AA	RP-2000 Mortality Table Projected to 2017 using scale AA
TERMINATION	None Assumed	None Assumed	
DISABILITY	SOA 1987 Group LTD Table - Males, 3 month elimination	SOA 1987 Group LTD Table - Males, 3 month elimination	SOA 1987 Group LTD Table - Males, 6 month elimination
RETIREMENT AGE	Later of age 50 and the completion of 20 years of service, or age on valuation date if greater	Later of age 55 and the completion of 20 years of service, or age on valuation date if greater	Normal retirement age, or age on valuation date if greater
MARITAL STATUS	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse
FORM OF ANNUITY	Joint & 100% survivor	Joint & 100% survivor	Joint & 50% survivor
KILLED IN SERVICE	25% of all pre- retirement deaths are assumed to be killed-in-service	N/A	N/A
REMAINING AMORTIZATION PERIOD	7 years	4 years	8 years
ASSET VALUATION METHOD	5 Year Smoothing	5 Year Smoothing	5 Year Smoothing
ACTUARIAL ASSUMPTIONS:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	4.50%	4.50%	4.50%
Includes inflation at cost-of-living Adjustments	2.25%	2.25%	2.25%



**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 City Council
City of Pittston, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pittston, Pennsylvania. (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2018.

Internal Control Over Financial Reporting

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

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

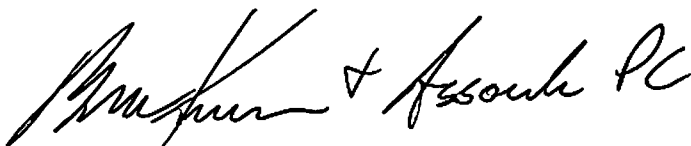
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Kingston & Associates PC".

Kingston, Pennsylvania
September, 16, 2019