

CITY OF PITTSTON, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020
AND
INDEPENDENT AUDITOR'S REPORT
AND
REQUIRED SUPPLEMENTARY INFORMATION
AND
ADDITIONAL INFORMATION**

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INDEPENDENT AUDITOR'S 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 December 31, 2020, 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

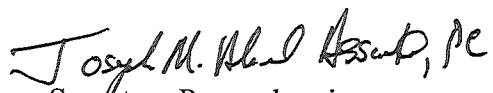
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 11-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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.


Scranton, Pennsylvania
October 19, 2021

CITY OF PITTSTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's 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, 2020 and 2019 for governmental activities and for 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 Auditor's 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 capital assets increased by \$709,074, and net assets of the governmental activities increased in 2020 by \$895,291.
- During 2020 the City of Pittston general fund had expenses that were \$46,364 greater than the \$6,329,274 generated in tax and other revenues for governmental programs.

Fund Level

- The General Fund reported a surplus of \$2,362,780 at December 31, 2020 and a deficit of (\$5,240,361) at December 31, 2019.

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 36 and 37) 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 27 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.

REPORTING FOR 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 finance 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 (real estate) tax base, earned income tax, 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, public property, sanitation, recycling, sewer and recreation functions), community development and the **City of Pittston Redevelopment Authority** (Pittston City Code § 18-1). Property (real estate) taxes, earned income and business taxes, franchise fees, permits/licenses, sewage transmission fees, garbage fees, and state and federal grants finance most of these activities.
- **Business-Type activity:** The **Pittston City Parking Authority** is a Municipal Authority entity organized under the laws of the Commonwealth of Pennsylvania (Pittston 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 38 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 methods.

- **Government 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 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's 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 40 and 42.
- **Proprietary funds:** When the City charges customers for 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 Statements 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 provides 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 46 and 47). We exclude these activities from the City's other financial 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 Statement Auditor General.

THE CITY AS A WHOLE

The city's combined assets increased from a year ago to \$17.9 million from \$14.5 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 increased to (\$5,908,721) compared to (\$5,767,480). 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 (\$5,156,781) deficit at December 31, 2019 to \$2,469,354 surplus at the end of fiscal year 2020.

The assets of our business-type activity increased/decreased to \$106,574 in 2020 compared to \$83,770 in 2019.

The cost of all governmental activities in 2020 and 2019, respectively, was \$8.1 million and \$9.8 million. However, as shown in the Statement of Activities on page 32, the amount that our taxpayers ultimately financed for these activities through City taxes was on \$4.3 million in 2020 and \$4.1 million in 2019 because some of the cost was paid by those 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's completed the year, its governmental funds (as presented in the balance sheet on page 38) reported a combined fund balance of \$6,191,338 which is more than 2019's total of \$2,304,836.

- Principal and interest payments made on long-term debt and capital leases where approximately \$3,400,000 and \$279,000.
- During the current year, the fund balance of the Office of Community Development Program increased by \$431,585.
- Each year, the State provides the City with a portion of the gasoline tax revenues it collects. These funds are deposited in to the city's **Liquid Fuels Fund**, a restricted use 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 for specific equipment directly related to roadway maintenance. The amount the city receives has been increasing because of a change in state law that increased the state liquid fuels tax and that resulted in more funds being provided to municipalities. The following table shows the amounts of Liquid Fuels funds received by the city in the last 3 years:

Fiscal Year	Liquid Fuels Funds Received from the Commonwealth of Pennsylvania
2020	\$234,962
2019	\$240,901
2018	\$235,326

The city saw a decrease in Liquid Fuels funds from the Commonwealth government despite Pennsylvania having one of the highest levels of liquid fuels taxation in the nation. The federal policies of promoting more fuel efficient vehicles combined with Pennsylvania's high tax level that has led to drivers fueling elsewhere when possible, had led to projected decreases in this revenue. Furthermore the COVID-19 pandemic during 2020 resulted in a significant decrease in miles driven during 2020 which cannot but have an impact in the 2021 revenue from this source.

Additionally, during fiscal year 2019, the city executed a multi-year agreement with the Pennsylvania Department of Transportation (PENNDOT) to provide snow-plowing and ice abatement on certain state-owned roadways during winter weather that the city had already largely been performing, prudent financial management essentially recovering the city's cost for performing those services. As a result, during 2020 the city received an additional payment of \$5,714 from PENNSOT for this service, which was deposited into the Liquid Fuels Fund and this contract continues for several additional years with annual inflationary increases.

PayGo Street Repaving Program Since 2017 Blizzard

The city suffered an unexpected record-setting blizzard in March 2017 that results in costs for annual winter weather response for 2018-2017 far exceeding the budget. None of these costs were reimbursed and as a result no street re-paving could be done during 2017.

To maintain the city's commitment to infrastructure maintenance and improvement, the annual Liquid Fuels Fund 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. Higher than anticipated bids received for planned paving work in 2019 resulted in the decision to not award any projects in 2019. In 2020, the annual PayGo road-resurfacing project resumed with a \$165,078 in spending to repave Gandview Drive, Carroll Street between Radcliffe and Hunter Streets, Halford Alley from Broad Street to Rear Tunnel Street and Rear Tunnel Street from Halford Alley to O'Connell Street, and portions of Lambert Street and Lyons Lane. Additionally, PENNDOT resurfaced Searle Street, a state roadway.

CAPITAL ASSETS (GASB 34)—

Inclusion in Fiscal Year 2018 and Subsequent Financial Statements

During fiscal year 2017, city leadership initiated the planning process to establish a current fixed 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 as resulted in a deleterious comment by the Independent Auditor in the audits prior to 2018. Not only is the fixed assets 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 included 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.

In order to ensure the City’s Fixed Asset inventory remains current, the city contracted for an annual update of the valuation. This update was completed for inclusion in the Fiscal Year 2020 financial statements thus the Fiscal Year 2020 Financial Statements include a current Fixed Asset valuation as of December 31, 2020.

GASB 75 – OTHER POST-EMPLOYMENT BENEFITS

The City has been in compliance with required disclosure of the cost of Other Post-Employment Benefits (OPEB) since 2019 when the City’s annual Financial Statements included compliance with GASB 45. Subsequently, GASB 45 was replaced with GASB 75. The city obtained compliance with GASB 75 requirements as of the 2018 Independent Audit and Financial Statements. To update the city’s GASB 75 disclosure, the City Council contracted with Foster & Foster, Actuaries and Consultants, Allentown, PA to provide updated valuations. Their report, dated July 30, 2021, is on file at City Hall and is included in the 2020 Financial Statements, thus the 2020 Financial Statements include completely updated and current GASB 75 disclosures.

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

GASB 68 Disclosure

For compliance with requirements of GASB 68, the city includes 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.

GASB 77 Tax Abatement Disclosures

The City of Pittston provides the following information in accordance with Governmental Standards Accounting Board (GASB) Standards #77, Tax Abatement Disclosures:

Grandview Drive Tax Increment Financing District

In February 2008 a Tax Increment Financing District was approved pursuant to Pennsylvania Act 113 of 1990 for a residential subdivision, a portion of which included a residential street called Grandview Drive within the City of Pittston. This Tax Incremental Financing District was approved by the Luzerne County Redevelopment Authority and participants included the Township of Pittston, Luzerne County, and the Pittston Area School District, but not the City of Pittston.

Subsequently, development of this subdivision within the City of Pittston faltered, and in order to encourage renewed construction of Grandview Drive, in February 2020, the May and City Council of the City of Pittston adopted Ordinance, File Council #4(2020) that provided for city participation in the Grandview Drive Tax Increment Financing District. In order to provide proper disclosure, by means of Resolution 12541, adopted on March 17, 2021, the City Council formally adopted GASB 77 as part of Pittston City Code Chapter 23, Budget, Financial and Debt Management Policy.

The ordinance requires that city property (real estate) tax revenue from the identified Grandview Drive Tax Increment Financing District be transmitted by the City Treasurer to the Luzerne County Redevelopment Authority until the debt specified in the ordinance is retired.

In accordance with GASB 77, the city has adopted the following policies and procedures for the Grandview Drive Tax Increment Financing District:

- The City Comptroller has established an accrual (liability) on the General Fund balance sheet for remittance of the revenue identified by the ordinance so that these funds are maintained restricted from general available cash;
- The City Budget Director will include in all budget and financial management planning the estimated financial impact of the said Grandview Drive Tax Increment Financing District;
- Based on recent actual collections, the city projects the annual impact on the General Fund to be less than \$25,000 which is not material in scope of either the total General Fund budget (\$6M) or the total property (real estate) tax revenue (\$1M). Additionally, the construction of new homes in the city on Grandview Drive can be revenue-generating even given this ordinance, first, one-time revenue, for the building and zoning and sewer tap permits required for the construction of new houses and second, recurring annual revenue due to the potential for new residents to pay the city earned income tax, local services tax, refuse and sewer maintenance fees.

- Additionally, in accordance with best practices, Resolution 12541 requires a projected revenue impact statement to be provided to the City Council prior to consideration of any additional Tax Increment Financing districts and or any legislation which would result in an additional GASB #77 disclosure.
- In addition to the Grandview Drive TIF, the City Council previously enacted a real estate tax revenue-sharing plan for some properties owed by the Northeast Pennsylvania Land Bank Authority. The amount of this revenue-sharing, projected annually at less than \$2,000, is immaterial to the City's General Fund revenue.

GASB 84

The City Council adopted Resolution 12380 on February 19, 2020, formally adopting GASB 84, Fiduciary Activities and all requirements of this statement are incorporated into the Financial Statements.

2020 ANNUAL BUDGET

The City Council has adopted a comprehensive budgetary, financial management and debt management policy (Pittston City Code Chapter 23) and the Fiscal Year 2020 budget was prepared in accordance with parameters of the policy (§ 23-2). The Fiscal Year 2020 Budget was approved by Ordinance, File of Council #11 of 2019 and the other required supporting tax revenue ordinances all were adopted by the City Council at the meeting of December 17, 2020.

During the course of the fiscal year, the City Council proactively amended the Approved budget in July (Resolution 12425) and October (Resolution 12471) 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.

The following table shows the total annual budget for each appropriate fund for Fiscal year 2020:

Fund Name	Approved FY 2020 Budget	Final Revised FY 2020 Budget
General Fund	\$6,060,000	\$6,115,000
Sewer Maintenance Fund	\$1,345,000	\$1,345,000
Liquid Fuels Fund	\$ 338,500	\$ 346,000

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 2020, this fund continued in its intended use with \$24,467 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. This has required the city to maintain intense oversight and active monitoring and management of the city budget and finances. The Mayor and City Council have appointed and retained a high-quality, experienced administrative management team, unusual in scope for the area, that has met and exceeded all short and long-term financial management and planning goals. Nonetheless, it has been and will continue to be a change to address key cost drivers such as municipal costs for employee benefits, mandated by collective bargaining agreements, particularly employee healthcare and defined benefit pensions, as well as debt service to finance capital improvements and repair of the aged sewer system, legacy years of deferred maintenance, and a concentrated effort to revitalize the downtown business district with the long-term goal of increasing population and revenue. During 2020 the Administration continued to strive to improve the City's finances and maintain control of department-wide expenditures and the comparative financial analysis shows that effort was successful.

FINANCIAL NOTES TO 2020 BUDGET

COVID-19 PANDEMIC

Towards the end of the first quarter of 2020, the United States experienced its most serious nation-wide disease pandemic, popularly termed “COVID-19,” since post World War I era “Spanish Flu” of 1918. National and commonwealth leaders as well as the federal Centers for Disease Control (CDC) implemented various efforts to control the pandemic, which resulted in substantial national, commonwealth and local economic impact that in many cases with unexpected results that defied historical trend analysis and current projections. Some of these policies included involuntary shut-downs of businesses, restrictions on citizen travel, and short-term changes to government taxes.

In accordance with powers and duties granted by the City’s Home Rule Charter, the Mayor of the City of Pittston declared a State of Emergency effective March 16, 2020 which the City Council extended by means of Emergency Ordinances adopted on March 18th and April 15th 2020. The City Council also adopted an Emergency Ordinance on April 15th 2020 that restricted certain mass transportation.

Pittston City Hall and other government departmental offices were closed to the public for a period of time during 2020, but normal day to day municipal government operations never stopped or were seriously disrupted. All Public Works and Emergency Services departments continued full operations and most City Hall staff continued to report to work each day although during certain periods of the pandemic staff did some work remotely or on modified schedules.

The financial impact of the COVID-19 pandemic was highly unequal across the nation, and several factors contributed to minimal impact on the Pittston City government, including:

- The city does not have a mercantile tax or sales tax and the fixed rate Business Privilege Tax generates only a small amount of annual revenue compared to the overall city revenue. The city did not have many large employers affected by the mandated closures, and many businesses that remained open took advantage of a federal government “paycheck protection” loan program that provided for the continuation of wages and tax income. Furthermore, many employers increased wages during the pandemic. The net effect was actually an increase in the city’s Earned Income Tax revenue in 2020 over 2019 levels;
- City taxpayers stayed at home following pandemic protocols which left them with more personal funds than they otherwise may have had in typical years where they may have spent more on shopping, dining and travel. Due to a federal program that supplanted unemployment insurance during the pandemic, many workers suffering unemployment actually received more take-home funds from pandemic unemployment insurance than they received when working. The federal government also provided installments of

direct federal payment “economic stimulus” to many citizens, further enhancing their 2020 income. While the city did not undertake a formal economic study of the results of these federal interventions, the city government observed that during 2020 trends in payment of current and delinquent municipal fees and taxes significantly changed showing almost across the board increases in payment of current and delinquent city taxes, fees and fines to levels not previously seen and it is presumed that many city residents used some of these excess funds to come current on payments of taxes, fees and fines;

- The city received over \$120,000 in COVID-19 grant funds that funded much of the city unbudgeted outlay for equipment and supplies used to implement pandemic protocols such as additional cleaning supplies, personal protective equipment for staff and computer equipment for remote access.

Accordingly, initial analysis showed that on a fiscal basis, the City of Pittston government during calendar year 2020, experienced minimal net negative financial impact and indeed, significant revenue sources actually demonstrated increases over the 2019 levels.

UNRESERVED AND UNRESTRICTED FUND BALANCE

One key measure of financial health is the multi-year trend in year-end unreserved and unrestricted fund balance. The City of Pittston General Fund has displayed a significant upward trend in unreserved and unrestricted fund balance over the past three fiscal years as follows:

Fiscal Year Ending Dec 31st	Unreserved & Unrestricted General Fund Balance
2020	\$813,597
2019	\$539,940
2018	\$148,445
2017	\$209,300

REVENUE ACCOUNTS

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

Fiscal Year	Total General Fund Revenue
2020	\$6,282,910
2019	\$5,702,261
2018	\$4,941,139
2017	\$4,680,363

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.

The following sections provide a discussion of the city's primary revenue categories.

Earned Income Tax

The City levies an Earned Income Tax (Pittston City Code § 436-12) which is the city's largest single category of revenue. Earned Income tax collections over the past three years are as follows:

Fiscal Year	Earned Income Tax
2020	\$2,019,807
2019	1,852,890
2018	1,699,880
2017	1,224,705

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 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 second-largest single source of revenue. To address the regressive element inherent in real estate taxes, the city council enacted an ordinance as required by the Home Rule Charter to provide property tax refiled for qualified owner-occupied properties (homestead exemption further explained later in this analysis). Overall city assessment is an indicator of city economic health, and for 4 of the past 5 years there has been annual growth in total taxable assessment as follows:

Fiscal Year	Total City Taxable Property Assessment
2015	\$262,925,000
2016	\$262,622,100
2017	\$267,114,400
2018	\$267,538,900
2019	\$265,705,200
2020	\$265,705,200

Data Source: Luzerne County Assessor's Office

The decrease for 2019 is attributed to the Luzerne County Community College building coming off the tax rolls as well as certain other properties acquired by the City Redevelopment Authority as part of revitalization efforts that result in these properties becoming tax-exempt during the time they are held by the authority.

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

Fiscal Year	Current Year Real Estate Tax
2020	\$1,928,565
2019	\$1,462,832
2018	\$1,395,707

Despite the COVID-19 pandemic, there was virtually no change in actual collected real estate tax revenue from 2019 to 2020.

Property Tax Homestead Deduction

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%) by an ordinance adopted on December 20, 2017 and this level was maintained for Fiscal Years 2019 and 2020. The projected impact on revenue was included in the proposed and adopted budget.

Delinquent Real Estate Tax

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. The three year trend in delinquent real estate collections is as follows:

Fiscal Year	Delinquent Real Estate Tax Revenue
2020	\$199,268
2019	\$178,272
2018	\$191,565

As noted, despite the COVID-19 pandemic, actual revenue from the source significantly increased from 2019 to 2020.

Local Services Tax

After several years of fluctuations in the “Local Services Tax” (Pittston City Code Section 436 Title IV) 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 had been incorrectly receiving revenue from businesses not located in the city, this revenue source now stabilized at approximately \$90,000 annually. The three year trend in Local Services Tax collections is as follows:

Fiscal Year	Local Services Tax Collected
2020	\$86,579
2019	\$93,327
2018	\$99,326

The city attributes the small decrease in this revenue source from 2019 to 2020 as a result of the COVID-19 pandemic.

Business Privilege Tax

The city is constrained by current state law and court decisions 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. The tax was initiated at \$200 in 2015 and increased to \$225 for Fiscal Year 2019, primarily to reflect inflation since inception. 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 three year trend in Business Privilege Tax is as follows:

Fiscal Year	Business Privilege Tax Collected
2020	\$43,060
2019	\$45,340
2018	\$36,031

The city attributes the small decrease in this revenue source from 2019 to 2020 as a result of the COVID-19 pandemic.

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 General Fund. During the COVID-19 pandemic, the city saw substantial increases in the average sales price of properties within the city and this trend continued into 2021. The three year positive trend in Realty Transfer Tax is as follows:

Fiscal Year	Realty Transfer Tax
2020	\$261,125
2019	\$259,344
2018	\$123,876

Cable Television Franchise

The City Council approves a franchise agreement with Comcast for cable television service in the city, with an annual franchise fee remitted to the city based on subscriptions. Despite a highly fluid environment for this service, this franchise revenue has remained stable for the last three fiscal years as follows:

Fiscal Year	Cable Franchise Fee Revenue
2020	\$108,071
2019	\$104,865
2018	\$102,942

Despite the COVID-19 pandemic, revenue from this source showed continuation of the annual upward trend since fiscal year 2018.

Building Permits and Other Fees

The City has also modernized and improved collections of various permits and license fees issued by its building inspection, code enforcement, fire inspection, and zoning offices pursuant to adopted ordinances. While these fees vary depending on annual construction, macro-level analysis indicates a healthy and growing construction environment in the city indicative of economic growth. The three-year trend in Building Permits is as follows:

Fiscal Year	Building Permit Fees
2020	\$155,986
2019	\$101,105
2018	\$91,034

Despite the COVID-19 pandemic, the city received a record-level of building permit revenue during fiscal year 2020. A healthy real estate market included permits issued for the construction of additional single-family homes particularly in the Grandview Drive development following resurfacing of the primary roadway as well as a significant investment in one of the largest commercial buildings in the city along Kennedy Boulevard. While the city did not undertake a formal economic analysis, the building permit department believes that many city property owners took advantage of additional funds they had on hand as a result of the COVID-19 pandemic to make improvements to their properties and this trend has continued during early 2021.

Refuse and Recycling Fees

As mandated by state law, the city provides weekly residential collection of refuse and recycling, supported by an annual per-unit refuse fee. Additionally, for additional fees the city provides a small volume commercial refuse and bulk item collection service. In recent years, the city has greatly expanded its recycling program, and the recycling market has been in dynamic change, presenting a challenge to finance operations. Nonetheless, revenue from the refuse fee has been stable as the three-year trend indicates:

Fiscal Year	Total Refuse Fee Revenue
2020	\$564,168
2019	\$525,227
2018	\$455,906

As with other major revenue sources, the city saw a substantial increase in refuse fee revenue during the COVID-19 pandemic year of 2020. While the city did not undertake a formal economic analysis of this surge, it attributes the revenue increase to two factors:

- Residents with excess personal funds on hand due to the pandemic used some of those funds to more promptly pay current and delinquent refuse fees;
- Residents who stayed at home much more during the pandemic than in typical years generated more refuse that they had to dispose of and consequently purchased more garbage bag stickers.

The city has also been very successful in obtaining over half million dollars in recent years from awarded state recycling performance and equipment grants. These grants have been used to procure recycling collection equipment that has helped to offset the cost of the program.

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.

During 2020 as a result of the COVID-19 pandemic, the Commonwealth of Pennsylvania Public Utility Commission (PUC) placed a moratorium on the shut-off of certain utilities including water. As a result, the city's program to enforce delinquent sewer maintenance fee payments through water shut-offs was suspended. Consequently, revenue from sewer maintenance fees decreased by approximately \$96,335.

Fiscal Impacts of Capital Projects on the Operating Budget

Governments sometimes fail to take into consideration the recurring impact on the operating budget for completed capital improvement projects. The city's planning process for capital improvements includes the final recurring impact on the operating budget and such costs are then incorporated into the subsequent year's budget. In recent years, the acquisition of two large structures has had a significant impact on the General Fund budget as follows:

Impact of Luzerne County Community College Building

During Fiscal Year 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 has 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.

Luzerne County Community College operations were affected by the COVID-19 pandemic but the payment to the city for the Pittston City campus was still received in full.

Impact of Firehouse Acquisition

During Fiscal Year 2019 the City Council purchased the City of Pittston Fire Department headquarters building at 20 Kennedy Street from the City of Pittston Redevelopment Authority through proceeds of long-term debt issuance (Series 2019 General Obligation Note). Some years previously the City of Pittston Redevelopment Authority had acquired the property from the city primarily for debt collateralization, but the lack of a cognizant revenue stream led to deferred maintenance and negative financial strain for the authority. In the interest of instituting proper building maintenance, and preserving this historic building which houses a vital city service, a policy decision was made by the City Council in 2019 to purchase the building from the Redevelopment Authority. The impact on the city General Fund included the requisite debt service for the Series 2019 General Obligation note, property and liability insurance, operating costs and necessary long-term capital improvement. Additionally, a capital improvement project to install a new elevator in the firehouse was underway at the time of the acquisition and this elevator will lead to additional operating costs for maintenance, electricity, licensing and insurance. The known debt service as well as the best estimates for operating costs and needed repairs were incorporated into the city's Fiscal Year 2019 General Fund budget, but this new cost to the General Fund will require careful monitoring over the next few years. With portions of this structure dating back to the 1850s, the development of a long-term plan for necessary capital repairs and improvements and a financing source to implement them will also be required.

Overall Revenue Picture

Due to several factors previously discussed, overall city revenue was not only not significantly negatively impacted by the COVID-19 pandemic, but major revenue sources actually increased in 2020 over the pre-pandemic 2019 levels. The city's revenue remains stable and the 2020 fiscal year showed a net increase above the historic and projected trends despite the COVID-19 pandemic. Nonetheless, the city is subject to the overall county, commonwealth and national economy and the uncertain resolution of the COVID-19 pandemic and the impact of federal government COVID-19 economic policies will certainly impact the city and will require city leadership to remain vigilant.

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.

Overall General Fund expenditures of \$6,329,273 in FY 2020 were \$214,273 above the amended budget level. However, almost all of this above budget spending was a result of known factors.

- Retirement of several long-term city employees during the COVID-19 pandemic resulted in significant payments of unbudgeted terminal leave. However, this actually results in an out-years savings for the city as the liability for uncompensated absences liability is reduced and the new hires will be at a lower salary level than the long-time employees who retired or resigned;
- Non-reimbursed expenses related to the city's strategic response to the COVID-19 pandemic particularly in vital information technology hardware and software that allowed citizens expanded online service and city staff to work remotely. While these information technology investments were inexplicably not reimbursed by the federal government (which promoted expanded remote access as a primary pandemic response) the investments played a critical role in the steady continuation of municipal services during the pandemic as well as ensuring stable revenue collection by the city;
- Overspending in the Fire Department as a result of backfilling the schedule with part-time staff due to vacant full-time positions and repairs to a problematic fire apparatus as well as terminal leave. These were resolved by the conclusion of 2020 with the hiring of full-time staff and the purchase of a new fire apparatus by the Pittston Firemen's Relief Association which should alleviate the repair budget for years to come. The unprecedented level of terminal leave expenses in 2020 (\$104,158) was a one-time occurrence as a result of the departure of several senior staff and as previously discussed, results in cost-savings in the out years due to reduced liability in uncompensated absences and replacement hires at lower salary and benefit cost than the departed long-time staffers.

- Costs associated with the city Series 2020A and Series 2020B general obligation bond issue that resulted in multi-million dollar debt service cost savings in the out-years, a prudent financial strategy by the city successfully implemented in 2020 despite the challenges of the pandemic.

All other areas of FY 2020 overspending were minor and were monitored throughout the year and addressed during FY 2021 budget information.

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 as well as the aforementioned non-reimbursed costs related to COVID-19 pandemic.

2020 Debt Issuance

Despite the COVID-19 pandemic, during 2020 the City of Pittston achieved its most significant financial management accomplishment in recent history.

Following several years of successful strategic financial policy and financial management planning and implementation, on September 10, 2020 the City of Pittston was awarded an “investment-grade” credit rating (Baa3) with a “stable outlook” by Moody’s Financial Services. Factors cited in this rating included:

- The significant increase in recent years of the city’s unrestricted “fund balance.”
- The city’s formulation, adoption and implementation of strong financial and budgetary policies based on best practices set forth by the Government Standards Accounting Board (GASB) and the Government Finance Officers Association (GFOA);
- Comprehensive annual city financial statement and independent audits based on GASB standards with no adverse findings by the independent auditor which also demonstrate steady improvements in the city’s overall financial condition;
- Strong and accurate annual budget development and implementation showing the budget and financial reporting being used as a key management tool;
- Stable current and projected revenue as a result of the modernization of city taxes and fees; responsible collection of taxes and fees; and progressive long-term strategic planning and plan implementation by city leadership that has resulted in downtown economic revitalization as well as stabilization and rehabilitation of older neighborhoods and even construction of new residential housing despite the city’s land-locked nearly fully developed condition;

- Strong capital investment by the city over several years in infrastructure both in the downtown and residential neighborhoods that makes the city commercial and residential districts more appealing to new potential residents and commercial investors.

Despite the COVID-19 pandemic, city leadership made a concerted and successful effort to obtain the investment-grade credit rating. Subsequent to the credit rating, city leadership moved quickly and aggressively to take advantage of market conditions to consolidate existing long-term debt and fund additional important capital investments in city infrastructure and public property.

Accordingly, in September 2020 the city issued General Obligation Bonds Series 2020A (\$8,760,000, non-taxable) and Series 2020B (\$3,640,000, federally taxable). These bonds were used to refinance all existing long-term city debt except for four loans from the United States Department of Agriculture whose interest rates were even lower than the City of Pittston Series 2020 General Obligation Bonds.

This General Obligation Bonds issue saves city taxpayers over \$1.45 million in debt service over the life of the issue compared to what would have been paid without refinancing. Also this debt consolidation bond issue resulted in significant simplification of the city's debt service schedule. In recent years as the city invested heavily in capital improvements, the city had accumulated a number of long-term notes, all on different payment terms and with different interest rates, that made budgeting and cash flow management a challenge. The bond issue resulted in a much simpler and easy to understand and management debt service schedule.

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 non-union 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 and 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 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 management 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 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.

During 2020, the uncertainty surrounding the COVID-19 pandemic and the focus on the savings to be achieved through the issuance of the Series 2020 General Obligation Bonds resulted in city leadership marking the financially prudent determination to repay during 2020 only a minimal amount of the existing unpaid police pension municipal obligation. However, with the pandemic being managed and city finances improved through the issuance of the bonds, the city plans to make an aggressive effort in 2021 and following years to defease 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 previously noted, due to bids being received that were higher than expected, no paving was completed during 2019 and resumed in 2020. Work completed in recent years included:

- **During 2019 bids received exceeded the budget projections so no paving projects were completed; however, during 2020**, the PayGo Capital annual road-paving project funded from the Liquid Fuels Fund resumed with the paving of Grandview Drive, Halford Alley; Rear Tunnel Street; Carroll Street between Radcliffe and Hunter Streets; and PENNDOT repaved Searle Street;
- **In 2017**, the annual road-paving project was suspended due to the extraordinary costs incurred during the record-setting March 2017 blizzard. **During 2018**, the annual road-paving project funded from the Liquid Fuels Fund included the paving of portion of the following roads: Garfield Street, West Frothingham Street, West Oak Street, River Street;

- **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 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 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 have 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 installed new water mains along with entire length of Cliff Street and first three blocks of Tompkins Street 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. During 2020 PENNDOT completed the repaving of Searle Street and Laurel Street.

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 thousand 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.

- **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 detail 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, establishment of a community college campus, improvements to the city's largest recreation area, Sullivan Park, and streetscaping for the downtown business district. In 2020 a General Obligation Bond issue consolidated this debt and provided additional funding for capital projects. 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

A decade ago, many city vehicles and equipment 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 such as being awarded more than \$400,000 in state recycling grants to purchase collection vehicles and equipment. The city's Volunteer Firefighter Relief Association funds the purchase of fire apparatus. But the cost of most fleet replacement is fully borne by the city. The city has invested heavily in recent years in modernizing its public works and police fleets but with a resulting increase in debt lease payments.

This increase is partially offset by decreased maintenance costs and as the leases are paid off the city anticipates lease costs again decreasing.

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).

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 2020 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 (Pittston City Code § 7-2(1)) 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. The significant spike in the cost of employee healthcare over the last decade had a material impact on the General Fund's stability.

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 affect health insurance, further uncertainty in the cost of employee healthcare is projected for FY 2020. 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 address 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.

- **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.

- **Disaster Fund:**

This fund holds charges and reimbursements for costs associated with state and federal disaster declarations. During 2020 the Disaster Fund accepted COVID-19 pandemic grant funding distributed by the Luzerne County government in the amount of \$121,000. Total expenditures were \$126,443 creating a small deficit of (\$5,443). This was due to actual expenditures coming in slightly above anticipated levels.

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.

City Grants Administered by the Office of Community Development and the Pittston City Redevelopment Authority

During fiscal year 2020, 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:

<u>Grant Type</u>	<u>Funding Level</u>
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 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.

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 of 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.

NEW FINANCIAL AND ACCOUNTING SYSTEM

During 2020 city leadership moved forward with selection and implementation of a new software system to manage city finances. This new system which will significantly improve budgeting, financial management and financial reporting will be operational for January 2, 2021.

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, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
CURRENT ASSETS:			
Cash	\$ 1,795,266	\$ 96,073	\$ 1,891,339
Restricted cash	791,382		791,382
Accounts receivable, net	641,461		641,461
Taxes receivable	908,138		908,138
Grants receivable	174,064		174,064
Due from State	56,657		56,657
Current portion of notes receivable	11,476		11,476
Due from other funds	55,944		55,944
Accounts receivable, other	8,200		8,200
Due from related parties	11,323		11,323
Prepays	17,719		17,719
Total current assets	<u>4,471,630</u>	<u>96,073</u>	<u>4,567,703</u>
NON-CURRENT ASSETS:			
Long-term portion of notes receivable	28,479		28,479
Property held for resale and and redevelopment	2,428,362		2,428,362
Royalties receivable	300,001		300,001
Capital – assets – net	<u>1,202,963</u>		<u>1,202,963</u>
Total non-current assets	<u>3,959,804</u>		<u>3,959,804</u>
CAPITAL ASSETS, Net	<u>9,525,019</u>	<u>10,501</u>	<u>9,535,520</u>
TOTAL	<u>\$17,956,453</u>	<u>\$106,574</u>	<u>\$18,063,027</u>
CURRENT LIABILITIES:			
Loans payable	\$ 121,000	\$	\$ 121,000
Grants receivable in advance	500,000		500,000
Accrued liabilities	535,921		535,921
Accounts payable	678,134		678,134
Due to other funds	27,568		27,568
Due to related parties	1,975		1,975
Current portion of long-term debt	<u>494,378</u>		<u>494,378</u>
Total current liabilities	<u>2,358,976</u>		<u>2,358,976</u>
LONG-TERM LIABILITIES:			
Series 2014 D general obligation	100,000		100,000
Note payable	9,525,019		9,525,019
2220 DCED H2O Grant	50,000		50,000
Other	480,659		480,659
2300 Long-term debt	<u>3,090,250</u>		<u>3,090,250</u>
Total liabilities	<u>13,234,697</u>		<u>13,234,697</u>
NET POSITION:			
Invested in capital assets, net of related debt	1,202,963	10,501	1,213,464
Restricted	(2,910,531)		(2,910,531)
Unrestricted	<u>4,070,348</u>	<u>96,073</u>	<u>4,166,421</u>
Total net position	<u>2,362,780</u>	<u>106,574</u>	<u>2,469,354</u>
TOTAL	<u>\$17,956,453</u>	<u>\$106,574</u>	<u>\$18,063,027</u>

See Notes to Financial Statements.

CITY OF PITTSBURGH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET POSITION		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
FUNCTIONS/PROGRAMS						
Governmental activities:						
Community development	\$ 1,367,977	\$ -	\$ 823,786	\$ (544,191)	\$ -	\$ (544,191)
Public safety	2,450,072	66,932		(2,383,140)		(2,383,140)
Public works	2,119,141	964,817		(1,154,324)		(1,154,324)
General government – administrative	1,455,971		299,324	(1,156,647)		(1,156,647)
Interest on long-term debt	279,641			(279,641)		(279,641)
Culture and recreation	<u>390,778</u>			<u>(390,778)</u>		<u>(390,778)</u>
Total governmental activities	<u>8,063,580</u>	<u>1,031,749</u>	<u>1,123,110</u>	<u>(5,908,721)</u>	<u>-</u>	<u>(5,908,721)</u>
Business-type activity,						
Pittston Parking Authority	<u>64,376</u>	<u>85,830</u>			<u>22,960</u>	<u>22,960</u>
TOTAL	<u>\$ 8,127,956</u>	<u>\$ 1,117,579</u>	<u>\$ 1,201,563</u>	<u>\$ (5,908,721)</u>	<u>\$ 22,960</u>	<u>\$ (5,885,761)</u>
General revenues:						
Property and other taxes				\$ 4,322,721	\$	\$ 4,322,721
Unrestricted investment earnings				31,258	34	20,165
Miscellaneous				<u>9,157,883</u>		<u>9,157,883</u>
Total general revenues				<u>13,511,862</u>	<u>34</u>	<u>13,511,862</u>
Change in net position				7,603,141	22,994	7,626,135
Net position (deficit), beginning				<u>(5,240,361)</u>	<u>83,580</u>	<u>(5,156,781)</u>
Net position (deficit), ending				<u>\$ 2,362,780</u>	<u>\$ 106,574</u>	<u>\$ 2,469,354</u>

See Notes to Financial Statements.

CITY OF PITTSBURGH

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Current Assets:						
Cash	\$ 515,946	\$ 942,048	\$134,256	\$ 791,382	\$203,016	\$ 1,795,266
Restricted cash				791,382		791,382
Accounts receivable, net	110,585		525,876	5,000		641,461
Taxes receivable	908,138					908,138
Grants receivable		174,064				174,064
Accounts receivable, other			8,200			8,200
Due from state	51,157					51,157
Current portion of notes receivable		11,476				11,476
Due from other funds	7,358					7,358
Due from related parties	10,000	11,323				21,323
Prepays	17,719					17,719
Total current assets	<u>1,620,903</u>	<u>1,138,911</u>	<u>668,332</u>	<u>796,382</u>	<u>203,016</u>	<u>4,427,544</u>
Non-Current Assets:						
Long-Term portion of notes receivable		2,428,362				2,428,362
Property held for resale and redevelopment						
Royalties receivable						
Capital assets -- net						
Total non-current assets	<u>-</u>	<u>2,428,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,428,362</u>
Total assets	<u>\$1,620,903</u>	<u>\$3,567,273</u>	<u>\$668,332</u>	<u>\$796,382</u>	<u>\$203,016</u>	<u>\$ 6,855,906</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 76,043	\$ 180,692	\$ 96,665	\$295,078	\$ 29,656	\$ 678,134
Grants received in advance		500,000				500,000
Due to other funds				1,858	5,500	7,358
Accrued liabilities	535,921					535,921
Due to related parties		1,975				1,975
Total current liabilities	<u>611,964</u>	<u>682,667</u>	<u>96,665</u>	<u>296,936</u>	<u>35,156</u>	<u>1,723,388</u>

See Notes to Financial Statements.

CITY OF PITTSBURGH

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue:						
Property taxes	239,428		230,000			239,428
Sewer fees	<u>239,428</u>	<u>-0-</u>	<u>230,000</u>	<u>-0-</u>	<u>-0-</u>	<u>230,000</u>
Total deferred inflows of resources						<u>469,428</u>
FUND BALANCES:						
Net invested in capital assets						
Unassigned fund balances	769,511	2,428,362			167,860	3,365,733
Restricted fund (deficit) balances		<u>456,244</u>	<u>341,667</u>	<u>499,446</u>	<u>-0-</u>	<u>1,297,357</u>
Total fund balances	<u>769,511</u>	<u>2,884,606</u>	<u>341,667</u>	<u>499,446</u>	<u>167,860</u>	<u>4,663,090</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,620,903</u>	<u>\$3,567,293</u>	<u>\$668,332</u>	<u>\$ 796,382</u>	<u>\$ 203,016</u>	<u>\$ 6,855,906</u>

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, 2020**

TOTAL FUND BALANCE (Page 39)	\$ 6,191,338
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Amount 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 government funds	(4,894)
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Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$17,046,939 and the accumulated depreciation is \$7,521,920.	9,525,019
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Unavailable revenue and deferred inflows of resources in the governmental-fund balance sheet including accounts receivable balances that were not considered a current resource.	239,428
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Accrued pension liability	329,161
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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	(11,392,410)
Unfunded pension liability	(678,000)
Net OPEB obligation	(992,868)
Compensated absences	(266,545)
Capital lease	<u>(587,449)</u>

Total net position of governmental activities (Page 36)	<u>\$ 2,362,780</u>
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See Notes to Financial Statements.

CITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	\$4,087,759	\$	\$	\$	\$ 234,962	\$ 4,322,721
Intergovernmental revenues	950,126	823,786				1,773,912
Rental income		86,337				86,337
Charges for services	696,199		1,394,304			2,090,503
Contributions from developer		130,000				130,000
Licenses and permits	358,962					358,962
Fines and forfeits	66,932					66,932
Contributions - property		66,100				66,100
Investment earnings	18,166	11,127	660	406	899	31,258
Miscellaneous revenues	104,766	5,760		78,825	5,714	121,740
Total revenues	<u>6,282,910</u>	<u>1,123,110</u>	<u>1,394,964</u>	<u>79,231</u>	<u>241,575</u>	<u>9,048,465</u>
EXPENDITURES:						
Current:						
Public works	\$ 999,888	\$	\$ 706,466	\$ 107,806	\$ 304,981	\$ 2,119,141
Public safety	2,450,072				126,444	2,450,072
Community development	234,909	1,133,068				1,367,977
General government – administrative	1,455,971					1,455,971
Culture and recreation	390,770					390,770
Debt Service:						
Principal	518,023		480,580			998,603
Interest	279,641	-				279,641
Total expenditures	<u>6,329,274</u>	<u>1,133,068</u>	<u>1,187,046</u>	<u>107,806</u>	<u>431,425</u>	<u>9,062,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(352,824)	(9,958)	207,918	(28,575)	(189,850)	(13,710)
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of short-term debt				749,082		749,082
Proceeds from issuance of long-term debt						4,689
Refunds	633,137	4,689				688,654
Transfers in	(50,742)	(40,000)	(324,000)	55,517		(688,654)
Transfers out	<u>582,395</u>	<u>(35,311)</u>	<u>(324,000)</u>	<u>530,687</u>	<u>121,000</u>	<u>749,082</u>
Total other financing sources (uses)						
NET CHANGE IN FUND BALANCE	229,571	(45,269)	(116,082)	502,112	(189,850)	502,593
FUND BALANCE, BEGINNING	<u>539,940</u>	<u>2,929,875</u>	<u>457,749</u>	<u>(2,666)</u>	<u>236,710</u>	<u>458,382</u>
FUND BALANCE, ENDING	<u>\$ 769,511</u>	<u>\$ 2,884,606</u>	<u>\$ 341,667</u>	<u>\$ 499,446</u>	<u>\$ 46,860</u>	<u>\$ 990,688</u>

See Notes to Financial Statements.

CITY OF PITTSTON

**RECONCILIATION OF CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS
WITH CHANGE IN NET POSITION IN STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Change in fund balance (Page 41)	\$ 502,593
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The change in net position reported in the statement of activities is different because:

Depreciation of capital assets	(912,834)
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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.	12,530,738
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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.	(12,521,000)
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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.	(4,894)
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Net change in accrued pension liability.	(157,400)
--	-----------

Net change in unfunded pension liability.	(678,000)
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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.	620,634
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Net change in deferred revenue.	125,000
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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.	187,000
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Changes in compensated absences	11,000
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Change in net OPEB obligation	(45,000)
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Change in unfunded pension liability	<u>4,314,282</u>
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Change in net position of governmental activities	<u>\$ 3,972,119</u>
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See Notes to Financial Statements.

CITY OF PITTSTON

**STATEMENTS OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2020**

CURRENT ASSETS:	
Cash and cash equivalents	\$ 96,073
CAPITAL ASSETS, NET	<u>7,494</u>
TOTAL ASSETS	<u>\$103,567</u>
NET ASSETS:	
Invested in capital assets	\$ 7,494
Restricted	<u>96,073</u>
Total net position	<u>103,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$103,567</u>

See notes to financial statements.

CITY OF PITTSTON

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION – PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2020**

REVENUES:	
Fees	<u>\$85,830</u>
EXPENSES:	
Administration	58,805
Depreciation	792
Professional services	<u>4,779</u>
Total expenses	<u>64,376</u>
OPERATING INCOME	<u>21,454</u>
NONOPERATING REVENUE	
Interest income	<u>34</u>
CHANGE IN NET POSITION	21,488
NET POSITION, BEGINNING OF YEAR	<u>82,079</u>
NET POSITION, END OF THE YEAR	<u>\$103,567</u>

See notes to financial statements.

CITY OF PITTSTON

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 77,877
Cash payments to suppliers for goods and services	(52,748)
Cash payments to employees for services	<u>(10,122)</u>

Net cash provided by operating activities	<u>15,007</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earnings	<u>34</u>
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Net cash provided by investing activities	<u>34</u>
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NET INCREASE IN CASH	<u>15,041</u>
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CASH, BEGINNING OF YEAR	<u>81,032</u>
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CASH, END OF YEAR	<u>\$ 96,073</u>
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RECONCILIATION OF CHANGE IN OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 13,710
Adjustment to reconcile changes in operating income to cash provided by operating activities:	
Depreciation	1,506
Changes in assets and liabilities	
Payroll liabilities	<u>(209)</u>

Net cash provided by operating activities	<u>\$ 15,007</u>
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See notes to financial statements.

CITY OF PITTSTON

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	<u>PENSION</u> <u>TRUST FUND</u>	<u>AGENCY</u> <u>FUNDS</u>
<u>ASSETS</u>		
CASH	\$ -	\$ 193,169
DUE FROM OTHER FUND	334,527	
INVESTMENTS	<u>6,091,308</u>	
TOTAL ASSETS	<u>\$6,425,835</u>	<u>\$ 193,169</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Due to other governments	\$ -	\$ 181,543
Due to insured party		8,772
Due to property owner	<u> </u>	<u>2,854</u>
Total Liabilities	-	<u>193,169</u>
NET ASSETS:		
Reserved for pension benefits	<u>6,425,835</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,425,835</u>	<u>\$ 193,169</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, 2020**

ADDITIONS:

Contributions:

Employer	\$ 132,403
Employee	78,811
State aid	<u>236,344</u>

Total contributions	<u>447,558</u>
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Investment earnings:

Net appreciation (depreciation) of fair value of investments	1,028,333
Interest and dividends	<u>204,398</u>

Total investment earnings	<u>1,232,731</u>
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Total additions, net	<u>1,680,289</u>
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DEDUCTIONS:

Benefits paid	756,670
Administrative and other fees	95,364
Refund of member contributions	<u>45,318</u>

Total deductions	<u>897,352</u>
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NET INCREASE IN NET ASSETS	782,937
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NET ASSETS, RESERVED FOR EMPLOYEES
RETIREMENT BENEFITS

Beginning of year	<u>12,310,867</u>
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End of year	<u>\$13,093,804</u>
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See Notes to Financial Statements.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 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 government 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. *Government 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*.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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 funds.

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.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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 classification 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, 2020 was \$-0- and at December 31, 2019 was \$2,129,750.

Receivables

All accounts receivable are shown net of an allowance for doubtful accounts of \$315,000.

The loans receivable are shown net of an allowance for estimated uncollectible loans. The allowance is calculated based on collection history and is approximately \$-0- at December 31, 2020.

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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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 2020, 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 2020 property tax calendar follows:

Issued date	February 12, 2020
Discount period of 2%	Until April 11, 2020
Face period	April 12, 2020 to June 11, 2020
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.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Inter-Fund Transactions

The City had numerous transactions between fund to financial 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 fund for the year ending December 31, 2020 are as follows:

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Sewer Maintenance Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Transfer in	\$633,137	\$	\$	\$ 55,517		\$ 688,654
Transfers out	(50,742)	(40,000)	(324,000)	(273,912)		(688,654)

The following summarizes the receivables and payable between governmental fund for the year ended December 31, 2020.

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Fiduciary Funds	\$	\$334,527
Capital Projects and Other	7,358	
Community Development Fund:		
General Fund	<u> </u>	<u>7,358</u>
Fiduciary Funds:		
General Fund	<u>334,527</u>	

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Date of Management Review

The City has evaluated events and transactions subsequent to December 31, 2020 through the time that these financial statements were available to be used on October 19, 2021. Based on this evaluation, the City noted the following:

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the City beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the City expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the City's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand of the City's services, all of which are highly uncertain and cannot be predicted.

The City is not aware of any other events or transactions that occurred subsequent to December 31, 2020 but prior to October 19, 2021 would require recognition or disclosure in its financial statements.

NOTE 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 Pittsburgh
Lincoln Heights Corporation
Pittsburgh Parking Authority
Housing Authority of the City of Pittsburgh
Pittsburgh Memorial Library
Lincoln Heights Senior Housing, LP

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Based upon its evaluation, the City has included the Redevelopment Authority (the "Authority"), the Pittsburgh 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.

NOTE 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 investment 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.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

- a. 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.
- b. 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.
- c. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation of 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.
- d. 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.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

As of December 31, 2020, 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, 2020.

Investments

As of December 31, 2020, the City had the following Investments:

<u>Pension Trust Fund</u>	<u>Maturities</u>	<u>Fair Value</u>
Managed equity	N/A	<u>\$6,091,308</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 purchased securities with laddered maturities. Inline with investment policy guidelines, ladders have maturities of 12 months or less.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the governmental units for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,787,146	\$ -0-	\$ -	\$ 2,787,146
Capital assets, being depreciated:				
Building and improvements	\$ 8,496,802	\$ 493,292	\$ 57,504	\$ 8,932,590
Vehicles	3,248,185	777,512	580,536	3,445,161
Furniture and equipment	<u>1,894,172</u>	<u>83,372</u>	<u>95,502</u>	<u>1,882,042</u>
Total capital assets, being depreciated	<u>13,639,159</u>	<u>1,354,176</u>	<u>733,542</u>	<u>14,259,793</u>
Less: Accumulated depreciation:				
Building and improvements	(3,841,575)	(253,939)	(39,573)	(4,055,941)
Vehicles	(2,872,842)	(166,935)	(580,536)	(2,459,241)
Furniture and equipment	<u>(888,180)</u>	<u>(491,960)</u>	<u>(373,402)</u>	<u>(1,006,738)</u>
Total accumulated depreciation	<u>(7,602,597)</u>	<u>(912,834)</u>	<u>(993,511)</u>	<u>7,521,920</u>
Total capital assets being depreciated, net	<u>6,036,562</u>	<u>(441,342)</u>	<u>259,969</u>	<u>6,737,873</u>
Capital assets, net	<u>\$ 8,823,708</u>	<u>\$ (441,342)</u>	<u>\$ 259,969</u>	<u>\$ 9,525,019</u>

Capital assets activity for the discretely presented component unit for the year ended December 31, 2020 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	\$ 5,548	\$ -	\$ 87,307
Less: Accumulated depreciation:				
Equipment and furniture	<u>(79,021)</u>	<u>(792)</u>	<u>-</u>	<u>(79,813)</u>
Total capital assets being depreciated, net	<u>\$ 2,738</u>	<u>\$ 4,756</u>	<u>\$ -</u>	<u>\$ 7,494</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - SHORT TERM BORROWING

	<u>Current</u>	<u>1-Jan-20</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-20</u>
2019 General Obligation Note Series proceeds are to be repaid in one year from the closing, due September 2020 at an interest rate at 3.8%. Proceeds were used to purchase a garbage/ recycling truck	\$ -0-	\$124,900	\$ -0-	\$124,900	\$ -0-
2020 General Obligation Note Proceeds used to pay pandemic emergency equipment and supplies.	<u>121,000</u> <u>\$121,000</u>	<u>-0-</u> <u>\$124,900</u>	<u>121,000</u> <u>\$ 121,000</u>	<u>-0-</u> <u>\$124,900</u>	<u>121,000</u> <u>\$121,000</u>

NOTE 6 – LONG-TERM DEBT

At December 31, 2020, Long-Term debt obligations were as follows:

	<u>Current</u>	<u>1-Jan-20</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-20</u>
City of Pittsburgh:					
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.	\$ -0-	\$2,585,234		\$2,585,234	\$ -0-
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	-0-	1,229,306		1,229,306	-0-
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	-0-	429,255		429,255	-0-

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	<u>Current</u>	<u>1-Jan-20</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-20</u>
2015 General Obligation Series A Note 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	-0-	323,925		323,925	-0-
2017 General Obligation Series A Note 3.59% due in monthly installments of \$1,624 per month in 180 installments. Proceeds were for improvements to Sullivan Park.	-0-	197,038		197,038	-0-
2017 General Obligation Series A Note with interest only for 12 months at 3.75%. Proceeds were for the Luzerne County Community College project.	-0-	1,940,323		1,940,323	-0-
2018 General Obligation Series A Bond USDA 97.04 at 3.5% monthly installments of \$4,398 for 468 months to July 2058. Proceeds were used for refinancing of Main Street Streetscape Phase 3.	52,776	1,115,035		91,125	1,023,910
2018 General Obligation Series B Bond USDA 97.06 at 4% interest only until April 2020, then monthly installments of \$2,692 for 468 months to April 2059. Proceeds were used for refinancing City Hall renovations.		636,300		82,431	553,869

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	<u>Current</u>	<u>1-Jan-20</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-20</u>
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.	-0-	901,000		901,000	-0-
2018 General Obligation Series C Note 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.	-0-	2,093,000		2,093,000	-0-
2019 General Obligation Note Series A at 4.3% until April 2034. Annual installments of \$92,667 plus interest. Proceeds were used to purchase the firehouse for the Pittsburgh City Redevelopment Authority.	-0-	1,390,000		1,390,000	-0-
2019 General Obligation Series Bond USDA 97.01 at 3.5% with interest Only until April 2020, then monthly installments of \$2,987 for 468 months to April 2059. Proceeds were used for refinancing of Pittsburgh Memorial Library renovations	35,844	761,900		6,132	755,768
2019 General Obligation Series A Bond USDA 97.03 at 3.125% only until April 2020, then monthly installments of \$4,676 for 468 months to April 2059. Proceeds were used for refinancing of City Hall renovations.	56,112	1,263,700		11,110	1,252,590

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	<u>Current</u>	<u>1-Jan-20</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-20</u>
Redevelopment Authority:					
Note Payable to the County of Luzerne, Pennsylvania, this note is a non-interest bearing note with a deferred payment 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
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>-</u>	<u>1,127,959</u> 16,343,975	<u>-</u> 121,000	<u>1,127,959</u> 12,507,838	<u>-</u> 3,957,137
Total Redevelopment Authority long-term notes					
Total City of Pittston and Redevelopment Authority long-term notes					
General Obligation Bonds Series A of 2020 bonds issued for refinancing of City's outstanding note obligations	735,000	-	8,760,000	-	8,760,000
General Obligation Bonds Series B of 2020 bonds issued for refinancing of City's outstanding taxable general note obligations	<u>175,000</u> 910,000	<u>-</u>	<u>3,640,000</u> 12,400,000	<u>-</u>	<u>3,640,000</u> 12,400,000

CITY OF PITTSTON, 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>
2021	\$ 1,291,109	\$ 625,078	\$ 1,916,187
2022	1,312,505	600,592	1,913,097
2023	1,313,948	597,733	1,911,681
2024	1,375,440	594,874	1,970,314
2025	1,406,983	591,995	1,998,978
2026-2030	1,438,526	589,116	2,027,642
2031-2035	1,470,107	586,237	2,056,344
2036-2040	1,501,345	583,296	2,084,641
2041-2045	1,532,588	580,325	2,112,913
2046-2050	1,564,131	577,354	2,141,485
2051-2058	<u>2,150,455</u>	<u>574,383</u>	<u>2,724,838</u>
Total	<u>\$16,357,137</u>	<u>\$6,500,983</u>	<u>\$22,858,120</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.

	January 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2020</u>
Capital leases	<u>\$587,445</u>	<u>\$527,217</u>	<u>\$ -0-</u>	<u>\$1,114,662</u>
Compensated absences	<u>\$266,545</u>	<u>\$ 42,500</u>	<u>\$ 98,680</u>	<u>\$ 210,365</u>

CITY OF PITTSTON, 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, 2020:

<u>Year Ending</u>	<u>Governmental Activities</u>
2021	\$ 321,600
2022	235,880
2023	138,440
2024	98,160
2025	54,680
2026	<u>38,102</u>
Total commitment under capital lease	886,862
Less amounts representing interest	<u>227,800</u>
Present value of future minimum lease payments	<u>\$1,114,662</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.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – 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 Pittsburgh City Code Chapter 68 for additional information on the City pension plans.

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	\$ 334,527	\$ -	\$ -
Investments	<u>6,091,308</u>	<u>3,123,195</u>	<u>3,546,514</u>
TOTAL ASSETS	<u>\$6,425,835</u>	<u>3,123,195</u>	<u>\$3,546,514</u>
LIABILITIES:			
Benefits payable	\$ -0-	\$ 1,800	\$ -0-
TOTAL LIABILITIES	<u>\$ -0-</u>	<u>\$ 1,800</u>	<u>\$ -0-</u>
NET ASSETS:			
Reserved for employees' retirement benefits	<u>\$6,425,835</u>	<u>\$3,121,395</u>	<u>\$3,546,514</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,425,835</u>	<u>\$3,123,195</u>	<u>\$3,546,514</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	<u>POLICE PENSION FUND</u>	<u>FIREMEN PENSION FUND</u>	<u>OFFICERS AND EMPLOYEES PENSION FUND</u>
ADDITIONS:			
Contributions:			
Employer	\$ 131,655	\$ 748	\$ -
State Aid		64,420	171,924
Employees	<u>28,896</u>	<u>7,220</u>	<u>42,695</u>
Total contributions	<u>160,551</u>	<u>72,388</u>	<u>214,619</u>
Investment earnings:			
Net appreciation (depreciation) in fair value investments	489,938	251,944	286,451
Interest and dividends	<u>110,892</u>	<u>44,269</u>	<u>49,237</u>
Total investment income	<u>600,830</u>	<u>296,213</u>	<u>335,688</u>
Total additions	<u>761,381</u>	<u>368,601</u>	<u>550,307</u>
DEDUCTIONS:			
Benefits paid to recipients	331,323	188,645	236,702
Administrative and other fees	44,886	24,117	26,420
Refund of employee contributions	<u>-0-</u>	<u>-0-</u>	<u>45,318</u>
Total deductions	<u>376,209</u>	<u>212,762</u>	<u>308,441</u>
NET INCREASE IN NET ASSETS	385,172	155,839	241,866
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT- BEGINNING	<u>6,040,663</u>	<u>2,965,556</u>	<u>3,304,648</u>
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT - ENDING	<u>\$6,425,835</u>	<u>\$3,121,395</u>	<u>\$3,546,574</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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 separate pension boards.

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Active plan members	7	5	19
Inactive plan members currently receiving benefits	13	8	19
Inactive plan members entitled to but not yet receiving benefits	1	0	0

Benefit Types Provided:

Eligibility Requirements:

- Police: For Officers hired prior to 9/1/19, 20 years of service. For Officers hired after 9/1/19, age 55 and 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 of average of 5 highest years of employment. If joint coverage has been elected, the pension is reduced by 40% of Primary Social Security.

CITY OF PITTSBURGH, PENNSYLVANIA NOTES TO FINANCIAL STATEMENTS

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 and hired prior to September 1, 2019, benefits are 100% of monthly pension. If retired and hired after September 1, 2019 benefit is 50% 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.
- Post Retirement: None
- Members Contribution:
- Amount or Rates: 5% of compensation plus \$1.00 per month.
- Interest Rate Credited to Member Contributions: None

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 tax 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.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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 Plan governing documents and collective bargaining agreements. Administrative costs, which may include but not all 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, 2019. The outstanding balance due is approximately \$329,000.

Annual Pension Cost

State aid contributions amounted to \$-0- for the police pension, \$64,420 for the firemen pension, and \$171,924 for the officers and employees pension in 2020.

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 Core	13.0%	13.0%	13%
US Large Cap Growth	12.0%	12.0%	12%
US Large Cap Value	12.0%	12.0%	12%
US Small & Mid Cap Equity	8.0%	8.0%	8%
International Equity	15.0%	15.0%	15%
Fixed Income	33.0%	33.0%	33%
Private Real Estate	7.0%	7.0%	7%
Cash	<u>0.0%</u>	<u>0.0%</u>	<u>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%.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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	\$6,390,942	\$3,113,036	\$3,810,098	\$13,314,076
Plan Fiduciary, Net Position	<u>6,425,835</u>	<u>3,121,395</u>	<u>3,546,514</u>	<u>13,093,744</u>
Net Pension Liability	<u>\$ (34,893)</u>	<u>\$ (8,359)</u>	<u>\$ 263,584</u>	<u>\$ 220,332</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.5%	100.3%	93.1%	98.0%

CITY OF PITTSTON, 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)
Balance at 12/31/2019	\$6,149,903	\$6,040,663	\$ 109,240
Changes for the year:			
Service cost	114,925	-	114,925
Interest	457,437	-	457,437
Changes in benefit terms	-	-	-
Differences between expected and actual experiences	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	131,655	(131,655)
Contributions – State Aid	-	-	-
Contributions – Member	-	28,896	(28,896)
Net investment income	-	600,830	(600,830)
Benefit payments	(331,323)	(331,323)	-
Administrative expense	-	(44,886)	44,886
Other changes	-	-	-
Net changes	<u>241,039</u>	<u>385,172</u>	<u>(144,133)</u>
Balances at 12/31/2020	<u>\$6,390,942</u>	<u>\$6,425,835</u>	<u>\$ (34,893)</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)
Balance at 12/31/2019	\$3,033,939	\$2,965,556	\$ 68,383
Changes for the year:			
Service cost	43,973	-	43,973
Interest	223,769	-	223,769
Changes in benefit terms	-	-	-
Differences between expected and actual experiences	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	748	(748)
Contributions – State Aid	-	64,420	(64,420)
Contributions – Member	-	7,220	(7,220)
Net investment income	-	296,213	(296,213)
Benefit payments	(188,645)	(188,645)	-
Administrative expense	-	(24,117)	24,117
Other changes	-	-	-
Net changes	<u>79,097</u>	<u>155,839</u>	<u>(76,742)</u>
Balances at 12/31/2020	<u>\$3,113,036</u>	<u>\$3,121,395</u>	<u>\$ (8,359)</u>

CITY OF PITTSTON, 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)
Balance at 12/31/2019	\$3,696,421	\$3,304,648	\$
Changes for the year:			
Service cost	120,038	-	120,038
Interest	275,659	-	275,659
Changes in benefit terms	-	-	-
Differences between expected and actual experiences	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – State Aid	-	171,924	(171,924)
Contributions – Member	-	42,695	(42,695)
Net investment income	-	335,687	(335,687)
Benefit payments	(282,020)	(282,020)	-
Administrative expense	-	(26,420)	26,420
Other changes	-	-	-
Net changes	<u>113,677</u>	<u>241,866</u>	<u>(128,189)</u>
Balances at 12/31/2020	<u>\$3,810,098</u>	<u>\$3,546,514</u>	<u>\$ 263,584</u>

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The following table shows the pension expense for fiscal year ended December 31, 2020:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Service cost	\$ 114,925	\$ 43,973	\$ 120,038
Interest on total pension liability	457,437	223,769	275,659
Changes in benefit terms	-	-	-
Differences between expected and actual experience	34,101	(46,743)	(22,404)
Changes in assumptions	741	-	1,865
Employee contributions	(28,896)	(7,220)	(42,695)
Projected earnings on pension plan investments	(442,494)	(215,931)	(241,107)
Differences between projected and actual earnings on investments	(44,985)	(8,276)	(11,115)
Administrative expense	44,886	24,117	26,420
Other changes in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Total pension expense	<u>\$ 135,715</u>	<u>\$ 13,689</u>	<u>\$ 106,661</u>

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Deferred Outflows of Resources

For the year ended December 31, 2020, the City recognized a pension expense of \$135,715 for The Police Pension Plan, \$13,689 for the Firemen's Pension Plan, and \$106,661 for the Officers and Employee Retirement Plan. At December 31, 2020, 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	\$ 316	\$ -	\$(111,405)
Changes in assumptions	-	-	3,527
Net difference between projected and actual earnings on pension plan investments	<u>(226,656)</u>	<u>(93,975)</u>	<u>(109,757)</u>
Total	<u>\$(226,340)</u>	<u>\$(93,975)</u>	<u>\$(217,635)</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:			
2021	\$ (56,266)	\$(22,582)	\$ (47,407)
2022	(20,740)	6,696	(15,091)
2023	(117,666)	(62,031)	(92,883)
2024	(31,668)	(16,058)	(42,091)
2025	-	-	(20,163)
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$(226,340)</u>	<u>\$(93,975)</u>	<u>\$(217,635)</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.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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, 2020. The plan's 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	1/1/2020	1/1/2019	1/1/2019
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	6 years	2 years	7 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 the municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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	\$ 726,223	\$ (34,893)	\$(667,034)
Fire Fighters	296,075	(8,359)	(267,781)
Officers and employees	<u>629,414</u>	<u>263,584</u>	<u>(52,927)</u>
Total Pension Liability	<u>\$1,651,712</u>	<u>\$ 220,332</u>	<u>\$(987,742)</u>

NOTE 8 – 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, 2019.

General Information About the OPEB Plan

Plan Description

The City of Pittston’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 Pittston and outlined in a collectively bargained agreement between the City of Pittston and Pittston Police Association most recently revised August 2, 2019. The City of Pittston’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 Pittston and outlined in a collectively bargained agreement between the City of Pittston and Pittston City Fire Fighters Local 840 International Association of Fire Firefighters AFL-CIO-CLC most recently revised August 2, 2019. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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, 2020, 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

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Total OPEB Liability

The City's total OPEB liability of \$1,469,645 is comprised of \$1,109,247 for Police and \$360,398 for Fire. The total OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 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 8.25% during 2020, 12.5% during 2019 reduced by 0.25% per year thereafter to an ultimate level of 5% per year. Vision costs are assumed to remain level during 2020 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 PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

	Total OPEB Liability		
	Police	Fire	Total
Balance at 12/31/2019	<u>\$ 860,980</u>	<u>\$131,888</u>	<u>\$ 992,868</u>
Changes for the year			
Service cost	50,114	6,109	56,223
Interest	21,214	6,990	28,204
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(84,453)	15,034	65,581
Changes in assumptions and cost method	283,685	82,910	366,595
Benefit payments	<u>(22,293)</u>	<u>(17,533)</u>	<u>(39,826)</u>
Net changes	<u>248,267</u>	<u>228,510</u>	<u>476,777</u>
Balance at 12/31/2020	<u>\$1,109,247</u>	<u>\$360,398</u>	<u>\$1,469,645</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 .93%	Current Discount Rate 1.93%	1% Increase 2.93%
Police	\$ 993,505	\$1,109,247	\$ 993,520
Fire Fighters	<u>334,278</u>	<u>360,398</u>	<u>388,960</u>
Total OPEB Liability	<u>\$1,327,783</u>	<u>\$1,469,645</u>	<u>\$1,382,480</u>

CITY OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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 Discount Rates	1% Increase
Police	\$1,098,155	\$1,109,247	\$1,120,339
Fire Fighters	<u>356,794</u>	<u>360,398</u>	<u>364,002</u>
Total OPEB Liability	<u>\$1,454,949</u>	<u>\$1,469,645</u>	<u>\$1,484,341</u>

NOTE 9 – GASB77 TAX ABATEMENT DISCLOSURES

The City of Pittston provides the following information in accordance with Governmental Standards Accounting Board (GASB) Standards #77, Tax Abatement Disclosures:

Grandview Drive Tax Increment Financing District

In February 2008 a Tax Increment Financing District was approved pursuant to Pennsylvania Act 113 of 1990 for a residential subdivision, a portion of which included a residential street called Grandview Drive within the City of Pittston. This Tax Increment Financing District was approved by the Luzerne County Redevelopment Authority and participants included the Township of Pittston, Luzerne County, and the Pittston Area School District, but not the City of Pittston.

Subsequently, development of this subdivision within the City of Pittston faltered, and in order to encourage renewed construction on Grandview Drive, in February 2020, the Mayor and City Council of the City of Pittston adopted Ordinance, File Council #4{2020} that provided for city participation in the Grandview Drive Tax Increment Financing District. In order to provide proper disclosure, by means of Resolution 12541, adopted on March 17, 2021, the City Council formally adopted GASB #77 as part of Pittston City Code Chapter 23, Budget, Financial and Debt Management Policy.

The ordinance requires that city property (real estate) tax revenue from the identified Grandview Drive Tax Increment Financing District be transmitted by the City Treasurer to the Luzerne County Redevelopment Authority until the debt specified in the ordinance is retired.

The City believes that there will be no significant effect on the financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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 portion 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, 2020, 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.

NOTE 11 - CONSTRUCTION COMMITMENTS

The Community Development Fund has entered into several agreements with local contractors totaling \$1,380,856 for redevelopment projects for the City. The community development fund has paid \$413,217 on these agreements through December 31, 2020 while the remainder of \$967,639 remains committed.

NOTE 12 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States. It is uncertain how long these conditions will last and what the complete financial effect will be to the City. It is reasonably possible that estimates made in the financial statements have been, or will be materially and adversely impacted in the near term as a result of these conditions.

SUPPLEMENTAL SCHEDULES

CITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -- GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

	General Fund		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$3,582,100	\$3,974,100	\$4,083,759	\$ 109,659
Intergovernmental revenues	692,450	587,703	950,126	362,423
Charges for services	660,465	686,450	696,199	9,749
Investment earnings	20,500	18,000	18,166	166
Licenses and permits	298,900	359,130	358,962	(168)
Fines and forfeitures	44,000	63,000	66,932	3,932
Miscellaneous revenues	47,585	116,617	104,766	(11,851)
Total revenues	<u>5,346,000</u>	<u>5,805,000</u>	<u>6,278,910</u>	<u>473,910</u>
EXPENDITURES:				
Current:				
Public safety	2,025,316	2,371,253	2,450,072	78,819
General government -- administrative	1,662,310	1,394,108	1,455,971	61,863
Public works	906,487	998,587	999,888	1,301
Community development	213,431	231,980	234,909	2,929
Culture and recreation	215,909	368,842	390,770	21,928
Debt Service:				
Principal	327,299	735,230	578,023	(157,207)
Interest	215,061	15,000	279,641	264,641
Total expenditures	<u>5,565,813</u>	<u>6,115,000</u>	<u>6,389,274</u>	<u>274,274</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(219,813)</u>	<u>(310,000)</u>	<u>(110,364)</u>	<u>199,636</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt				
Transfers in	310,000	310,000	324,000	
Transfers out				
Total other financing sources (uses) , net	<u>219,813</u>	<u>310,000</u>	<u>324,000</u>	
NET CHANGE IN FUND BALANCE			273,657	
FUND BALANCE, BEGINNING			<u>539,961</u>	
FUND BALANCE, ENDING			<u>\$ 813,597</u>	

See Notes to Financial Statements.

CITY OF PITTSBURGH

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

	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY						
Service cost	\$ 114,925	\$ 109,976	\$ 123,831	\$ 118,499	\$ 111,439	\$ 106,640
Interest	457,437	439,807	422,740	405,616	373,019	359,430
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experiences	-	2,836	-	229,896	-	-
Changes of assumptions	-	-	-	5,187	-	-
Benefit payments, including refunds of member contributions	(331,323)	(307,990)	(307,990)	(294,263)	(289,687)	(289,687)
NET CHANGE IN TOTAL PENSION LIABILITY	241,039	244,629	238,581	464,935	194,771	176,383
TOTAL PENSION LIABILITY, BEGINNING	6,149,903	5,905,274	5,666,693	5,201,758	5,006,987	4,830,604
TOTAL PENSION LIABILITY, ENDING	\$ 6,390,942	\$ 6,149,903	\$ 5,905,274	\$ 5,666,693	\$ 5,201,758	\$ 5,006,987
PLAN FIDUCIARY NET POSITION						
Contributions, employer	\$ 131,655	\$ 82,390	\$ 2,226,495	\$ 347,322	\$ 272,913	\$ 322,511
Contributions, state aid	-0-	25,783	12,472	78,705	79,482	24,910
Contributions, member	28,896	27,540	26,213	23,259	23,286	10,289
Net investment income	600,830	827,156	(117,286)	411,553	156,835	26,833
Benefit payments, including refunds of member contributions	(331,323)	(307,990)	(307,990)	(294,263)	(289,687)	(289,687)
Administrative expense	(44,896)	(45,551)	(26,977)	(27,897)	(23,081)	(22,086)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	385,172	609,328	1,751,927	538,679	219,748	72,770
PLAN FIDUCIARY NET POSITION, BEGINNING	6,040,663	5,431,335	3,679,408	3,140,729	2,920,981	2,848,211
PLAN FIDUCIARY NET POSITION, ENDING	\$ 6,425,835	\$ 6,040,663	\$ 5,431,335	\$ 3,679,408	\$ 3,140,729	\$ 2,920,981
NET PLAN PENSION LIABILITY	\$ (34,892)	\$ 109,240	\$ 473,939	\$ 1,987,285	\$ 2,061,029	\$ 2,086,006
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.5%	98.2%	92.0%	64.9%	60.4%	58.3%
COVERED EMPLOYEE PAYROLL	552,996	536,912	522,218	556,848	524,612	441,583
NET PLAN PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	-63%	20.3%	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 PITTSBURGH

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 43,973	\$ 42,079	\$ 39,730	\$ 38,019	\$ 36,553	\$ 34,979
Interest	223,769	216,595	217,654	207,757	206,477	196,849
Changes in benefit terms	-0-			(127,673)		
Differences between expected and actual experiences				5,293		
Changes of assumptions						
Benefit payments, including refunds of member contributions	(188,645)		(126,035)	(105,039)	(105,039)	(105,039)
NET CHANGE IN TOTAL PENSION LIABILITY	79,097		131,349	18,357	137,991	126,789
TOTAL PENSION LIABILITY, BEGINNING	3,033,939		2,925,335	2,906,978	2,768,987	2,642,198
TOTAL PENSION LIABILITY, ENDING	\$ 3,113,036	\$ 3,033,939	\$ 3,056,684	\$ 2,925,335	\$ 2,906,978	\$ 2,768,987
PLAN FIDUCIARY NET POSITION						
Contributions, employer	\$ 748	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions, state aid	64,420	57,843	59,635	46,450	46,389	70,122
Contributions, member	7,220	7,974	7,553	6,638	3,926	3,697
Net investment income	296,213	423,304	(133,312)	337,628	116,782	(43,927)
Benefit payments, including refunds of member contributions	(188,645)	(141,191)	(126,035)	(105,039)	(105,039)	(105,039)
Administrative expense	(24,117)	(27,254)	(22,966)	(26,327)	(22,386)	(22,755)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	155,839	320,676	(215,125)	259,350	39,672	(97,902)
PLAN FIDUCIARY NET POSITION, BEGINNING	2,965,556	2,644,881	2,860,006	2,600,656	2,560,984	2,658,886
PLAN FIDUCIARY NET POSITION, ENDING	\$ 3,121,395	\$ 2,965,557	\$ 2,644,881	\$ 2,860,006	\$ 2,600,656	\$ 2,560,984
NET PLAN PENSION LIABILITY	\$ (8,359)	\$ 68,382	\$ 411,803	\$ 65,329	\$ 306,322	\$ 208,003
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.3%	97.7%	86.5%	97.8%	89.5%	92.5%
COVERED EMPLOYEE PAYROLL	388,740	390,438	413,606	385,368	384,648	468,512
NET PLAN PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	-2.2%	17.5%	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 PITTSBURGH

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 120,038	\$ 114,869	\$ 104,305	\$ 99,813	\$ 97,113	\$ 92,931
Interest	275,659	266,445	268,571	259,158	246,570	234,587
Changes in benefit terms				4,542		
Differences between expected and actual experiences	-0-	(159,213)		10,987		
Changes of assumptions						
Benefit payments, including refunds of member contributions	(282,020)	(245,261)	(259,870)	(216,037)	(172,103)	(171,770)
NET CHANGE IN TOTAL PENSION LIABILITY	113,677		113,006	158,463	171,580	155,748
TOTAL PENSION LIABILITY, BEGINNING	3,696,421	3,719,581	3,606,575	3,448,112	3,276,532	3,120,784
TOTAL PENSION LIABILITY, ENDING	<u>\$ 3,810,098</u>	<u>\$ 3,696,421</u>	<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	171,924	146,796	143,375	99,669	92,861	101,010
Contributions, member	42,695	42,532	38,649	36,360	36,614	38,545
Net investment income	335,687	467,243	(145,866)	374,991	130,205	(41,042)
Benefit payments, including refunds of member contributions	(282,020)	(245,261)	(259,870)	(216,037)	(172,103)	(171,770)
Administrative expense	(26,420)	(29,925)	(24,848)	(29,129)	(24,460)	(25,169)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	241,866		(248,560)	265,854	63,117	(98,426)
PLAN FIDUCIARY NET POSITION, BEGINNING	3,304,648	2,923,313	3,171,873	2,906,019	2,842,902	2,941,328
PLAN FIDUCIARY NET POSITION, ENDING	<u>\$ 3,546,514</u>	<u>\$ 3,304,698</u>	<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>\$ 263,584</u>	<u>\$ 391,723</u>	<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	93.1%		78.6%	87.9%	84.3%	86.8%
COVERED EMPLOYEE PAYROLL	846,394		728,904	743,958	757,618	811,084
NET PLAN PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	31.1%		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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 131,655	\$ 108,173	\$ 105,892	\$ 426,027	\$ 352,395	\$ 347,421	\$ 334,650
Contributions made	<u>131,655</u>	<u>108,173</u>	<u>12,472</u>	<u>22,767</u>	<u>352,395</u>	<u>347,421</u>	<u>334,650</u>
CONTRIBUTION EXCESS (DEFICIENCY)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(93,420)</u>	\$ <u>(403,260)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 552,996	\$ 536,912	\$ 522,218	\$ 556,848	\$ 524,612	\$ 441,583	\$ 399,172
Contribution as a percentage of covered-employee payroll	23.81%	20.15%	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 PITTSBURGH

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 65,168	\$ 57,843	\$ 59,635	\$ 46,450	\$ 46,389	\$ 70,122	\$ 76,255
Contributions made	<u>65,168</u>	<u>57,843</u>	<u>59,635</u>	<u>46,450</u>	<u>46,389</u>	<u>70,122</u>	<u>76,255</u>
CONTRIBUTION EXCESS (DEFICIENCY)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 388,740	\$ 390,438	\$ 413,606	\$ 385,368	\$ 384,648	\$ 468,512	\$ 335,777
Contribution as a percentage of covered-employee payroll	16.76%	14.81%	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 PITTSBURGH

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 171,924	\$ 146,796	\$ 143,375	\$ 99,669	\$ 92,861	\$ 101,010	\$ 86,368
Contributions made	<u>171,924</u>	<u>146,796</u>	<u>143,375</u>	<u>99,669</u>	<u>92,861</u>	<u>101,010</u>	<u>86,368</u>
CONTRIBUTION EXCESS (DEFICIENCY)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 846,394	\$ 772,312	\$ 728,904	\$ 743,958	\$ 757,618	\$ 811,084	\$ 704,777
Contribution as a percentage of covered-employee payroll	20.31%		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>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 50,114	\$ 35,057	\$ 33,547
Interest	21,214	29,479	27,972
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(84,453)	-	-
Changes in assumptions and cost method	283,685	-	-
Benefit payments	<u>(22,293)</u>	<u>(21,522)</u>	<u>(18,399)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	248,267	43,014	43,120
TOTAL OPEB LIABILITY, BEGINNING	<u>860,980</u>	<u>817,966</u>	<u>774,846</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 1,109,247</u>	<u>\$ 860,980</u>	<u>\$ 817,966</u>
COVERED-EMPLOYEE PAYROLL	\$ 503,340	\$ 568,428	\$ 543,950
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	220.4%	151.47%	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>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 6,109	\$ 5,849	\$ 5,597
Interest	6,990	4,627	4,582
Changes of benefit terms	-	-	-
Differences between expected and actual experience	150,034	-	-
Changes in assumptions and cost method	82,910	-	-
Benefit payments	(17,533)	(9,869)	(8,421)
NET CHANGE IN TOTAL OPEB LIABILITY	228,510	607	1,758
TOTAL OPEB LIABILITY, BEGINNING	131,888	131,281	129,523
TOTAL OPEB LIABILITY, ENDING	<u>\$ 360,398</u>	<u>\$ 131,888</u>	<u>\$ 131,281</u>
COVERED-EMPLOYEE PAYROLL	\$ 308,570	\$ 446,688	\$ 427,453
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	116.8%	29.53%	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 PITTSBURGH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE, FIREMEN, AND OFFICERS AND EMPLOYEES RETIREMENT PENSION PLANS
DECEMBER 31, 2020
(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
MARTIAL 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%

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

Honorable Mayor – and Members of 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 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 (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Pittston, Pennsylvania's basic financial statements, and have issued our report thereon dated October 19, 2021.

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 of Pittston, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pittston, Pennsylvania's internal control.

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 of Pittston, Pennsylvania'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.


Scranton, Pennsylvania
October 19, 2021