

**CITY OF PITTSTON, PENNSYLVANIA**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2021  
&  
INDEPENDENT AUDITORS' REPORT  
&  
REQUIRED SUPPLEMENTARY INFORMATION  
&  
ADDITIONAL INFORMATION**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinions**

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, 2021, and the related notes to the financial statements, which collectively comprise the City of Pittston, Pennsylvania's basic financial statements as listed in the table of contents.

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, 2021, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pittston, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

### **Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pittston, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 City of Pittston, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pittston, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

  
Scranton, Pennsylvania  
September 7, 2022

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

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Managements' discussion and analysis of the City of Pittston's financial performance provides an overview of the City's financial activities for the years ended December 31, 2021 and 2020 for governmental activities and business-type activity.

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

The city budget director and city controller hold membership in the Government Finance Officers Association (GFOA) and the city uses GFOA "best practices" in all aspects of financial management as guidelines for city financial policies.

**FINANCIAL HIGHLIGHTS**

Government-Wide Level

- The City's overall net assets increased as a result of this year's operations. The net capital assets of the business-type activity decreased by \$25,365, and net assets of the governmental activities increased in 2021 by \$2,506,532.
- During 2021, the City of Pittston general fund had expenses that were \$457,536 less than the \$6,902,271 generated in tax and other revenues for governmental programs.

Fund Level

- The General Fund reported a balance of \$1,566,047 at December 31, 2021 and a balance of \$769,511 at December 31, 2020.

**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 33 and 34) 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 35 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 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 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets--the difference between assets and liabilities--as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property (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 **City of Pittsburgh Redevelopment Authority** (Pittsburgh 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 **Pittsburgh Parking Authority** is a Municipal Authority entity organized under the laws of the Commonwealth of Pennsylvania (Pittsburgh City Code §18-3). The Authority collects fees from parking spaces.



## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

Our analysis of the City's major funds begins on page 7. The fund financial statements begin on page 35 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.

- **Governmental funds**--Most of the City's basic services are reported in **governmental funds**, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called **modified accrual accounting**, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City'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 33 and 34.
- **Proprietary funds**--When the City charges customers for the services it provides these services are generally reported in **proprietary funds**. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements, but provide more detail and additional information.

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

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

The City is the Trustee, or fiduciary, for its employees' pension plans (Pittsburgh 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 42 and 33. 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 State Auditor General.

## THE CITY AS A WHOLE

The City's combined assets increased from a year ago to \$22.5 million from \$18.1 million. Our analysis below focuses on the net assets and changes in net assets of the City's governmental activities.

Net position of the City's governmental activities decreased to \$2,129,080 compared to \$2,506,532. 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 \$4,070,348 surplus at December 31, 2020 to a \$5,875,412 surplus at the end of fiscal year 2021.

The assets of our business-type activity decreased to \$92,110 in 2021 compared to \$106,574 in 2020.

The cost of all governmental activities in 2021 and 2020, respectively, was \$8.4 million and \$8.1 million. However, as shown in the Statement of Activities on page 34, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4.6 million in 2021 and \$4.3 million in 2020 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain program with grants and contributions.

## CITY'S MAJOR FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 35) reported a combined fund balance of \$5,146,190, which is more than 2021's total of \$4,849,658.

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

- Principal and interest payments made on long-term debt and capital leases were approximately \$964,000 and \$80,000.
- During the current year, the fund balance of the Office of Community Development Program decreased by \$208,625.
- Each year, the State provides the City with a portion of the motor vehicle fuel tax revenues it collects. These funds are deposited into 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. While Pennsylvania has one of the highest such tax rates in the nation, the amount of liquid fuels funds the city receives has actually been decreasing annually for the last two years (and indeed the trend continued with the allotment received in the first quarter of fiscal year 2022) because of the effects of the COVID-19 pandemic and the outcome of its policy effects on the nation-wide macro-level economy. The nation-wide push towards more fuel-efficient engines and electric vehicles is also a likely contributing factor in the revenue decline. The following table shows the amount of Liquid Fuels funds received by the City in the last 3 years:

<b>Fiscal Year</b>	<b>Liquid Fuels Funds Received from the Commonwealth of Pennsylvania</b>
2021	\$218,141
2020	\$234,962
2019	\$240,901

Additionally, beginning in 2019 and continuing each year since, 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, the City received an additional payment of \$5,902 from PENNDOT 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**

To maintain the city's commitment to infrastructure maintenance and improvement, for a number of years as funds were available, the city's annual approved budget provided

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

for a PayGo street resurfacing appropriation. In 2020, the annual PayGo road-resurfacing project included a \$165,078 project to repave Grandview 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. In 2021, portions of Rear Carroll and High Streets were repaved with a weather and economy-caused materials delay causing the completion of the project to early 2022, when Rear Union Street will be reconstructed and repaved. In adherence with GASB accounting standards and best practices, the city accrued the outstanding liability for the 2021 paygo street resurfacing program in all applicable funds based on estimates of liability known as of December 31, 2021.

Additionally, the completion of the Panama Street sewer replacement project included the repaving of Panama Street, Quinlans Alley and a portion of Rear Miller Street. Funds for this were included in the Panama Street capital improvement project administered by the Office of Community Development.

#### **CAPITAL ASSETS (GASB 34)**

The city utilizes a highly qualified, experienced contractor, Industrial Appraisal Company, Pittsburgh, PA to maintain the inventory and depreciation of city assets per the requirements of the Governmental Standards Advisory Board (GASB 34). Through this contractor, the city updated this valuation and depreciation schedule as of December 31, 2021, ensuring the accuracy of the financial statements in this regard. A complete copy of the GASB 34 report is maintained in the city's administrative offices.

#### **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 2018 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 and maintained this accounting through each subsequent audit.

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

To annually update the city's GASB 75 disclosure, the City Council contracts with Foster & Foster, Actuaries and Consultants, Allentown, PA to provide updated valuations. Their report, dated June 23, 2022, is on file in the city's administrative offices and is included in the 2021 Financial Statements, thus the 2021 Financial Statements include completely updated and current GASB 75 disclosures.

Other post-employment liability obligations include accrued vacation pay, compensatory time and sick leave, all of which are accrued and are included in the financial statements and reports.

### **GASB 87 Disclosure**

The city comptroller has reviewed the recently effective GASB 87 with regard to leases and determined there is no material impact on the city's financial statements.

### **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 Pittsburgh 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 Pittsburgh. This Tax Incremental Financing District was approved by the Luzerne County Redevelopment Authority and participants included the Township of Pittsburgh, Luzerne County, and the Pittsburgh Area School District, but not the City of Pittsburgh.

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

Subsequently, development of this subdivision within the City of Pittsburgh faltered, and in order to encourage renewed construction of Grandview Drive, in February 2020, the Mayor and City Council of the City of Pittsburgh adopted Ordinance, File of 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 Pittsburgh 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;

Although additional structures were constructed on Grandview Drive during 2021, 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.

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

- In addition to the Grandview Drive TIF, the City Council previously enacted a real estate tax revenue-sharing plan for some properties owned by the Northeast Pennsylvania Land Bank Authority. The amount of this revenue-sharing, projected annually at less than \$2,000, is also 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.

**COVID-19 PANDEMIC**

**American Recovery Plan Act (ARPA) Funding**

The city received minimal grant funding during the early COVID-19 pandemic (approximately \$125,000 in grant funds received and expended during 2020 mostly for protective equipment and cleaning supplies). As part of the federal government 2021 American Recovery Plan Act (ARPA) the city was awarded approximately \$815,000 in federal funds. This funding is to be received in two approximately equal distributions in June of 2021 and 2022. The city accrued this asset upon enactment of the law and this funding is recorded appropriately in the financial statements.



## **2021 ANNUAL BUDGET & FEDERAL ARPA**

The City Council has adopted a comprehensive budgetary, financial management and debt management policy (Pittsburgh City Code Chapter 23) and the Fiscal Year 2021 budget was prepared in accordance with parameters of the policy ( § 23-2). The Fiscal Year 2021 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 May (Resolution 12624—Capital Improvement Fund) and October (Resolution 12648) 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.

Due to the challenge of effects of this one-time revenue on multi-year trend analysis, the city did not amend the general fund budget to reflect the federal American Recovery Plan Act (ARPA) awarded funds, which was one-time revenue that would skew future multi-year analysis. Accordingly, the revenue budget was held at the approved budget level and the amount of ARPA funding received was reflected on the general fund balance sheet. ARPA funds themselves were segregated into a separate account within the general fund. No ARPA funds were expended by the city during FY 2021.

Additionally, to address unexpected developments during the course of the fiscal year the City Council proactively enacted several Resolutions to approve additional spending within the capacity of available unrestricted unreserved cash funds:

- Resolution 12530 in February provided a deficiency appropriation required to address cost over-runs in the construction of an additional structure at the public works facility. This payment of \$106,996 was made from the Capital Improvement Fund to the City of Pittsburgh Redevelopment Authority;
- Resolutions 12540 and 12546 in March provided non-budgeted funds to pay an insurance deductible and for emergency demolition of condemned, partially collapsed structures at 6 Lyons Lane and Rear 134 Parsonage Street that were a hazard to adjacent residential neighborhoods;

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

- Resolution 12567 in May provided for land acquisition for a parcel along North Main Street needed for a grant-funded capital improvement project for sidewalks and curbing that grant funds could not be used to acquire;
- Resolution 12586 in June approved funding for the demolition of a large fire-damaged commercial building at 26 West Oak Street lacking insurance that presented an immediate danger to public safety (a municipal lien was placed on the lot for the costs incurred);
- Resolutions 12598 in July and 12616 in August provided funds to purchase the historic First Presbyterian Church, 14 Broad Street, and make immediate repairs to its steeple. The church ceased operations and closed due to decline in membership and the structure's steeple had been struck by lightning and left unrepaired due to lack of funds and insurance. City acquisition allowed for stabilization of this historic structure towards future redevelopment. This \$73,158 in funding came from the Capital Improvement Fund;
- Various resolutions throughout the year approved emergency repairs to the city sewer system pursuant to Pittston City Code Chapter 32. These expenditures were supported by above-budget revenue in the Sewer Maintenance Fund, which permitted an increase in the budget. A significant emergency repair on Church Street between Mill and Wood Streets crossed into FY 2022 and is accounted for in the FY 2022 budget preparation;
- The budget for the Liquid Fuels Fund was reduced because the FY 2021 paving project was not completed by the end of FY 2021. Reducing the budget provided for carry-over of funds to FY 2022 to provide for the final payments on the project.

All resolutions to approve supplemental spending were enacted on the basis of fiscal analysis demonstrating financial capacity for the additional spending.

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

The following table shows the total annual budget for each appropriated fund for Fiscal Year 2021:

<b>Fund Name</b>	<b>Approved FY 2021 Budget</b>	<b>Final Revised FY 2021 Budget</b>
General Fund	\$6,016,000	\$6,016,000
Sewer Maintenance Fund	\$1,345,000	\$1,519,450
Liquid Fuels Fund	\$ 338,500	\$ 272,350

### **PAYGO Capital Fund**

In order to provide funding for small capital projects without the issuance of debt, during Fiscal Year 2018, the city established a PayGo Capital Fund (Resolution 12183) with an approved budget to fund various small capital projects during the course of the fiscal year and continued this practice in subsequent years. During Fiscal Year 2021, this fund continued in its intended use with \$68,684 expended per the appropriated budget and established project approval process.

### **SUMMARY**

During the last decade, city leadership has made a priority of improving the city's financial position, and this goal has been realized, even in the face of the tumultuous COVID-19 pandemic and national macro-level economic after-effects. The city's General Fund now demonstrates a multi-year trend of solvency and steadily increasing fund balance while city government operations have not only been maintained, but enhanced.

Over the last decade, the mayor and city council had dedicated significant resources to achieve this goal, including recruiting a high-quality management staff with demonstrated experience in financial and budgetary administration; developing and implementing strong financial and budgetary management policies using national standard best practices guidelines from GFOA and purchasing and implementing state of the art modernized budget and accounting software. These practices resulted in the city obtaining its first "investment-grade" credit ranking by an international credit rating agency (Moody's). Obtaining the credit rating allowed the city to combine and

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refinance virtually of its long-term debt during 2020 at a time of record-low interest rates, resulting in significant savings and further financial stabilization.

The city's finances were largely spared from the effects of the COVID-19 pandemic; in fact, most major revenue sources have increased in the period since 2020. Nonetheless, the city was concerned to receive only approximately \$817 thousand in federal COVID recovery funds under the legislated formula provisions of the 2021 American Recovery Plan Act (ARPA). By comparison, the nearby City of Wilkes-Barre received approximately \$39 million or approximately forty-five times the amount the City of Pittsburgh received under the same law, despite Wilkes-Barre having a population only about five times that of the City of Pittsburgh. Nonetheless, city leadership plans to make prudent use of these one-time funds beginning in 2022.

Furthermore, the city's downtown business district continues to see revitalization, investment and growth. The 2020 Census showed population stability, and neighborhoods are showing revitalization. A remarkable increase in the city's deed transfer tax demonstrates the increase in real investment value and transactions throughout the city since the pandemic.

Nonetheless, as an older, land-locked, essentially fully developed municipal entity, the city continues to face challenges. The city, while financially spared from the worst effects of the COVID-19 pandemic, is not fully insulated from the overall national economic picture, which includes concerns over inflation, supply chain disruptions and the threat of recession. Certain primary revenue sources, such as earned income tax and real estate transfer tax, are directly tied to the condition of the overall national economy. At the same time, city government faces the same cost drivers as everyone else—increases in the cost of supplies, energy, insurance and wages. The city is also saddled with the cost of properly funding its defined benefit pension plans, regardless of investment performance, and the cost of health insurance for full-time employees, which continues to increase annually at a rate higher than overall inflation.

What city leadership has demonstrated however is a commitment and an ability to prudently and proactively managing the city's finances in a manner that has not only stabilized but significantly enhanced overall financial performance while maintaining and enhancing citizen service delivery.

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**FINANCIAL NOTES TO 2021 BUDGET**

**UNRESERVED AND UNRESTRICTED FUND BALANCE**

One key measure of financial health is the multi-year trend in year-end unreserved and unrestricted fund balance.

<b>Fiscal Year Ending December 31st</b>	<b>Unreserved &amp; Unrestricted General Fund Balance</b>
2021	\$1,566,047
2020	\$769,511
2019	\$539,940
2018	\$148,445
2017	\$ 19,300

**REVENUE ACCOUNTS**

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

<b>Fiscal Year</b>	<b>Total General Fund Revenue</b>
2021	\$7,198,185
2020	\$6,282,910
2019	\$5,702,261
2018	\$4,941,139
2017	\$4,680,353

The City's two primary revenue sources are earned income tax and real estate tax (property tax). The following sections provide a discussion of the city's primary revenue categories:

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### **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 five years are as follows:

<b>Fiscal Year</b>	<b>Earned Income Tax</b>
2021	\$2,239,015
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 relief 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:

<b>Fiscal Year</b>	<b>Total City Taxable Property Assessment</b>
2017	\$267,114,400
2018	\$267,538,900
2019	\$265,705,200
2020	\$266,905,500
2021	\$267,966,700

Data Source: Luzerne County Assessor's Office

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The decrease for 2019 is attributed to the conversion of a taxable former bank building on South Main Street into what is now a non-taxable, government-owned building housing a campus of Luzerne County Community College, 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. The opening of a community college campus on Main Street was considered a key economic redevelopment accomplishment more than offsetting the small reduction in property tax revenue.

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

<b>Fiscal Year</b>	<b>Current Year Real Estate Tax</b>
2021	\$1,435,371
2020	\$1,461,714
2019	\$1,462,832

### **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%) to \$16,500 by an ordinance adopted on December 20, 2017 and this level was maintained for Fiscal Years 2018-2021. 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:



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Fiscal Year	Delinquent Real Estate Tax Revenue
2021	\$179,125
2020	\$199,268
2019	\$178,272

### Local Services Tax

The "Local Services Tax" (Pittsburgh City Code Section 436 Title IV) is a \$52 per year tax levied as permitted by state law to fund public safety services. The three-year trend in Local Services Tax collections is as follows:

Fiscal Year	Local Services Tax Collected
2021	\$89,481
2020	\$86,579
2019	\$93,327

### Business Privilege Tax

Pennsylvania state law and court decisions prevent the city from enacting a millage or percent based mercantile or business privilege tax. But based on current law and court cases, beginning in 2015, the city council enacted an ordinance that imposed a flat rate business privilege tax (BPT). The BPT is now codified in Chapter 436, Article VIII of the Pittsburgh City Code, and business with proceeds greater than \$15,000 per calendar year are assessed a flat tax of \$225 during 2021. 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 small three-year trend decline in Business Privilege Tax is one of the few instances the city attributes a revenue decline to the COVID-19 pandemic and is as follows:

Fiscal Year	Business Privilege Tax Collected
2021	\$ 41,196
2020	\$ 43,060
2019	\$ 45,340

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### **Realty Transfer Tax**

As permitted by a Home Rule jurisdiction, the city increased the Real Estate Transfer Tax (Pittsburgh City Code § 436-19) to 2.5% effective January 1, 2022. This increase, as well as the growing economy and gradual recovery of the national housing market, has resulted in a significant increase in this revenue source for the city's general fund compared to average annual levels of the last decade. The city real estate market continues to show healthy growth and activity as evidenced by both an increase in the number of sales and the average sales price. The city believes this is a result of continued economic redevelopment, rebirth of the downtown business district, and the macro-level effects of the COVID-19 pandemic, making the city an attractive place for new residents seeking to relocate from higher-tax areas more affected economically by the pandemic. However, the city realizes this revenue source is directly tied to the overall real estate market boom during 2021, and will prudently continue to budget the revenue at historic trend levels to ensure financial responsibility should the real estate market cool. The three-year trend in real estate transfer tax is as follows.

<b>Fiscal Year</b>	<b>Realty Transfer Tax</b>
2021	\$370,256
2020	\$261,125
2019	\$259,344

### **Cable Television Franchise**

As provided for in state law, the City Council approves a franchise agreement with cable television/internet providers to install and operate their systems within the city and market those services to residents and business. During 2021, rather than just renewing the same agreement, the city council retained qualified special counsel to negotiate an updated, modernized agreement with Comcast to ensure the city receives all applicable fees under the franchise agreement and this new agreement was approved by ordinance during 2021.

Despite a highly fluid environment for this service, this franchise revenue source has remained stable for the last three fiscal years as follows

<b>Fiscal Year</b>	<b>Cable Franchise Fee Revenue</b>
2021	\$109,888
2020	\$108,071
2019	\$104,865

However, due in part to the city's continued revitalization, during 2021 an additional cable television/internet service provider installed a system within the city, and the city council also executed a cable television franchise via ordinance during 2021, with this provider, RCN

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Telecom Services. It is unusual for a smaller municipality to have two providers, and this should result in residents and businesses having the most choice and a competitive price market for this service. While there may be some crossover revenue adjustments as some existing subscribers may move to the new provider, it is reasonable to believe that the overall franchise fee will increase in 2022 as the new provider also markets service.

### **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:

<b>Fiscal Year</b>	<b>Building Permit Fees</b>
2021	\$140,221
2020	\$155,986
2019	\$101,105

Despite the COVID-19 pandemic, the city received a record-level of building permit revenue during fiscal year 2020. While 2021 building permits did not break the 2020 record, the 2021 permit revenue remained well above the recent levels. 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 continued during 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

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dynamic change, presenting a challenge to finance operations. Nonetheless, revenue from the refuse fee has been stable as the three-year trend indicates.

<b>Fiscal Year</b>	<b>Total Refuse Fee Revenue</b>
2021	\$605,204
2020	\$564,168
2019	\$525,227

As with other major revenue sources, the city saw a substantial increase in refuse fee revenue during the COVID-19 pandemic year of 2020. This trend continued in 2021 where refuse fees increased an additional \$40 thousand. 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. To date the city has not levied a recycling fee in part due to these grant funds and the efforts of our citizens to comply with the separated recycling streams allowing the city to avoid the onerous fees being charged for "single stream" recycling.

### **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 Pittsburgh 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

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Public Utility Commission (PUC) placed a moratorium on the shut-off of certain utilities including water and this continued through much of 2021. To the extent legally permitted, the city makes every reasonable effort to collect delinquent fees at penalty.

To ensure responsible accurate accounting, and given the city's strong fund balance, the city comptroller determined it was prudent to write off \$70,571 in uncollectible old debt during fiscal year 2021, in general fund line item 01-495-8000.

### **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. Sometimes, completed capital projects can actually reduce operating costs due to revitalized systems not requiring continual repairs and this was true of a large capital project completed in 2021.

### **PANAMA STREET SEWER REPLACEMENT PROJECT 2020-2021**

For many years, the combined sanitary/stormwater sewer system on Panama Street had been failing. Originally an open stone culvert constructed in the mid 1800s, the culvert had been poorly capped about 50 years ago, and over the past decade, had experienced multiple failures requiring expensive and repeated emergency repairs. This culvert transmitted a large amount of sewerage from residences along Panama Street, high density buildings owned by the City of Pittston Housing Authority, and also sewage from a portion of Hughestown Borough connected to the Panama Street line above the city limits.

The city Administration Department, Public Works Department, Redevelopment Authority, Housing Authority and Office of Community Development effectively partnered to address the sewer issues on Panama Street. This project was an excellent example of the recent efforts of the city's elected leadership to partner city authorities and the city government more effectively.

The city applied for and received a Small Water and Sewer System grant award from the state government; federal Community Development grant funds were also used and additional community development funding above and beyond the initial allotment was applied for and awarded after construction work revealed the scope of work had to be expanded; city funds from the Sewer Maintenance Fee were also budgeted towards the project, and the city Housing Authority assisted with replacement of retaining walls disturbed by the construction work.

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The project included full replacement of the failed 1800s culvert along the entire length of Panama Street; tie-in of all laterals; replacement of all storm drain inlets and installation of additional inlets to alleviate persistent street flooding issues; removal of several large trees whose roots had infiltrated the sewer system; and reconstruction and repaving of the entire length of Panama Street and Quinnans Alley, which connects Panama Street to Parsonage Street.

The conclusion of this project will eliminate the considerable cost of repeated emergency repairs of the Panama Street sewer system, which had plagued the city government for over a decade. It also significantly improved a highly populated neighborhood.

### **FIRST PRESBYTERIAN CHURCH ACQUISITION**

During FY 2021, the city purchased the former First Presbyterian Church building located at 14 Broad Street. One of the oldest congregations and oldest church buildings in the city, dating from the 1850s, the structure has significant historical province and value.

Unfortunately, in recent years the church congregation dwindled and the building suffered from deferred maintenance. Lightning struck and damaged the historic steeple in 2020 and the congregation had no insurance and was unable to afford repairs. The damaged steeple presented a public danger and opened the interior of the church to water damage. Additionally, the roof at the rear rooms of the structure had been leaking for years causing additional interior damage that they could not repair.

During 2021 the congregation made the difficult decision to close the church and given the immediate need to preserve the historic structure, the mayor and city council successfully negotiated for the city to purchase the property for \$1 and approximately \$10,000 in legal costs associated with clearing the old title to the property. The city council then immediately approved an emergency contract with a steeplejack to repair the steeple roof and install lightning protection. Acquisition of the property and emergency steeple repairs required appropriation and expenditure of approximately \$75,000 from the city Capital Improvement Fund. The city also applied for state grant funds to repair the roof in the rear of the structure.

While preservation of this endangered historic building is a laudable project, the city will have to prudently plan for the future costs of repairs and maintenance of this structure as well as planning for redevelopment and reuse of the structure.

## **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 and 2021 over the pre-pandemic 2019 levels. The city's revenue remains stable and the 2020-2021 period demonstrated a net increase above the historic and projected trends despite the COVID-19 pandemic. The city's finances were further augmented by receiving approximately \$817 thousand in federal economic recovery funding under the American Recovery Plan Act. 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 (Pittsburgh 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 \$6,566,485 in FY 2021 were \$550,485 above the budget level. However, almost all of this above budget spending was a result of known factors and was supported by above-budget revenue. In fact, the city fund balance increased during FY 2021. Specific budget to actual variances are a result of the following factors:

- The most significant factor in the 2021 budget variance was related to one-time accounting attributable to the COVID-19 pandemic, specifically:
  - A short-term note in the amount of \$121,000 related to interim funding for grant-reimbursed expenses during FY 2020 in the Disaster Fund related to the COVID-19 pandemic was retired in FY2021;



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- The city accrued revenue related to the Federal American Recovery Plan Act that was not known when the FY 2021 budget was formulated and adopted;
- Given the above budget revenue received during the year and the increasing fund balance, the city comptroller implemented the financial plan to write-off bad debt in the amount of \$70, 571 as previously noted;
- There was a one-time cost associated with the city government loaned the City Parking Authority approximately \$23 thousand to support operational improvement costs which the authority will repay over a two year period;
- To support services, an additional unbudgeted staffer was hired mid-year in the public properties/facilities maintenance division who was later incorporated into the FY 2022 approved budget;
- Certain operational costs exceeded budget as a result of the COVID-19 pandemic effects, including increased public works costs in salaries and landfill tipping fees; to retain and attract staff to vacant mission critical positions in public safety and public works, part-time salaries were increased; inflation during the year increased above the recent historical trend. Subsequently, these costs were reflected in the FY 2022 approved budget.

#### **DEBT SERVICE**

The city continued in 2021 to reap the savings and debt service schedule simplification resulting from the successful 2020 project to obtain an investment-grade credit rating and issue general obligation bonds that combined most of the long-term debt and reduced interest payments. The city issued no additional long-term debt during FY 2021 and made all debt service payments on time and in full.

#### **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 greatly increased the cost of these pension plans to the city taxpayers. As with many older cities, meeting these obligations has been one of the greatest burdens of the city's general fund.

### **Police Pension Plan Minimum Municipal Obligation (MMO) Liability**

The police pension plan minimum municipal obligation (MMO) contribution had increased dramatically in the 2000s 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 sunsetted 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.

Prior to financial stabilization the city was unable to fully fund the FY 2015 MMO to the police pension fund. While the city issued a pension bond in 2018 that stabilized the fund, the law did not permit that unpaid MMO to be paid with the bond proceeds and the liability has been carried on the city's general fund balance sheet since. In addition to the issuance of the pension bond, the city successfully negotiated with the police union to institute a minimum retirement age and adjust the benefit that would be received by a widow or widower to the standard amount, which over the long term will further improve the financial solvency of the fund. However, city leadership was unwilling to imperil the city's fund balance during the uncertainty of the COVID-19 pandemic by fully and immediately repaying the liability to the police pension fund and provisions in the federal law for COVID-19 relief specifically disallow the use of those funds to pay for pension costs. The city will need to continue to annually budget repayment of this outstanding liability.

### **INSURANCE COSTS**

#### **WORKERS COMPENSATION INSURANCE:**

The city proactively utilizes an Employee Safety Committee (Pittston City Code § 7-2(1) that meets regularly and has worked to reduce workplace accidents. Nonetheless accident occur, and the city's resources are insufficient to self-insure, so the city obtains third party insurance for workers compensation. Claims due to workplace injuries as well as changes in state law to workers compensation particularly for firefighters a few years ago left the City 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) for 2021.

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. However, the city is supporting efforts to merge the companies during 2022, a proactive move that will reduce insurance costs and end inefficient duplicative operations in the face of declining volunteerism.

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**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.

Costs for health insurance while well above overall inflation, were within budget capacity for 2021. However with increasing overall inflation and the lingering effects of the pandemic, further uncertainty in this cost can be anticipated for 2022 and 2023.

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.

**SUMMARY**

Despite the COVID-19 pandemic, city leadership has effectively and efficiently significantly improved city finances over the past decade. The 2021 fiscal year continued this trend.

**COMMENTS ON NON-GENERAL FUNDS**

**CAPITAL IMPROVEMENT FUNDS**

The city maintains a Capital Improvement Fund to finance multi-year general construction projects financed by long-term debt and grants and PayGo Capital fund for smaller projects and equipment acquisitions that will be completed within the fiscal year. The City Council, by Resolution, appropriates capital funds as necessary.

## 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 Pittsburgh City Code. Expenditures from this fund are limited to long-term debt service for 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. Additionally, the sewer fund remains impacted by the on-going costs of a lawsuit against the city in Luzerne County Court, that remains in active litigation over a decade since it was filed. The city has limited legal means to conclude this lawsuit and the legal costs associated with defending the taxpayers continue.
- **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. Street lighting is paid from this fund and significant cost savings were achieved by a capital improvement project as follows:
  - **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. This decision has been further validated by significant inflation costs in energy during 2021 and early 2022.

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- **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. As previously discussed the short term financing for this fund was retired during 2021.

### **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 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 and a Comptroller (Pittston City Code §61-11), who is a certified public accountant, ensures the accuracy of all accounting.

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. The city uses best practices set by the Government Finance Officers Association (GFOA) as models for its policies and procedures.

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

**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. The system performed as intended and was fully operational during 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, 2021**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
<b>CURRENT ASSETS:</b>			
Cash	\$ 3,035,464	\$ 31,836	\$ 3,067,300
Restricted cash	579,888	-	579,888
Accounts receivable, net	722,724	-	722,724
Taxes receivable	905,671	-	905,671
Grants receivable	370,022	-	370,022
Due from Federal Government	409,606	-	409,606
Due from related parties	27,741	-	27,741
Due from other funds	63,144	-	63,144
Current portion of loans receivable	10,592	-	10,592
Accounts receivable, other	10,671	-	10,671
<b>Total current assets</b>	<b>6,135,523</b>	<b>31,836</b>	<b>6,167,359</b>
<b>LOANS RECEIVABLE, Net of current portion and allowance for doubtful accounts</b>	<b>21,705</b>	<b>-</b>	<b>21,705</b>
<b>OVERFUNDED PENSION LIABILITY</b>	<b>541,165</b>	<b>-</b>	<b>541,165</b>
<b>MORTGAGES RECEIVABLE</b>	<b>2,129,750</b>	<b>-</b>	<b>2,129,750</b>
<b>ROYALTIES RECEIVABLE</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>
<b>CAPITAL ASSETS, Net</b>	<b>11,102,724</b>	<b>60,274</b>	<b>11,162,998</b>
<b>NONCURRENT ASSETS</b>			
Property held for resale and development	2,428,362	-	2,428,362
<b>TOTAL</b>	<b>\$ 22,659,229</b>	<b>\$ 92,110</b>	<b>\$ 22,751,339</b>
<b>CURRENT LIABILITIES:</b>			
Notes payable	\$ 1,106,232	\$ -	\$ 1,106,232
Capital lease obligations	183,123	-	183,123
Compensated absences	93,853	-	93,853
Accounts payable	1,384,491	-	1,384,491
Due to outside agencies	923,037	-	923,037
Accrued expenses	597,667	-	597,667
Due to City of Pittsburgh	-	13,908	13,908
<b>Total current liabilities</b>	<b>4,288,403</b>	<b>13,908</b>	<b>4,302,311</b>
<b>NONCURRENT LIABILITIES:</b>			
Notes payable	14,285,592	-	14,285,592
Net OPEB obligation	1,453,120	-	1,453,120
Capital lease obligations	362,255	-	362,255
Compensated absences	140,779	-	140,779
<b>Total liabilities</b>	<b>20,530,150</b>	<b>13,908</b>	<b>20,544,057</b>
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	(4,289,100)	60,274	(4,228,826)
Restricted	542,769	17,928	560,697
Unrestricted	5,875,412	-	5,875,412
<b>Total net position</b>	<b>2,129,080</b>	<b>78,202</b>	<b>2,207,282</b>
<b>TOTAL</b>	<b>\$ 22,659,229</b>	<b>\$ 92,110</b>	<b>\$ 22,751,339</b>

See Notes to Financial Statements



**CITY OF PITTSTON**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2021

		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	\$ 2,596,408	\$ 5,000	\$ 300,000	\$ 1,585,643	\$ (705,765)	\$ -	\$ (705,765)
Public safety	2,211,982	75,824	-	-	(2,136,158)	-	(2,136,158)
Public works	1,407,630	1,514,487	-	-	106,857	-	106,857
General government - administrative	1,168,897	1,118,646	1,271,032	-	1,220,782	-	1,220,782
Interest on long-term debt	490,220	-	-	-	(490,220)	-	(490,220)
Culture and recreation	<u>439,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(439,813)</u>	<u>-</u>	<u>(439,813)</u>
Total governmental activities	<u>\$ 8,314,950</u>	<u>\$ 2,713,957</u>	<u>\$ 1,571,032</u>	<u>\$ 1,585,643</u>	<u>\$ (2,444,318)</u>	<u>\$ -</u>	<u>\$ (2,444,318)</u>
Business-type activity,							
Pittston Parking Authority	<u>87,217</u>	<u>61,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,386)</u>	<u>(25,386)</u>
TOTAL	<u>\$ 8,402,167</u>	<u>\$ 2,775,788</u>	<u>\$ 1,571,032</u>	<u>\$ 1,585,643</u>	<u>\$ (2,444,318)</u>	<u>\$ (25,386)</u>	<u>\$ (2,469,704)</u>
General revenues:							
Property and other taxes					4,592,289	-	4,592,289
Unrestricted investment earnings					28,217	21	28,238
Miscellaneous					<u>330,343</u>	<u>-</u>	<u>330,343</u>
Total general revenues					<u>4,950,849</u>	<u>21</u>	<u>4,950,870</u>
Change in net position					2,506,532	(25,365)	2,481,167
Net position-beginning					<u>2,362,780</u>	<u>103,567</u>	<u>2,466,347</u>
Prior period adjustment					<u>(2,740,232)</u>	<u>-</u>	<u>(2,740,232)</u>
Net position-ending					<u>\$ 2,129,080</u>	<u>\$ 78,202</u>	<u>\$ 2,207,282</u>

See Notes to Financial Statements

**CITY OF PITTSBURGH**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Current Assets						
Cash	\$ 1,049,437	\$ 1,525,211	\$ 235,212	\$ -	\$ 225,604	\$ 3,035,464
Restricted cash				579,888		579,888
Accounts receivable, net	153,154		519,570	50,000		722,724
Taxes receivable	905,671		-			905,671
Grants receivable		370,022				370,022
Notes receivable		10,592				10,592
Accounts receivable, other	2,471		8,200			10,671
Due from federal government	409,606					409,606
Due from related parties		27,741				27,741
Due from other funds	63,144	-	-	-	-	63,144
Total current assets	<u>2,583,483</u>	<u>1,933,566</u>	<u>762,982</u>	<u>629,888</u>	<u>225,604</u>	<u>6,135,523</u>
<b>NONCURRENT ASSETS</b>						
Property held for resale and development	-	2,428,362	-	-	-	2,428,362
Total assets	<u>\$ 2,583,483</u>	<u>\$ 4,361,928</u>	<u>\$ 762,982</u>	<u>\$ 629,888</u>	<u>\$ 225,604</u>	<u>\$ 8,563,885</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 177,578	\$ 561,632	\$ 272,204	\$ 309,077	\$ 64,000	\$ 1,384,491
Due to other funds					5,500	5,500
Grants received in advance		917,537				917,537
Accrued liabilities	582,359	-	15,308	-	-	597,667
Total liabilities	<u>759,937</u>	<u>1,479,169</u>	<u>287,512</u>	<u>309,077</u>	<u>69,500</u>	<u>2,905,195</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue:						
Property taxes	257,499					257,499
Sewer fees	-	-	255,001	-	-	255,001
Total deferred inflows	<u>257,499</u>	<u>-</u>	<u>255,001</u>	<u>-</u>	<u>-</u>	<u>512,500</u>
<b>FUND BALANCES:</b>						
Nonspendable						
Properties held for resale		2,428,362				2,428,362
Unassigned fund balances	1,566,047	454,397	-	-	154,615	2,175,059
Restricted fund balances	-	-	220,469	320,811	1,489	542,769
Total fund balances	<u>1,566,047</u>	<u>2,882,759</u>	<u>220,469</u>	<u>320,811</u>	<u>156,104</u>	<u>5,146,190</u>
Total liabilities and fund balances	<u>\$ 2,583,483</u>	<u>\$ 4,361,928</u>	<u>\$ 762,982</u>	<u>\$ 629,888</u>	<u>\$ 225,604</u>	<u>\$ 8,563,885</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, 2021

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TOTAL FUND BALANCE (Page 35)	\$	5,146,190
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Amounts reported for governmental activities in the statement of  
net position are different because:

Mortgages and loans and royalties receivable are not due and collectible in the current period and, therefore, are not reported as assets in the governmental funds.	\$	2,451,455
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Capital assets used in government activities are not reported as assets in governmental funds. The cost of assets is \$17,604,968 and the accumulated depreciation is \$7,869,182	\$	11,102,724
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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.	\$	512,500
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Overfunded pension liability	\$	541,165
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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	\$	(15,391,824)
Net OPEB obligation	\$	(1,453,120)
Compensated absences	\$	(234,632)
Capital lease	\$	<u>(545,378)</u>

Total net position of governmental activities (Page 33)	\$	<u>2,129,080</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, 2021

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:						
Taxes	\$ 4,356,077	\$ -	\$ -	\$ -	\$ 218,141	\$ 4,574,218
Intergovernmental revenues	1,264,380	1,892,417			6,652	3,163,449
Charges for services	921,420	5,000	1,489,486			2,415,906
Licenses and permits	197,226					197,226
Fines and forfeits	75,824					75,824
Investment earnings	14,141	13,445	54	518	59	28,217
Miscellaneous revenues	<u>73,203</u>	<u>168,462</u>	<u>-</u>	<u>88,678</u>	<u>-</u>	<u>330,343</u>
Total revenues	<u>6,902,271</u>	<u>2,079,324</u>	<u>1,489,540</u>	<u>89,196</u>	<u>224,852</u>	<u>10,785,183</u>
EXPENDITURES:						
Current:						
Public works	974,234		707,890		236,608	1,918,732
Public safety	2,514,057			16,380		2,530,437
Community development	260,322	2,247,949		106,996		2,615,267
General government - administrative	1,426,397			124,246		1,550,643
Culture and recreation	418,040					418,040
Debt service:						
Principal	569,313		395,000		121,000	1,085,313
Interest	<u>282,372</u>	<u>-</u>	<u>207,848</u>	<u>-</u>	<u>-</u>	<u>490,220</u>
Total expenditures	<u>6,444,735</u>	<u>2,247,949</u>	<u>1,310,738</u>	<u>247,622</u>	<u>357,608</u>	<u>10,608,652</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>457,536</u>	<u>(168,625)</u>	<u>178,802</u>	<u>(158,426)</u>	<u>(132,756)</u>	<u>176,532</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of short-term debt	120,000					120,000
Transfers in	340,000				121,000	461,000
Transfers out	<u>(121,000)</u>	<u>(40,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(461,000)</u>
Total other financing sources (uses)	<u>339,000</u>	<u>(40,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>121,000</u>	<u>120,000</u>
NET CHANGE IN FUND BALANCE	796,536	(208,625)	(121,198)	(158,426)	(11,756)	296,532
FUND BALANCE, BEGINNING	<u>769,511</u>	<u>3,091,384</u>	<u>341,667</u>	<u>479,236</u>	<u>167,860</u>	<u>4,849,658</u>
FUND BALANCE, ENDING	<u>\$ 1,566,047</u>	<u>\$ 2,882,759</u>	<u>\$ 220,469</u>	<u>\$ 320,811</u>	<u>\$ 156,104</u>	<u>\$ 5,146,190</u>

See Notes to Financial Statements

**CITY OF PITTSTON**

**RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
WITH CHANGE IN NET POSITION IN THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Change in fund balance (Page 37)	\$ 296,532
The change in net position reported in the statement of activities is different because:	
Depreciation of capital assets	(380,382)
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.	1,085,313
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.	(120,000)
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.	(6,774)
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.	755,124
Net change in deferred revenue	43,072
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.	79,892
Change in compensated absences	(24,267)
Change in net OPEB obligation	16,525
Change in overfunded pension liability	<u>761,497</u>
Change in net position of governmental activities	2,506,532
Prior period adjustment	<u>(2,740,232)</u>
Net change in position of governmental activities	<u>\$ (233,700)</u>

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See Notes to Financial Statements

**CITY OF PITTSTON**

**STATEMENT OF NET POSITION-PROPRIETARY FUND  
DECEMBER 31, 2021**

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CURRENT ASSETS,	
Cash and cash equivalents	\$ 31,836
CAPITAL ASSETS, NET	<u>60,274</u>
TOTAL ASSETS	<u><u>\$ 92,110</u></u>
LIABILITY,	
Due to City of Pittston	\$ 13,908
NET ASSETS,	
Invested in capital assets	60,274
Restricted	<u>17,928</u>
Total net position	<u>78,202</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 92,110</u></u>

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See Notes to Financial Statements

**CITY OF PITTSTON**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION-PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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REVENUES:

Fees	\$ 61,831
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EXPENSES:

Administration	74,678
Depreciation	9,964
Professional services	<u>2,575</u>

Total expenses	<u>87,217</u>
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OPERATING LOSS	<u>(25,386)</u>
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NONOPERATING REVENUE

Interest income	<u>21</u>
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CHANGE IN NET POSITION	(25,365)
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NET POSITION, BEGINNING OF THE YEAR,	<u>103,567</u>
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NET POSITION, END OF THE YEAR	<u>\$ 78,202</u>
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See Notes to Financial Statements

**CITY OF PITTSTON**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 61,831
Cash payments to suppliers for goods and services	(62,053)
Cash payments to employees for services	<u>(15,200)</u>

Net cash used in operating activities (15,422)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earnings	21
Purchase of property and equipment	<u>(62,744)</u>

Net cash used by investing activities (62,723)

CASH FLOWS PROVIDED BY FUNDING ACTIVITY:

Due from City of Pittston, net	<u>13,908</u>
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NET INCREASE IN CASH (64,237)

CASH - BEGINNING OF YEAR 96,073

CASH - END OF YEAR \$ 31,836

RECONCILIATION OF CHANGE IN OPERATING LOSS TO

NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (25,386)
Adjustment to reconcile changes in operating income to cash provided by operating activities:	
Depreciation	<u>9,964</u>

Net cash used in operating activities \$ (15,422)

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See Notes to Financial Statements



**CITY OF PITTSTON**

**STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021**

	<u>PENSION TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u><b>ASSETS</b></u>		
CASH	\$ -	\$ 207,283
DUE FROM OTHER FUND	360,497	-
INVESTMENTS	<u>13,941,947</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,302,444</u>	<u>\$ 207,283</u>
<u><b>LIABILITIES AND NET ASSETS</b></u>		
LIABILITIES,		
Due to other governments	\$ -	\$ 161,289
Due to insured party	-	4,856
Due to property owner	<u>-</u>	<u>41,139</u>
Total Liabilities	-	207,283
NET ASSETS,		
Reserved for pension benefits	<u>14,302,444</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,302,444</u>	<u>\$ 207,283</u>

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See Notes to Financial Statements

**CITY OF PITTSTON**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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**ADDITIONS:**

Contributions:

Employer	\$ 152,819
Employee	93,897
State aid	<u>225,472</u>

Total contributions 472,188

Investment earnings:

Net appreciation of fair value of investments	1,516,750
Interest and dividends	<u>179,799</u>

Total investment earnings 1,696,549

Total additions, net 2,168,737

**DEDUCTIONS:**

Benefits paid to recipients	842,052
Administrative and other fees	111,608
Refund of member contributions	<u>6,377</u>

Total deductions 960,037

NET INCREASE IN NET ASSETS 1,208,700

**NET ASSETS, RESERVED FOR EMPLOYEES**

**RETIREMENT BENEFITS:**

Beginning of year 13,093,744

End of year \$ 14,302,444

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See Notes to Financial Statements

## **CITY OF PITTSTON, PENNSYLVANIA**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **FINANCIAL REPORTING ENTITY**

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

##### **BASIS OF PRESENTATION**

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

#### **BUDGETARY ACCOUNTING CONTROL**

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

#### **CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

### **INTERNAL BALANCES**

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

### **FUND BALANCE**

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

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

### **MORTGAGES RECEIVABLE**

Mortgages receivable represents various notes and mortgages between the Lincoln Heights Corporation ("grantor") and Lincoln Heights Senior Housing, LP ("grantee") for an old school building that was converted to apartments for low income housing. Payment of principal only is due 30 years from the date of the notes, which were signed on various dates in 2005. The premises acts as security for the mortgage. Total mortgages receivable at December 31, 2021 is \$2,129,750.

### **RECEIVABLES**

All accounts receivable are shown net of an allowance for doubtful accounts of \$510,671.

The loans receivable are shown net of an allowance for estimated uncollectible loans. The allowance is calculated based on collection history and is approximately \$32,297 at December 31, 2021.

### **COMPENSATED ABSENCES**

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

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

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

## **PROPERTY TAXES**

The City bills and collects its own property taxes based upon assessed valuations provided by Luzerne County. All uncollected taxes are submitted to Northeast Revenue Service, LLC, agent for the Luzerne County Tax Claim Bureau for collection. For 2021, 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 \$267,996,700. The 2021 property tax calendar follows:

Issued date	February 16, 2021
Discount period at 2%	Until April 15, 2021
Face period	April 16, 2021 to June 15, 2021
Penalty period at 10%	June 16 and thereafter

## **DEFERRED REVENUES**

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

## **RESTRICTED INVESTMENTS**

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

## **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



## INTER-FUND TRANSACTIONS

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

The operating transfers between funds for the year ending December 31, 2021 are as follows:

	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Fund</u>	<u>Sewer</u> <u>Maintenance</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
Transfers in	\$340,000	\$ -	\$ -	\$ -	\$ 121,000	\$ 461,000
Transfers out	\$(121,000)	\$(40,000)	\$ (300,000)	\$ -	\$ -	\$(461,000)

The following summarizes the receivables and payables between governmental fund for the year ended December 31, 2021:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Fiduciary Funds	\$ <u>                    -</u>	\$ <u>          360,497</u>
Fiduciary Funds:		
General Fund	\$ <u>          360,497</u>	\$ <u>                    -</u>

## DATE OF MANAGEMENT REVIEW

The City has evaluated events and transactions subsequent to December 31, 2021 through the time that these financial statements were available to be used on September 7, 2022. 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, 2021 but prior to September 7, 2022 that would require recognition or disclosure in its financial statements.

## 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

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.

### **3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

Authorized types of investments for City funds shall be:

- a. United States Treasury bills.
- b. Short-term obligations of the United States government or its agencies or instrumentalities.
- c. Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- d. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

- e. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for City funds listed.
- f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured; however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
- g. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension or retirement fund.

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

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

As of December 31, 2021, the aggregate bank balance of bank deposits was \$3,656,029 of which \$1,168,955 was covered by federal depository insurance and the uninsured remaining bank deposits of \$2,487,074, 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 \$3,615,352 at December 31, 2021.

## INVESTMENTS

As of December 31, 2021, the City had the following Investments:

<u>Pension Trust Fund</u>	<u>Maturities</u>	<u>Fair Value</u>
Managed equity	N/A	<u>\$ 13,941,947</u>

## CREDIT RATINGS

The City's investments had the following credit ratings:

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

## INTEREST RATE RISK

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

#### 4. CAPITAL ASSETS

Capital assets activity for the governmental units for the year ended December 31, 2021 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	\$ -	\$ 6,000	\$ 2,781,146
Land, Redevelopment Authority	<u>76,200</u>	<u>-</u>	<u>-</u>	<u>76,200</u>
Total capital assets, not being depreciated	<u>2,863,346</u>	<u>-</u>	<u>6,000</u>	<u>2,857,346</u>
Capital assets, being depreciated:				
Building and improvements	8,932,590	133,550	-	9,066,140
Vehicles	3,445,161	714,183	283,704	3,875,640
Furniture and equipment	1,882,042	-	-	1,882,042
Rental properties	<u>1,275,500</u>	<u>197,095</u>	<u>-</u>	<u>1,472,595</u>
Total capital assets, being depreciated	<u>15,535,293</u>	<u>1,044,828</u>	<u>283,704</u>	<u>16,296,417</u>
Less: Accumulated depreciation:				
Building and improvements	(4,055,941)	(250,215)	-	(4,306,156)
Vehicles	(2,459,241)	(252,713)	-	(2,711,954)
Furniture and equipment	(1,006,738)	(74,842)	(230,508)	(851,072)
Rental properties	<u>(148,737)</u>	<u>(33,120)</u>	<u>-</u>	<u>(181,857)</u>
Total accumulated depreciation	<u>(7,670,657)</u>	<u>(610,890)</u>	<u>(230,508)</u>	<u>(8,051,039)</u>
Total capital assets being depreciated, net	<u>7,864,636</u>	<u>433,938</u>	<u>53,196</u>	<u>8,245,378</u>
Capital assets, net	<u>\$ 10,727,982</u>	<u>\$ 433,938</u>	<u>\$ 59,196</u>	<u>\$ 11,102,724</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the discretely presented component unit for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment and furniture	\$ 87,307	\$ 62,744	\$ -	\$ 150,051
Less: Accumulated depreciation:				
Equipment and furniture	<u>(79,813)</u>	<u>(9,964)</u>	<u>-</u>	<u>(89,777)</u>
Total capital assets being depreciated, net	<u>\$ 7,494</u>	<u>\$ 52,780</u>	<u>\$ -</u>	<u>\$ 60,274</u>

Properties held for resale and redevelopment for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Property held for resale or redevelopment	<u>\$ 2,428,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,428,362</u>

## 5. SHORT TERM BORROWINGS

	<u>1-Jan-21</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-21</u>
2020 General Obligation Note Proceeds used to pay pandemic emergency equipment and supplies.	\$ 121,000	\$ -	\$ 121,000	\$ -
2021 General Obligation Note Due June 2022 at interest rate of 2%. Proceeds used to purchase City recycling truck. Repayment in 2022 via grant funds.	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
	<u>\$ 121,000</u>	<u>\$ 120,000</u>	<u>\$ 121,000</u>	<u>\$ 120,000</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

## 6. LONG-TERM DEBT

At December 31, 2021, Long-Term debt obligations were as follows:

	<u>Current</u>	<u>1-Jan-21</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-21</u>
<b>City of Pittsburgh:</b>					
2018 General Obligation Series A Bond USDA 97.04 at 3.5% interest. Monthly installments of \$4,398 for 468 months to July 2058. Proceeds were used for refinancing of Main Street Streetscape Phase 3.	\$ 17,826	\$ 1,023,910	\$ -	\$ 17,215	\$ 1,006,695
2018 General Obligation Series B Bond USDA 97.06 at 4.00% 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.	10,763	553,869	-	10,338	543,531
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 Pittston Memorial Library renovations.	9,884	755,768	-	9,545	746,223
2019 General Obligation Series A Bond USDA 97.03 at 3.125% with interest 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.	17,759	1,252,590	-	17,215	1,235,375
General Obligation Bonds Series A of 2020 bonds issued for refinancing of City's outstanding note obligations.	740,000	8,760,000	-	735,000	8,025,000
General Obligation Bonds Series B of 2020 bonds issued for refinancing of City's outstanding taxable general note obligations	<u>190,000</u>	<u>3,640,000</u>	<u>-</u>	<u>175,000</u>	<u>3,465,000</u>
Total City of Pittsburgh long-term notes payable	<u>986,232</u>	<u>15,986,137</u>	<u>-</u>	<u>964,313</u>	<u>15,021,824</u>



CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

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	<u>Current</u>	<u>1-Jan-21</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-21</u>
<b>Redevelopment Authority:</b>					
Note Payable to the County of Luzerne, Pennsylvania, this note is a non-interest bearing note with a deferred repayment of the principal until November 2036. This note will be forgiven in its entirety at the end of its term, contingent upon compliance with the terms of the agreement. Note proceeds were used for the development of a multi-unit residential facility for eligible elderly tenants.	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total City of Pittsburgh and Redevelopment Authority long-term notes	<u>\$ 986,232</u>	<u>\$16,236,137</u>	<u>\$ -</u>	<u>\$ 964,313</u>	<u>\$15,271,824</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

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Debt service requirements to maturity are as follows:

<u>YEAR ENDING DECEMBER 31:</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 1,106,232	\$ 450,222	\$ 1,556,454
2023	998,218	436,947	1,435,165
2024	1,035,276	400,902	1,436,178
2025	1,062,407	362,460	1,424,867
2026	569,614	323,010	892,624
2027-2031	3,019,034	1,342,321	4,361,355
2032-2036	3,067,291	957,546	4,024,837
2037-2041	1,593,641	572,967	2,166,608
2042-2046	1,210,623	343,099	1,553,722
2047-2051	803,547	172,187	975,734
2052-2058	<u>925,941</u>	<u>77,438</u>	<u>1,003,379</u>
Total	<u>\$ 15,391,824</u>	<u>\$ 5,439,099</u>	<u>\$ 20,830,923</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 2026.

	<u>BALANCE JANUARY 1, 2021</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE DECEMBER 31, 2021</u>
Capital leases	<u>\$ 400,445</u>	<u>\$ 224,825</u>	<u>\$ 79,892</u>	<u>\$ 545,378</u>
Compensated absences	<u>\$ 210,365</u>	<u>\$ 118,238</u>	<u>\$ 93,971</u>	<u>\$ 234,632</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

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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, 2021:

<u>YEAR ENDING:</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
2022	\$ 183,123
2023	153,104
2024	121,274
2025	99,077
2026	<u>36,738</u>
Total commitment under capital lease	593,316
Less amounts representing interest	<u>47,938</u>
Present value of future minimum lease payments	<u><u>\$ 545,378</u></u>

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

## 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

	POLICE PENSION FUND	FIREMEN PENSION FUND	OFFICERS AND EMPLOYEES PENSION FUND
ASSETS:			
Due from other fund	360,497	\$ -	\$ -
Investments	<u>6,615,228</u>	<u>3,364,615</u>	<u>3,962,104</u>
 TOTAL ASSETS	 <u>\$ 6,975,725</u>	 <u>\$ 3,364,615</u>	 <u>\$ 3,962,104</u>
 Net assets, Reserved for employees' retirement benefits	  <u>\$ 6,975,725</u>	  <u>\$ 3,364,615</u>	  <u>\$ 3,962,104</u>
 TOTAL LIABILITIES AND NET ASSETS	  <u>\$ 6,975,725</u>	  <u>\$ 3,364,615</u>	  <u>\$ 3,962,104</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	POLICE PENSION FUND	FIREMEN'S PENSION FUND	OFFICERS & EMPLOYEES PENSION FUND
ADDITIONS:			
Contributions:			
Employer	\$ 55,248	\$ 13,877	\$ 83,694
State Aid	86,351	47,973	91,148
Employees	<u>30,101</u>	<u>15,464</u>	<u>48,332</u>
Total contributions	<u>171,700</u>	<u>77,314</u>	<u>223,174</u>
Investment earnings:			
Net appreciation			
in fair value of investments	723,716	370,106	422,928
Interest and dividends	<u>99,317</u>	<u>37,469</u>	<u>43,013</u>
Total investment gain	<u>823,033</u>	<u>407,575</u>	<u>465,941</u>
Total additions	<u>994,733</u>	<u>484,889</u>	<u>689,115</u>
DEDUCTIONS:			
Benefits paid to recipients	394,995	212,721	234,336
Administrative and other fees	49,848	28,948	32,812
Refund of employee contributions	<u>-</u>	<u>-</u>	<u>6,377</u>
Total deductions	<u>444,843</u>	<u>241,669</u>	<u>273,525</u>
NET INCREASE IN NET ASSETS	549,890	243,220	415,590
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT - BEGINNING	<u>6,425,835</u>	<u>3,121,395</u>	<u>3,546,514</u>
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT - ENDING	<u>\$ 6,975,725</u>	<u>\$ 3,364,615</u>	<u>\$ 3,962,104</u>

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

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Active plan members	7	7	24
Inactive plan members currently receiving benefits	16	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 09/01/2019, 20 years of service. For Officers hired after 09/01/2019, age 55 and 20 years of service, vesting at 12 years of service, no early retirement.
- Fire: For employees hired on or prior to 01/01/2021, 20 years of service. For employees hired after 01/01/2021, age 55 with 20 years of service, vesting at 12 years of service.
- 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 1/40<sup>th</sup> 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 1/40<sup>th</sup> of the basic pension benefit times years of service over 20 earned prior to age 65.
- Officers & Employees: 50 % of average monthly compensation based on higher of final monthly compensation rate or average of 5 highest years of employment.

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

***Survivor Benefit:***

- Police: For death not in the line of duty and before completing 10 years of service, death benefit is 25% of pay. For death in the line of duty or after completing 10 years of service, death benefit is 50% of pay. If retired and hired prior to 09/01/2019, benefit is 100% of monthly pension. If retired and hired after 09/01/2019, benefit is 50% of monthly pension.
- Fire: For employees hired on or prior to 01/01/2021, if retired, eligible for retirement or killed-in-service, 100% of benefit to surviving spouse or child under 18. For employees hired after 01/01/2021, if retired, eligible for retirement, or killed-in-service, 50% of benefit to surviving spouse or 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:***

- Police: None
- Fire: None
- Officers & Employees: None

***Members Contributions:***

- Police:  
Amount or Rate: 5% of compensation plus \$1.00 per month.  
Interest Rate Credited to Member Contributions: None.
- Fire:  
Amount or Rate: For employees hired prior to 01/01/2017, 3% of compensation plus \$1.00 per month. For employees hired on or after 01/01/2017, 4% of compensation plus \$1.00 per month.  
Interest Rate Credited to Member Contributions: None.

- Officers & Employees:  
Amount or Rate: Dual, 5% of pay, Joint, 3.50% of SS pay plus 5% of excess pay.  
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 taxing authority currently provided under the Act, and in the case of a municipality utilizing the proceeds from the special tax to fund other post-employment benefits (OPEBs), requires the inclusion of OPEB liabilities in the actuarial valuation report filed with the Commission and in the calculation of the municipality's Minimum Municipal Obligation (MMO), and became effective January 1, 2010.

Police are required to contribute 5% of covered payroll plus \$1.00 per month. Firemen are required to contribute 3% 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 4% of covered payroll plus \$1.00 per month. Non-Uniformed employees are required to contribute 5% of covered payroll. Non-Uniformed employees may elect joint coverage. Under joint coverage, non-uniformed employees are required to contribute 3.50% of social security pay plus 5% of excess pay. These contributions are governed by the Plans governing documents and collective bargaining agreements. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings. The City did not fully fund its MMO for the Police Fund by December 31, 2021. The outstanding balance due is approximately \$360,500.

## ANNUAL PENSION COST

State aid contributions amounted to \$86,351 for the police pension, \$47,973 for the firemen pension, and \$91,148 for the officers and employees pension in 2021.



**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%	13.0%
US Large Cap Growth	12.0%	12.0%	12.0%
US Large Cap Value	12.0%	12.0%	12.0%
US Small & Mid Cap Growth	8.0%	8.0%	8.0%
International Equity	15.0%	15.0%	15.0%
US Fixed Income	33.0%	33.0%	33.0%
Private Real Estate	7.0%	7.0%	7.0%
Cash	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The long-term expected rate of return for each plan is 6.7%.

**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	\$ 6,749,529	\$ 3,321,458	\$ 3,690,292	\$ 13,761,279
Plan Fiduciary Net Position	<u>6,975,725</u>	<u>3,364,615</u>	<u>3,962,104</u>	<u>14,302,444</u>
Net Pension Liability	<u>\$ (226,196)</u>	<u>\$ (43,157)</u>	<u>\$ (271,812)</u>	<u>\$ (541,165)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.4%	101.3%	107.4%	104.0%

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2020	\$ 6,390,942	\$ 6,425,835	\$ (34,893)
Changes for the year:			
Service cost	93,039	-	93,039
Interest	484,676	-	484,676
Changes in benefit terms	-	-	-
Differences between expected and actual experience	175,867	-	175,867
Changes of assumptions	-	-	-
Contributions – Employer	-	55,248	(55,248)
Contributions – State Aid	-	86,351	(86,351)
Contributions – Member	-	30,101	(30,101)
Net investment income	-	823,034	(823,034)
Benefit payments	(394,995)	(394,995)	-
Administrative expense	-	(49,849)	49,849
Other changes	-	-	-
Net changes	<u>358,587</u>	<u>549,890</u>	<u>(191,303)</u>
Balances at 12/31/2021	<u>\$ 6,749,529</u>	<u>\$ 6,975,725</u>	<u>\$ (226,196)</u>

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2020	\$ 3,113,036	\$ 3,121,395	\$ (8,359)
Changes for the year:			
Service cost	56,172	-	56,172
Interest	239,150	-	239,150
Changes in benefit terms	-	-	-
Differences between expected and actual experience	125,821	-	125,821
Changes of assumptions	-	-	-
Contributions – Employer	-	13,877	(13,877)
Contributions – State Aid	-	47,973	(47,973)
Contributions – Member	-	15,464	(15,464)
Net investment income	-	407,574	(407,574)
Benefit payments	(212,721)	(212,721)	-
Administrative expense	-	(28,947)	28,947
Other changes	-	-	-
Net changes	<u>208,422</u>	<u>243,220</u>	<u>( 34,798)</u>
Balances at 12/31/2021	<u>\$ 3,321,458</u>	<u>\$ 3,364,615</u>	<u>\$ (43,157)</u>

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2020	\$ 3,810,098	\$ 3,546,514	\$ 263,584
Changes for the year:			
Service cost	103,747	-	103,747
Interest	265,859	-	265,859
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(248,699)	-	(248,699)
Changes of assumptions	-	-	-
Contributions – Employer	-	83,694	(83,694)
Contributions – State Aid	-	91,148	(91,148)
Contributions – Member	-	48,332	(48,332)
Net investment income	-	465,942	(465,942)
Benefit payments	(240,713)	(240,713)	-
Administrative expense	-	(32,813)	32,813
Other changes	-	-	-
Net changes	<u>(119,806)</u>	<u>415,590</u>	<u>(535,396)</u>
Balances at 12/31/2021	<u>\$ 3,690,292</u>	<u>\$ 3,962,104</u>	<u>\$ (271,812)</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

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The following table shows the pension expense for fiscal year ended December 31, 2021

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Service cost	\$ 93,039	\$ 56,172	\$ 103,747
Interest on total pension liability	484,676	239,150	265,859
Changes in benefit terms	-	-	-
Differences between expected and actual experience	35,489	26,213	(62,647)
Changes of assumptions	-	-	1,865
Employee contributions	(30,101)	(15,464)	(48,332)
Projected earnings on pension plan investments	(469,040)	(226,782)	(260,822)
Differences between projected and actual earnings on investments	(127,381)	(58,740)	(67,892)
Administrative expense	49,849	28,947	32,813
Other changes in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Total pension expense	<u>\$ 36,531</u>	<u>\$ 49,496</u>	<u>\$ (35,409)</u>

**DEFERRED OUTFLOWS OF RESOURCES**

For the year ended December 31, 2021, the City recognized a pension expense of \$36,531 for the Police Pension Plan, \$49,496 for the Firemen's Pension Plan, and \$(35,409) for the Officers and Employees Retirement Plan. At December 31, 2021, 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	\$ 140,694	\$ 99,608	\$ (297,457)
Changes in assumptions	-	-	1,662
Net difference between projected and actual earnings on pension plan investments	<u>(453,269)</u>	<u>(216,027)</u>	<u>(246,985)</u>
Total	<u><u>\$(312,575)</u></u>	<u><u>\$(116,419)</u></u>	<u><u>\$(542,780)</u></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:			
2022	\$ (56,366)	\$ (3,249)	\$ (96,358)
2023	(153,292)	(71,976)	(174,150)
2024	(67,294)	(26,003)	(123,358)
2025	(35,623)	(15,191)	(101,430)
2026	-	-	(40,243)
Thereafter	<u>-</u>	<u>-</u>	<u>(7,241)</u>
Total	<u><u>\$(312,575)</u></u>	<u><u>\$(116,419)</u></u>	<u><u>\$(542,780)</u></u>

**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, 2021. The plans' pension liability was based upon the plans' actuarial assumptions, asset valuation method, and cost method as described below:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Valuation Date	1/1/2021	1/1/2021	1/1/2021
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	None	11 years	1 year
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
Investment Rate of Return	7.50%	7.50%	7.50%
Projected Salary Increases	4.50%	4.50%	4.50%
Includes inflation at cost-of-living adjustments	2.25%	2.25%	2.25%

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



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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Police	\$ 558,719	\$ (226,196)	\$ (877,999)
Fire Fighters	287,202	(43,157)	(324,335)
Officers and employees	<u>77,091</u>	<u>(271,812)</u>	<u>(573,706)</u>
Total Pension Liability	<u>\$ 3,060,139</u>	<u>\$ 1,685,010</u>	<u>\$ 521,185</u>

## 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, 2021.

### GENERAL INFORMATION ABOUT THE OPEB PLAN

#### **PLAN DESCRIPTION**

The City of Pittsburgh's Other Post Employment Benefits offered to Police employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the City of Pittsburgh and outlined in a collectively bargained agreement between the City of Pittsburgh and Pittsburgh Police Association most recently revised January 1, 2021.

The City of Pittsburgh's Other Post Employment Benefits offered to Fire Fighter employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the City of Pittsburgh and outlined in a collectively bargained agreement between the City of Pittsburgh and Pittsburgh City Fire Fighters Local 840 International Association of Fire Fighters AFL-CIO-CLC most recently revised January 1, 2017. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***BENEFIT TYPES PROVIDED:***

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

Duration of Benefits and Dependent Coverage:

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

Minimum Age and Service Requirements:

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

City Contribution

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

***EMPLOYEES COVERED BY BENEFIT TERMS***

At December 31, 2021, the following employees were covered by the benefit terms:

	<b>Police</b>	<b>Fire</b>
Fully eligible active employees	-	2
Other active employees not fully eligible	8	3
Retirees and beneficiaries currently receiving benefits	<u>2</u>	<u>2</u>
Total	<u>10</u>	<u>7</u>

## **TOTAL OPEB LIABILITY**

The City's total OPEB liability of \$1,453,120 is comprised of \$1,109,976 for Police and \$343,144 for Fire. The total OPEB liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

## **ACTUARIAL ASSUMPTIONS AND OTHER INPUTS**

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

### **Assumption:**

Investment return  
Salary increase  
Discount rate  
Healthcare cost trend rates

### **Police and Fire Fighters OPEB Plans:**

There are no invested assets  
4.5% compounded annually  
2.25%  
Medical and prescription drug costs are assumed to increase by 25% during 2021, 7.75% during 2022 reduced by 0.25% per year thereafter to an ultimate level of 5% per year. Vision costs are assumed to remain level during 2021 and increase by 1.5% per year thereafter. Reimbursement of the deductible is assumed to be 3% per year for 8 years.

Retirees' share of benefit-related costs None

Mortality rates for the Police and Fire Fighters were based on the 2010 Public Safety Amount Based Mortality Tables for Males and Females projected to 2025 using Scale MP-2019

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. No spouses are assumed to participate in coverage.

**CHANGES IN THE TOTAL OPEB LIABILITY**

	<b>Total OPEB Liability Total</b>
Balance at 12/31/2020	<u>\$ 1,469,645</u>
Changes for the year	
Service cost	55,403
Interest	32,600
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(47,811)
Benefit payments	<u>(56,717)</u>
Net changes	<u>(16,525)</u>
Balance at 12/31/2021	<u>\$ 1,453,120</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 2.25% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (1.25%) or 1 percent higher (3.25%) than the current rate.

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB Liability	<u>\$ 1,633,072</u>	<u>\$ 1,453,120</u>	<u>\$ 1,319,378</u>

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

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 1,306,557</u>	<u>\$ 1,453,120</u>	<u>\$ 1,622,363</u>

**9. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

**LITIGATION**

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

**FEDERAL AND STATE GRANTS**

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2021, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

### **CONSTRUCTION COMMITMENTS**

The Community Development Fund has entered into several agreements with local contractors totaling \$1,841,027 for redevelopment projects for the City. The community development fund has paid \$1,422,676 on these agreements through December 31, 2021 while the remainder of \$418,351 remains committed.

### **10. PRIOR PERIOD ADJUSTMENTS**

Prior period adjustment represents a receivable for an increase in beginning net assets by \$2,129,750. The following prior period adjustments resulted in a decrease in beginning net assets by \$4,869,982 which included OPEB liability of \$1,469,645, a pension liability of \$220,332, a long-term debt liability of \$2,386,062, compensated absences and capital lease liability of \$610,810, and other adjustments for \$183,133.

**CITY OF PITTSTON**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)

	General Fund		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 4,015,100	\$ 4,015,100	\$ 4,356,077	\$ 340,977
Intergovernmental revenue	571,600	571,600	1,264,380	692,780
Charges for services	750,000	750,000	921,420	171,420
Investment earnings	25,000	25,000	14,141	(10,859)
Licenses and permits	200,800	200,800	197,226	(3,574)
Fines and forfeitures	54,000	54,000	75,824	21,824
Miscellaneous revenues	49,500	49,500	73,203	23,703
Total revenues	<u>5,666,000</u>	<u>5,666,000</u>	<u>6,902,271</u>	<u>1,236,271</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	2,182,693	2,267,693	2,514,057	246,364
General government - administrative	1,240,998	1,240,998	1,426,397	185,399
Public works	831,650	837,500	974,234	136,734
Community development	232,100	232,100	260,322	28,222
Culture and recreation	375,186	375,186	418,040	42,854
Debt service:				
Principal	659,844	659,844	569,313	(90,531)
Interest	385,000	385,000	282,372	(102,628)
Total expenditures	<u>5,907,471</u>	<u>5,998,321</u>	<u>6,444,735</u>	<u>446,414</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(241,471)</u>	<u>(332,321)</u>	<u>457,536</u>	<u>789,857</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of short term debt	-	-	120,000	120,000
Transfers in	350,000	350,000	340,000	(10,000)
Transfers out	(108,529)	(17,679)	(121,000)	(103,321)
Total other financing sources (uses)	<u>241,471</u>	<u>332,321</u>	<u>339,000</u>	<u>6,679</u>
SURPLUS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	796,536	796,536
FUND BALANCE, BEGINNING	<u>769,511</u>	<u>769,511</u>	<u>769,511</u>	-
FUND BALANCE, ENDING	<u>\$ 769,511</u>	<u>\$ 769,511</u>	<u>\$ 1,566,047</u>	<u>\$ 796,536</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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 93,039	\$ 114,925	\$ 109,976	\$ 123,831	\$ 118,499	\$ 111,439	\$ 106,640
Interest	484,676	457,437	439,807	422,740	405,616	373,019	359,430
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	175,867	-	2,836	-	229,896	-	-
Changes in assumptions	-	-	-	-	5,187	-	-
Benefit payments, including refunds of member contributions	<u>(394,995)</u>	<u>(331,323)</u>	<u>(307,990)</u>	<u>(307,990)</u>	<u>(294,263)</u>	<u>(289,687)</u>	<u>(289,687)</u>
Net Change in Total Pension Liability	358,587	241,039	244,629	238,581	464,935	194,771	176,383
Net Change in Pension Liability - Beginning	<u>6,390,942</u>	<u>6,149,903</u>	<u>5,905,274</u>	<u>5,666,693</u>	<u>5,201,758</u>	<u>5,006,987</u>	<u>4,830,604</u>
Net Change in Pension Liability - Ending	<u>\$ 6,749,529</u>	<u>\$ 6,390,942</u>	<u>\$ 6,149,903</u>	<u>\$ 5,905,274</u>	<u>\$ 5,666,693</u>	<u>\$ 5,201,758</u>	<u>\$ 5,006,987</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 55,248	\$ 131,655	\$ 82,390	\$ 2,226,495	\$ 347,322	\$ 272,913	\$ 322,511
Contributions - State Aid	86,351	-	25,783	12,472	78,705	79,482	24,910
Contributions - Member	30,101	28,896	27,540	26,213	23,259	23,286	10,289
Net Investment Income	823,034	600,830	827,156	(178,286)	411,553	156,835	26,833
Benefit payments, including refunds of member contributions	(394,995)	(331,323)	(307,990)	(307,990)	(294,263)	(289,687)	(289,687)
Administrative expense	<u>(49,849)</u>	<u>(44,886)</u>	<u>(45,551)</u>	<u>(26,977)</u>	<u>(27,897)</u>	<u>(23,081)</u>	<u>(22,086)</u>
Net Change in Plan Fiduciary Net Position	549,890	385,172	609,328	1,751,927	538,679	219,748	72,770
Net Plan Position, Beginning	<u>6,425,835</u>	<u>6,040,663</u>	<u>5,431,335</u>	<u>3,679,408</u>	<u>3,140,729</u>	<u>2,920,981</u>	<u>2,848,211</u>
Net Plan Position, Ending	<u>\$ 6,975,725</u>	<u>\$ 6,425,835</u>	<u>\$ 6,040,663</u>	<u>\$ 5,431,335</u>	<u>\$ 3,679,408</u>	<u>\$ 3,140,729</u>	<u>\$ 2,920,981</u>
Net Plan Pension Liability	<u>\$ (226,196)</u>	<u>\$ (34,893)</u>	<u>\$ 109,240</u>	<u>\$ 473,939</u>	<u>\$ 1,987,285</u>	<u>\$ 2,061,029</u>	<u>\$ 2,086,006</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.4%	100.5%	98.2%	92.0%	64.9%	60.4%	58.3%
Covered Employee Payroll	618,330	552,996	536,912	522,218	556,848	524,612	441,583
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	-36.6%	-6.3%	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 PITTSTON**

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 56,172	\$ 43,973	\$ 42,079	\$ 39,730	\$ 38,019	\$ 36,553	\$ 34,979
Interest	239,150	223,769	216,595	217,654	207,757	206,477	196,849
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	125,821	-	(140,228)	-	(127,673)	-	-
Changes in assumptions	-	-	-	-	5,293	-	-
Benefit payments, including refunds of member contributions	<u>(212,721)</u>	<u>(188,645)</u>	<u>(141,191)</u>	<u>(126,035)</u>	<u>(105,039)</u>	<u>(105,039)</u>	<u>(105,039)</u>
Net Change in Total Pension Liability	208,422	79,097	(22,745)	131,349	18,357	137,991	126,789
Net Change in Pension Liability - Beginning	<u>3,113,036</u>	<u>3,033,939</u>	<u>3,056,684</u>	<u>2,925,335</u>	<u>2,906,978</u>	<u>2,768,987</u>	<u>2,642,198</u>
Net Change in Pension Liability - Ending	<u>\$ 3,321,458</u>	<u>\$ 3,113,036</u>	<u>\$ 3,033,939</u>	<u>\$ 3,056,684</u>	<u>\$ 2,925,335</u>	<u>\$ 2,906,978</u>	<u>\$ 2,768,987</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 13,877	\$ 748	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - State Aid	47,973	64,420	57,843	59,635	46,450	46,389	70,122
Contributions - Member	15,464	7,220	7,974	7,553	6,638	3,926	3,697
Net Investment Income	407,574	296,213	423,304	(133,312)	337,628	116,782	(43,927)
Benefit payments, including refunds of member contributions	(212,721)	(188,645)	(141,191)	(126,035)	(105,039)	(105,039)	(105,039)
Administrative expense	<u>(28,947)</u>	<u>(24,117)</u>	<u>(27,255)</u>	<u>(22,966)</u>	<u>(26,327)</u>	<u>(22,386)</u>	<u>(22,755)</u>
Net Change in Plan Fiduciary Net Position	243,220	155,839	320,675	(215,125)	259,350	39,672	(97,902)
Net Plan Position, Beginning	<u>3,121,395</u>	<u>2,965,556</u>	<u>2,644,881</u>	<u>2,860,006</u>	<u>2,600,656</u>	<u>2,560,984</u>	<u>2,658,886</u>
Net Plan Position, Ending	<u>\$ 3,364,615</u>	<u>\$ 3,121,395</u>	<u>\$ 2,965,556</u>	<u>\$ 2,644,881</u>	<u>\$ 2,860,006</u>	<u>\$ 2,600,656</u>	<u>\$ 2,560,984</u>
Net Plan Pension Liability	<u>\$ (43,157)</u>	<u>\$ (8,359)</u>	<u>\$ 68,383</u>	<u>\$ 411,803</u>	<u>\$ 65,329</u>	<u>\$ 306,322</u>	<u>\$ 208,003</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.3%	100.3%	97.7%	86.5%	97.8%	89.5%	92.5%
Covered Employee Payroll	354,160	388,740	390,438	413,606	385,368	384,648	468,512
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	-12.2%	-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 PITTSTON**

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 103,747	\$ 120,038	\$ 114,869	\$ 104,305	\$ 99,813	\$ 97,113	\$ 92,931
Interest	265,859	275,659	266,445	268,571	259,158	246,570	234,587
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(248,699)	-	(159,213)	-	4,542	-	-
Changes in assumptions	-	-	-	-	10,987	-	-
Benefit payments, including refunds of member contributions	<u>(240,713)</u>	<u>(282,020)</u>	<u>(245,261)</u>	<u>(259,870)</u>	<u>(216,037)</u>	<u>(172,103)</u>	<u>(171,770)</u>
Net Change in Total Pension Liability	(119,806)	113,677	(23,160)	113,006	158,463	171,580	155,748
Net Change in Pension Liability - Beginning	<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>	<u>3,120,784</u>
Net Change in Pension Liability - Ending	<u>\$ 3,690,292</u>	<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	\$ 83,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - State Aid	91,148	171,924	146,796	143,375	99,669	92,861	101,010
Contributions - Member	48,332	42,695	42,532	38,649	36,360	36,614	38,545
Net Investment Income	465,942	335,687	467,243	(145,866)	374,991	130,205	(41,042)
Benefit payments, including refunds of member contributions	(240,713)	(282,020)	(245,261)	(259,870)	(216,037)	(172,103)	(171,770)
Administrative expense	<u>(32,813)</u>	<u>(26,420)</u>	<u>(29,975)</u>	<u>(24,848)</u>	<u>(29,129)</u>	<u>(24,460)</u>	<u>(25,169)</u>
Net Change in Plan Fiduciary Net Position	415,590	241,866	381,335	(248,560)	265,854	63,117	(98,426)
Net Plan Position, Beginning	<u>3,546,514</u>	<u>3,304,648</u>	<u>2,923,313</u>	<u>3,171,873</u>	<u>2,906,019</u>	<u>2,842,902</u>	<u>2,941,328</u>
Net Plan Position, Ending	<u>\$ 3,962,104</u>	<u>\$ 3,546,514</u>	<u>\$ 3,304,648</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>\$ (271,812)</u>	<u>\$ 263,584</u>	<u>\$ 391,773</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	107.4%	93.1%	89.4%	78.6%	87.9%	84.3%	86.8%
Covered Employee Payroll		846,394	772,312	728,904	743,958	757,618	811,084
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	#DIV/0!	31.1%	50.7%	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 PITTSTON**

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

	<u>2021</u>	<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	\$ 131,655	\$ 108,173	\$ 105,892	\$ 426,027	\$ 352,395	\$ 347,421	\$ 334,650
Contributions made	<u>131,655</u>	<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 deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,420</u>	<u>\$ 403,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	552,996	\$ 552,996	\$ 536,912	\$ 522,218	\$ 556,848	\$ 524,612	\$ 441,583	\$ 399,172
Contributions as a percentage of covered employee payroll	23.81%	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 PITTSTON**

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 61,850	\$ 65,168	\$ 57,843	\$ 59,635	\$ 46,450	\$ 46,389	\$ 70,122	\$ 76,255
Contributions made	<u>61,850</u>	<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 deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 354,160	\$ 388,740	\$ 390,438	\$ 413,606	\$ 385,368	\$ 384,648	\$ 468,512	\$ 335,777
Contributions as a percentage of covered employee payroll	17.46%	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 PITTSTON**

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 174,842	\$ 171,924	\$ 146,796	\$ 143,375	\$ 99,669	\$ 92,861	\$ 101,010	\$ 86,368
Contributions made	<u>174,842</u>	<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 deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 877,708	\$ 846,394	\$ 772,312	\$ 728,904	\$ 743,958	\$ 757,618	\$ 811,084	\$ 704,777
Contributions as a percentage of covered employee payroll	19.92%	20.31%	19.01%	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 PITTSTON**

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 55,403	\$ 56,223	\$ 40,906	\$ 39,144
Interest	32,600	28,204	34,106	32,554
Changes of benefit terms		-	-	-
Differences between expected and actual experience		65,581	-	-
Changes in assumptions and cost method	(47,811)	366,595	-	-
benefit payments	<u>(56,717)</u>	<u>(39,826)</u>	<u>(31,391)</u>	<u>(26,820)</u>
Net change in total OPEB liability	(16,525)	476,777	43,621	44,878
Total OPEB Liability, Beginning	<u>1,469,645</u>	<u>992,868</u>	<u>949,247</u>	<u>904,369</u>
Total OPEB Liability, Ending	<u>\$ 1,453,120</u>	<u>\$ 1,469,645</u>	<u>\$ 992,868</u>	<u>\$ 949,247</u>
Covered-employee payroll	\$ 848,446	\$ 811,910	\$ 1,015,116	\$ 971,403
Total OPEB liability as a percentage of covered-employee payroll	171.27%	181.01%	97.81%	97.72%

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, 2021  
(UNAUDITED)

	POLICE PENSION PLAN	FIREMEN PENSION PLAN	NONUNIFORMED PENSION PLAN
VALUATION DATE	1/1/2021	1/1/2021	1/1/2021
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	None Assumed
DISABILITY	SOA 1987 Group LTD Table - Males, 3 month elimination	SOA 1987 Group LTD Table - Males, 3 month elimination	SOA 1987 Group LTD Table - Males, 6 month elimination
RETIREMENT AGE	Later of age 50 and the completion of 20 years of service, or age on valuation date if greater	Later of age 55 and the completion of 20 years of service, or age on valuation date if greater	Normal retirement age, or age on valuation date if greater
MARITAL STATUS	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse	100% of active members are assumed to be married. Female spouse is assumed to be the same age as male spouse
FORM OF ANNUITY	Joint & 100% survivor	Joint & 100% survivor	Joint & 50% survivor
KILLED IN SERVICE	After 10 years of service, death benefit is 50%	Before 1/1/21, 100% to surviving spouse or child under 18. After 1-1- 21, death benefit is 50%	N/A
REMAINING AMORTIZATION PERIOD	None	11 years	1 year
ASSET VALUATION METHOD	Market Value	Market Value	Market Value
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, as of and for the year ended December 31, 2021, 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 September 7, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Pittston, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

#### **Report on 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 financial statements. 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  
September 7, 2022