

TOWNSHIP OF PITTSTON,
PENNSYLVANIA

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

FIORELLI & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS
JESSUP, PENNSYLVANIA

TOWNSHIP OF PITTSTON, PENNSYLVANIA

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| INDEPENDENT AUDITORS' REPORT | 2 |
| STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES, GOVERNMENTAL FUNDS – CASH BASIS | 4 |
| STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS – CASH BASIS | 5 |
| GENERAL FUND AND LIQUID FUELS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CASH BASIS – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) | 6 |
| STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS | 7 |
| STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CASH BASIS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |
| REQUIRED SUPPLEMENTARY POLICE PENSION INFORMATION – UNAUDITED | 21 |

FIGRELLI & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

705 POWELL AVENUE
JESSUP, PENNSYLVANIA 18434
Phone: (570) 383-0782
Fax: (570) 383-1515

THOMAS J. FIGRELLI, CPA
MICHAEL T. FIGRELLI, CPA

Board of Supervisors
Township of Pittston, Pennsylvania

Independent Auditor's Report

We have audited the accompanying financial statements of the Township of Pittston, Pennsylvania, which comprise the statement of assets, liabilities and fund balances – cash basis, of each fund as of December 31, 2018, and the related statement of revenues, expenditures and other financing sources – cash basis for each fund, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of the Commonwealth of Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Township of Pittston, Pennsylvania, on the cash basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of the Commonwealth of Pennsylvania, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the cash basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Pittston, Pennsylvania, as of December 31, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

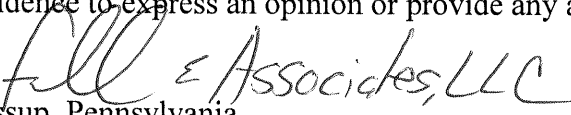
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the statement of assets, liabilities and fund balances – cash basis, of each fund of the Township of Pittston, Pennsylvania, as of December 31, 2018, and the related statement of revenues, expenditures and other financing sources – cash basis for each fund, on the cash basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of the Commonwealth of Pennsylvania as described in Note 1.

Other Matters

Required Supplementary Information

The required supplementary information, related to the Police Pension Trust Fund on pages 20 and 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for 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.


Jessup, Pennsylvania
February 28, 2019

TOWNSHIP OF PITTSTON, PENNSYLVANIA

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
DECEMBER 31, 2018

| | GOVERNMENTAL FUND TYPES | | TOTAL (MEMORANDUM ONLY) |
|--------------------------------------|-------------------------|-------------------------|----------------------------|
| | GENERAL FUND | LIQUID FUELS FUND | |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,227,894 | | \$ 1,227,894 |
| Assigned cash: | | | |
| Cash and Cash equivalents | 915,730 | | 915,730 |
| Restricted cash: | | | |
| Cash and Cash equivalents | <u>4,436</u> | <u>\$ 37,289</u> | <u>41,725</u> |
| TOTAL | <u>\$ 2,148,060</u> | <u>\$ 37,289</u> | <u>\$ 2,185,349</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES: | | | |
| Employee benefits payable | \$ 1,175 | | \$ 1,175 |
| Escrow payable | <u>4,436</u> | | <u>4,436</u> |
| Total liabilities | <u>\$ 5,611</u> | | <u>\$ 5,611</u> |
| FUND BALANCES: | | | |
| Restricted | | \$ 37,289 | \$ 37,289 |
| Assigned | \$ 915,730 | | 915,730 |
| Unassigned | <u>1,226,719</u> | <u>-</u> | <u>1,226,719</u> |
| Total fund balances | <u>\$ 2,142,449</u> | <u>\$ 37,289</u> | <u>\$ 2,179,738</u> |
| TOTAL | <u>\$ 2,148,060</u> | <u>\$ 37,289</u> | <u>\$ 2,185,349</u> |

TOWNSHIP OF PITTSTON, PENNSYLVANIA

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

| | GOVERNMENTAL FUND TYPES | | TOTALS (MEMORANDUM ONLY) |
|---|-------------------------|-------------------------|-----------------------------|
| | GENERAL FUND | LIQUID FUELS FUND | |
| REVENUES | | | |
| Taxes | | | |
| Mercantile tax | \$ 973,687 | | \$ 973,687 |
| Earned income tax | 496,090 | | 496,090 |
| Local service tax | 342,391 | | 342,391 |
| Real estate tax | 208,458 | | 208,458 |
| Other taxes | 77,456 | | 77,456 |
| Charges for services | 223,423 | | 223,423 |
| Intergovernmental revenues | 707,737 | \$ 143,095 | 850,832 |
| License & permits | 31,927 | | 31,927 |
| Interest and rents | 23,695 | 44 | 23,739 |
| Fines & forfeitures | 12,232 | | 12,232 |
| Miscellaneous revenue & non-revenue receipts | 9,910 | | 9,910 |
| TOTAL REVENUE | \$ 3,107,006 | \$ 143,139 | \$ 3,250,145 |
| EXPENDITURES | | | |
| General government | \$ 312,210 | | \$ 312,210 |
| Public safety: | | | |
| Police | 427,580 | | 427,580 |
| Fire & ambulance | 535,717 | | 535,717 |
| Planning | 183,056 | | 183,056 |
| Public works: | | | |
| Sewer | 115,672 | | 115,672 |
| Refuse & recycling | 294,648 | | 294,648 |
| Highways & streets | 1,163,772 | \$ 158,751 | 1,322,523 |
| Storm water management | 36,797 | | 36,797 |
| Culture & recreation | 60,721 | | 60,721 |
| Capital outlay: | | | |
| Equipment | 64,010 | - | 64,010 |
| Insurance and miscellaneous | 181,700 | - | 181,700 |
| TOTAL EXPENDITURES | \$ 3,375,883 | \$ 158,751 | \$ 3,534,634 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (268,877) | \$ (15,612) | \$ (284,489) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from the disposition of capital assets | \$ 1,200 | \$ - | \$ 1,200 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 1,200 | \$ - | \$ 1,200 |
| EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (267,677) | \$ (15,612) | \$ (283,289) |
| FUND BALANCES, JANUARY 1, 2018 | | | |
| Restricted | | \$ 52,901 | \$ 52,901 |
| Assigned | \$ 1,006,538 | | 1,006,538 |
| Unassigned | 1,403,588 | - | 1,403,588 |
| TOTAL | \$ 2,410,126 | \$ 52,901 | \$ 2,463,027 |
| FUND BALANCES, DECEMBER 31, 2018 | \$ 2,142,449 | \$ 37,289 | \$ 2,179,738 |

TOWNSHIP OF PITTSTON, PENNSYLVANIA
GENERAL FUND AND LIQUID FUELS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

| | GENERAL FUND | | | LIQUID FUELS FUND | | |
|---|--------------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | ORIGINAL AND REVISED BUDGET | TOTAL ACTUAL | VARIANCE | ORIGINAL BUDGET | TOTAL ACTUAL | VARIANCE |
| REVENUES | | | | | | |
| Taxes | | | | | | |
| Mercantile | \$ 910,000 | \$ 973,687 | \$ 63,687 | | | |
| Earned income | 465,000 | 496,090 | 31,090 | | | |
| Local service | 300,000 | 342,391 | 42,391 | | | |
| Real estate | 203,170 | 208,458 | 5,288 | | | |
| Other taxes | 131,500 | 77,456 | (54,044) | | | |
| Charges for services | 253,800 | 223,423 | (30,377) | | | |
| Intergovernmental revenues | 732,830 | 707,737 | (25,093) | \$ 140,400 | \$ 143,095 | \$ 2,695 |
| License & permits | 31,800 | 31,927 | 127 | | | |
| Interest and rents | 21,000 | 23,695 | 2,695 | - | 44 | 44 |
| Fines & forfeitures | 13,000 | 12,232 | (768) | | | |
| Miscellaneous revenue & non-revenue receipts | 10,000 | 9,910 | (90) | - | - | - |
| Total revenues | \$ 3,072,100 | \$ 3,107,006 | \$ 34,906 | \$ 140,400 | \$ 143,139 | \$ 2,739 |
| EXPENDITURES | | | | | | |
| General government | \$ 318,445 | \$ 312,210 | \$ 6,235 | | | |
| Public safety | | | | | | |
| Police | 449,450 | 427,580 | 21,870 | | | |
| Fire & ambulance | 583,790 | 535,717 | 48,073 | | | |
| Planning | 201,755 | 183,056 | 18,699 | | | |
| Public works | | | | | | |
| Sewer | 130,370 | 115,672 | 14,698 | | | |
| Refuse & recycling | 283,020 | 294,648 | (11,628) | | | |
| Highways & streets | 1,390,765 | 1,163,772 | 226,993 | \$ 140,400 | \$ 158,751 | \$ (18,351) |
| Storm water management | 21,000 | 36,797 | (15,797) | | | |
| Culture & recreation | 54,175 | 60,721 | (6,546) | | | |
| Capital outlay: | | | | | | |
| Equipment | 48,000 | 64,010 | (16,010) | | | |
| Miscellaneous | 326,225 | 181,700 | 144,525 | - | - | - |
| Total expenditures | \$ 3,806,995 | \$ 3,375,883 | \$ 431,112 | \$ 140,400 | \$ 158,751 | (18,351) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (734,895) | \$ (268,877) | \$ 466,018 | \$ - | \$ (15,612) | \$ (15,612) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from the disposition of capital assets | \$ - | \$ 1,200 | \$ 1,200 | \$ - | \$ - | \$ - |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ - | \$ 1,200 | \$ 1,200 | \$ - | \$ - | \$ - |
| EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (734,895) | \$ (267,677) | \$ 467,218 | \$ - | \$ (15,612) | \$ (15,612) |
| FUND BALANCE - JANUARY 1, 2018 | \$ 734,895 | \$ 2,410,126 | \$ 1,675,231 | \$ - | \$ 52,901 | \$ 52,901 |
| FUND BALANCE - DECEMBER 31, 2018 | \$ - | \$ 2,142,449 | \$ 2,141,249 | \$ - | \$ 37,289 | \$ 37,289 |

TOWNSHIP OF PITTSTON, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
DECEMBER 31, 2018

| | POLICE PENSION TRUST FUND |
|------------------------------------|------------------------------|
| <u>ASSETS</u> | |
| Investments | \$ 334,174 |
| TOTAL | <u>\$ 334,174</u> |
| <u>NET POSITION</u> | |
| NET POSITION: | |
| Held in trust for pension benefits | \$ 334,174 |
| TOTAL | <u>\$ 334,174</u> |

TOWNSHIP OF PITTSTON, PENNSYLVANIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | POLICE PENSION TRUST FUND |
|---|--------------------------------------|
| ADDITIONS: | |
| Contributions: | |
| State aid | \$ 41,573 |
| Employee | <u>5,192</u> |
| Total contributions | <u>\$ 46,765</u> |
| Net depreciation in fair value of investments | \$ (38,031) |
| Interest and rents | <u>11,411</u> |
| Net Investment income | <u>\$ (26,620)</u> |
| Total additions | <u>\$ 20,145</u> |
| DEDUCTIONS: | |
| Investment fees | \$ 6,219 |
| Retirement benefits paid | <u>46,960</u> |
| Total deductions | <u>\$ 53,179</u> |
| DECREASE IN NET POSITION | \$ (33,034) |
| NET POSITION, JANUARY 1, 2018 | <u>\$ 367,208</u> |
| NET POSITION, DECEMBER 31, 2018 | <u><u>\$ 334,174</u></u> |

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

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the Township of Pittston, Pennsylvania (the "Township") are summarized below.

The Township is a Second Class Township located in Northeastern Pennsylvania and was established under the laws of the Commonwealth of Pennsylvania in 1790. The Township operates under the Township Supervisors form of government. An elected three member Board of Supervisors governs the Township, which provides general government administration, public safety, highway and street maintenance, sanitation, public improvements, and planning and zoning. The Township has a population of approximately 3,350 residents.

The Township Financial Administrator, appointed by the Board of Supervisors, is the person responsible to manage the office, supervises the maintenance of books and records and performs other various duties as required. There are full-time and occasional part-time employees under the supervision of the Township Financial Administrator.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Government resources are allocated for in individual funds based upon the purposes for which they are to be spent. The operation of each fund or group is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources together with all related fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. The various funds are grouped, in financial statements in this report, into generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of special revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specified purposes. The Liquid Fuels Fund of the Township comprises this generic group.

FIDUCIARY FUND

Trust Funds – Trust Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations or other funds. The Police Pension Fund (defined benefit plan) currently comprises the Township's only Fiduciary Fund. The Township also maintains a Non Uniform pension plan (defined contribution plan) which is not included as a Fiduciary Fund on the Financial Statements (see note 5).

BASIS OF ACCOUNTING AND GASB 34

All Township Funds are accounted for using the cash basis of accounting. Their revenues are recognized when received and expenditures are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles. In governmental units (townships), conformance with generally accepted accounting principles currently requires that all governmental funds, expendable trust funds, and agency funds be accounted for using the full accrual basis of accounting. Principal and interest on general long-term debt are recorded as fund liabilities when due. The accrual basis of accounting is also required to be utilized by proprietary fund types, and nonexpendable trust funds, (Pension Funds). Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

In June 1999, The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).

A change in the fund financial statements to focus on major funds.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

At this time, the Township has not conformed with GASB 34, still reports on the cash basis of accounting, and is not presenting a management's discussion and analysis section. Management's discussion and analysis of the results is supplementary information required to be presented in financial statements prepared in accordance with generally accepted accounting principles. The Township has not presented that information required to supplement the basic financial statements.

The Township is not presenting a Statement of Net Position or Statement of Activities.

The Township is reporting using a comprehensive basis of accounting other than generally accepted accounting principles that demonstrates compliance with regulatory basis of accounting and budget laws of The Commonwealth of Pennsylvania.

CASH AND INVESTMENTS

The Township's investment policy is to invest in the following:

- United States Treasury Bills;
- Short-term obligations of the United States Government or its agencies or instrumentalities;
- Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurer;
- Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania, or any agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania;
- Certificates of Deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania which are insured by the FDIC or other like insurer. For any amounts in excess of the insured maximum, such deposits must be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly of the Commonwealth of Pennsylvania.
- Commercial paper and prime commercial paper meeting certain requirements.

Cash and cash equivalents consist of cash and certificates of deposit with an original maturity of three months or less, which are carried at cost. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At December 31, 2018, the bank balance of the Township's deposits with financial institutions, including cash equivalents, was \$2,002,216, compared to the carrying amount of \$2,185,347. The difference is caused by items in-transit and outstanding checks. \$1,315,412 of the Township's deposits was exposed to custodial credit risk. The amount exposed to credit risk was uninsured but collateralized by securities pledged by the financial institutions for such funds but not in the Township's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971 as amended

Investments in the Police Pension Fund are carried at Fair Market Value.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

INVENTORIES AND MATERIALS AND SUPPLIES

Materials and supplies of the General Fund are expended as purchased and are not shown on the balance sheet due to their relative insignificant value at year end.

2. COMPONENTS OF THE TOWNSHIP'S REPORTING ENTITY

The financial statements of the Township have not been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units as noted in note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

REPORTING ENTITY

In evaluating how to define the government per Sec. 2100 GASB, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying criteria set forth in GAAP. The basic - but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens or whether the activity is conducted within the geographic boundaries of the government and generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Excluded from the reporting entity:

Sewer Authority of the Township of Pittston. The Sewer Authority of the Township of Pittston (herein referred to as “the Authority”) was incorporated in 1966 under the Municipality Authorities Act of 1945, P.L. 382 of the Commonwealth of Pennsylvania, pursuant to resolution adopted by the Board of Supervisors of the Township of Pittston.

The Authority’s governing board (appointed by the Township’s Board of Supervisors) selects management staff, sets user charges, establishes budget and controls all aspects of general management and development. Additionally, the Township does not hold title to any of the Authority’s assets, nor does it have any right to the Authority’s surpluses. However, ultimately the Township is responsible for the proper implementation of its “Official Sewage Facilities Plan” as outlined by the Pennsylvania Department of Environmental Protection.

3. CONTINGENT LIABILITIES

The Township is serviced by the Wyoming Valley Sewer Authority (herein “WVSA”) and the Lower Lackawanna Valley Sanitary Authority (herein “LLVSA”) (under treatment service and lease agreement) and has the authority to bill and collect sewer rents and charges from the Township’s residents and commercial entities and lien on real estate of delinquent billings. However, any outstanding bills are the responsibility of the Township. At December 31, 2018, the Township’s contingent liability totaled \$17,533 to WVSA and \$10,628 to LLVSA . As of December 31, 2018, the Township has not been required to pay any delinquent bills.

The Township guarantees a loan of the Sewer Authority of the Township of Pittston. The debt proceeds were used by the Authority to fund a sewer expansion project within the Township. At December 31, 2018, the outstanding principal balance was \$6,746. As of December 31, 2018, the Township has not been required to fund any debt service payments of the Authority.

From time to time, the Township is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses which may result from these lawsuits due to the fact the Township’s legal counsel believes any exposure will be covered by existing insurance policies.

4. REAL ESTATE TAXES

The Township levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Township Supervisors, on the assessed value of property as determined by Chief Assessor’s Office of the County of Luzerne. The assessed value of real property on January 1, 2018, upon which the levy for the 2018 year was based, was \$489,587,400. Taxes are due during the 2018 calendar year and become delinquent by December 31, 2018. The tax rate during 2018 was .25 mills per \$1,000 of assessed valuation for general purposes and .25 mills per \$1,000 of assessed valuation for emergency services.

**TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

The schedule for real estate taxed and levied each year is as follows:

| | |
|----------------------|----------------------|
| February 15 | Levy Date |
| March 9 – May 8 | 2.0% discount period |
| May 9 – July 8 | Face payment period |
| July 9 – December 31 | 10% penalty period |
| January 1 | Delinquent period |

5. RETIREMENT AND PENSION PLANS

NON-UNIFORM PENSION PLAN

The non-uniform pension plan is a defined contribution plan covering six (6) non-uniform employees. The Township contributes a maximum of 5% of each employee's salary. Pension expense for 2018 was \$20,040. Annually, the Township is reimbursed for its share of the pension contributions in accordance with the Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984).

POLICE PENSION PLAN

The Township manages a Police Pension Plan pursuant to the provisions of Act 600 in which the two (2) full-time township policemen are not fully vested. The plan was funded by allocations of Commonwealth of Pennsylvania tax on foreign casualty insurance premiums. The Township is liable for any unfunded pension liabilities. The Township is liable for any unfunded pension liabilities which exceeds the Commonwealth of Pennsylvania and member contributions. Annually, the Township is reimbursed for its share of the pension contributions in accordance with the Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984).

Description of Plan

The Township pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 4 of 1991 and Ordinance 3 of 1994, adopted pursuant to Act 600. The plan is governed by the Township Supervisors which is responsible for the management of plan assets. The recommended rate of contributions is determined each year by actuaries using the entry age cost valuation method. The contribution for 2018 was \$41,573.

All full-time police officers are eligible to participate in the plan. The normal retirement date is the later of the date in which the participant attains age fifty-five (55) and completes twenty-five (25) years of service.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Plan Membership

As of December 31, 2018, the pension plan’s membership consisted of:

| | |
|--|---------|
| Active Employees | 2 |
| Retirees and beneficiaries currently receiving benefits | 1 |
| Disability benefits | 1 |
| Terminated employees entitled to benefits but not receiving them | _____ - |
| Total | _____ 4 |

Retirement Benefits:

Normal Retirement Benefit – One-half (1/2) of compensation averaged over the last sixty (60) months of continuous employment.

Disability Benefit – One-half (1/2) of the participant’s salary at the time when the disability was incurred reduced by Social Security disability benefits for the same injury.

Death Benefits:

Pre-Retirement Death Benefit – If a participant dies prior to becoming eligible for pension benefits, then their designed beneficiary shall be entitled to a refund of their accumulated participant contributions with credited interest. If no beneficiary survives, then the refund is payable to the participant’s estate.

Death Benefit to Surviving Spouse and Dependent Children – If the participant reached the Normal Retirement Date (see above) or is already receiving a pension, the amount of the pension benefit shall be equal to 50% of the Normal Retirement Benefit to the surviving spouse. If there is no benefit payable to a surviving spouse, then the benefit is payable to the guardian of surviving dependent children until the last dependent child dies or reaches his/her 18th birthday (or if attending college, reaches the 23rd birthday).

If the participant has no surviving spouse or dependent children, the participant’s beneficiary or estate shall be entitled to a refund of his/her accumulated member contributions with credited interest reduced by the amount of pension benefit received by the participant.

Participant Contributions- Participants pay into the pension fund at the rate of 5% of salary unless the Township Board of Supervisors, by ordinance or resolution, reduce or eliminate payments into the Fund by participants. Member contributions totaled \$5,192 at December 31, 2018 and are payable to plan participants upon separation of service.

**TOWNSHIP OF PITTSTON, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

Vesting – If a participant transfers, resigns, becomes disabled before becoming eligible for benefits as described above then he/she shall be entitled to a refund of all contributions made by him/her plus interest.

Summary of Significant Accounting Policies

Basis of accounting

Financial information of the Police Pension is presented on the cash basis of accounting. Plan participant contributions (if any) are recognized in the period in which the contributions are paid. Employer contributions to the plan are recognized when paid. Benefits and refunds are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles with no recognition having been accorded to accounts receivable, accounts payable or accrued expenses.

Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

At December 31, 2018, the investments of the plan are categorized as follows:

POLICE PENSION FUND

| <u>Securities</u> | <u>FAIR VALUE</u> |
|-------------------|-------------------|
| Money market | \$ 7,564 |
| Mutual funds | 154,428 |
| Common stock | <u>172,182</u> |
| Total | <u>\$ 334,174</u> |

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Fair Value Measurement

The Township has the following recurring fair value measurements at December 31, 2018:

| <u>PENSION TRUST FUND</u> | 12/31/18: | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Un- observable Inputs (Level 3) |
|----------------------------------|------------------|--|---|---|
| Investments by fair value level: | | | | |
| Money market | \$ 7,564 | \$ 7,564 | | |
| Mutual funds | 154,428 | 154,428 | | |
| Common stock | <u>172,182</u> | <u>172,182</u> | \$ - | \$ - |
| Total | <u>\$334,174</u> | <u>\$ 334,174</u> | <u>\$ -</u> | <u>\$ -</u> |

Securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Credit Risk and Concentration of Credit Risk

The Township has limits on the amount that may be invested in any one issuer. At December 31, 2018, no one issuer (excluding the U.S. Government and investments in mutual funds) totaled more than 5 percent of the plans net position. The Plan's investment policy requires all bonds to be rated as "investment grade" by Moody's Investors Service.

Administrative expenses – Administrative expenses, including actuarial and consultant services are charged to the appropriate plan and funded through investment earnings and contributions.

Contributions and Funding Policy – The Act requires that annual contributions be based on the calculation of the Minimum Pension Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The Commonwealth of PA allocates certain funds to assist in pension funding. Any financial requirements established by the MMO which exceed the Commonwealth allocation must be funded by the Township. The 2018 MMO for the Police Pension and Non-Uniform Pension plans was \$41,573 and \$20,040, respectively.

6. **FUND BALANCE**

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Township ordinances).

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Township Supervisors. Those committed amounts cannot be used for any other purpose unless the Township Supervisors removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balances classification may be redeployed for other purposes with appropriate due process.

Constraints imposed on the use of committed amounts are imposed by the Township Supervisors, separate from authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Township Supervisors.

Unassigned – Unassigned fund balanced is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

The Township applies restricted resources first when expenditure are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first by followed by assigned, and then unassigned amounts when expenditures are included for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

7. RESTRICTED FUNDS

All cash, investments, and other assets contained in the Police Pension Funds are, by law, restricted for use solely therein.

8. INTERFUND TRANSFERS

There were no interfund transfers in 2018.

9. INTERGOVERNMENTAL GRANTS

GENERAL FUND:

| <u>Grantor</u> | <u>Amount</u> | <u>Source</u> |
|---|-------------------|---------------|
| PA Department of Community and Economic Development | \$ 543,182 | State |
| PA Municipal Pensions Program | 56,211 | State |
| PA Municipal Fire Relief Program | 21,740 | State |
| PA Department of Environmental Protection | 38,275 | State |
| Other PA intergovernmental revenue | <u>48,329</u> | State/Local |
| Total | <u>\$ 707,737</u> | |

LIQUID FUELS FUND:

| <u>Grantor</u> | <u>Amount</u> | <u>Source</u> |
|---------------------------|-------------------|---------------|
| PA Dept of Transportation | <u>\$ 143,095</u> | State |

10. BUDGET POLICY AND PRACTICE

The Township Financial Administrator submits an annual budget to the Township Supervisors in accordance with The Pennsylvania Second Class Township Code. On or before December 31, Board of Supervisors amends and/or adopts the budget after it has been advertised in the newspaper and made available for public inspection by the Secretary. Once approved, the Board of Supervisors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. CONCENTRATION

The Township levies and collects mercantile tax based on the gross receipts of business taxpayers located within the Township. Eleven (10) taxpayers account for approximately 65% of the mercantile tax collected in 2018.

12. SUBSEQUENT EVENTS

The Township has evaluated subsequent events to the balance sheet date of December 31, 2018 through February 28, 2019, which is the date these financial statements are available and issued. There are no subsequent events during that time period.

TOWNSHIP OF PITTSSTON, PENNSYLVANIA

REQUIRED SUPPLEMENTAL INFORMATION - POLICE PENSION

UNAUDITED

DECEMBER 31, 2018

SCHEDULE OF FUNDING PROGRESS

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (a) | ACTUARIAL LIABILITY (AAL) - ENTRY AGE (b) | UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a) | FUNDED RATIO (a/b) | COVERED PAYROLL (c) | UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c) |
|--------------------------|-------------------------------|---|--|--------------------|---------------------|---|
| 01/01/2007 | \$357,645 | \$258,161 | (\$99,484) | 138.5% | \$134,698 | -73.9% |
| 01/01/2009 | \$276,664 | \$271,567 | (\$5,097) | 101.9% | \$144,928 | -3.5% |
| 01/01/2011 | \$339,827 | \$292,034 | (\$47,793) | 116.4% | \$127,346 | -37.5% |
| 01/01/2013 | \$316,559 | \$313,353 | (\$3,206) | 101.0% | \$159,786 | -2.0% |
| 01/01/2015 | \$346,223 | \$505,369 | \$159,146 | 68.5% | \$176,965 | 89.9% |
| 01/01/2017 | \$341,163 | \$784,983 | \$443,820 | 43.5% | \$148,688 | 298.5% |

TOWNSHIP OF PITTSTON, PENNSYLVANIA

**REQUIRED SUPPLEMENTAL INFORMATION - POLICE PENSION
UNAUDITED
DECEMBER 31, 2018**

The following information has been provided by Duda Actuarial Consulting, Inc for compliance with GASB.

| | <u>Police Pension Plan</u> |
|-------------------------------|--------------------------------|
| Actuarial valuation date | January 1, 2017 |
| Actuarial cost method | Entry age normal cost |
| Amortization method | Level dollar open |
| Remaining amortization period | 15 Years |
| Asset valuation method | Fair Market Value |
| Actuarial assumptions: | |
| Investment rate of return | 7.0% |
| Projected salary increases | 4.0% |

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES:

| YEAR | ANNUAL REQUIRED CONTRIBUTION | CONTRIBUTIONS FROM EMPLOYER | PERCENTAGE CONTRIBUTED |
|------|------------------------------------|-----------------------------------|---------------------------|
| 2012 | \$ 14,955 | \$ 14,955 | 100% |
| 2013 | \$ 18,086 | \$ 18,086 | 100% |
| 2014 | \$ 27,934 | \$ 27,634 | 100% |
| 2015 | \$ 28,164 | \$ 28,164 | 100% |
| 2016 | \$ 47,009 | \$ 47,009 | 100% |
| 2017 | \$ 37,265 | \$ 37,265 | 100% |
| 2018 | \$ 41,573 | \$ 41,573 | 100% |