

**TOWNSHIP OF PITTSTON
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021**

*Rainey & Rainey
Certified Public Accountants*

TOWNSHIP OF PITTSTON
Financial Statements with Other Information –
Cash Basis
Year Ended December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Pittston Township Pennsylvania

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township 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 Township'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 cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pittston Township, Pennsylvania, as of December 31, 2021, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

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 Township 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 and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 fraud or error.

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 risks 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 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 Township 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 Township 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.

Other Matters


Other Information

Management has omitted the Management's Discussion and Analysis that cash basis of accounting requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not effected by this missing information.

Management is responsible for the other information included in the annual report. The other information comprises Police Pension Trust Fund on page 26 and 27 and the budgetary comparison information on page 28 and 29 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.



April 20, 2022
Scranton, Pennsylvania

Township of Pittston, Pennsylvania
Statement of Net Position - Cash Basis
As of December 31, 2021

	Total Primary Government
<u>ASSETS</u>	
Cash and Cash Equivalents - Restricted	\$ 99,396
Cash and Cash Equivalents - Unrestricted	<u>1,954,805</u>
Total Assets	<u><u>\$ 2,054,201</u></u>
<u>LIABILITIES</u>	
Deferred Revenue	<u>\$ 46,952</u>
Total Liabilities	<u><u>\$ 46,952</u></u>
<u>NET POSITION</u>	
Unrestricted Net Position	\$ 1,907,853
Restricted Net Position: Special Revenue	<u>99,396</u>
Total Net Position	<u><u>\$ 2,007,249</u></u>

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Statement of Activities - Cash Basis
For The Year Ended December 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Change in Net Position</u>
		<u>Charge For Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental Activities:					
General Government	\$ 363,362	\$ -	\$ -	\$ -	\$ (363,362)
Public Safety	2,306,882	682,154	-	-	(1,624,728)
Public Works	1,343,933	17,095	581,099	-	(745,739)
Culture and Recreation	61,248	-	-	-	(61,248)
Taxes and Insurance	178,710	-	-	-	(178,710)
Total Primary Government	\$ 4,254,135	\$ 699,249	\$ 581,099	\$ -	\$ (2,973,787)
General Revenues:					
Taxes and Assessments					\$ 2,366,610
License and Permits					39,030
Fines and Forfeits					18,146
Investment Earnings					11,240
Intergovernmental Revenues					335,591
Miscellaneous Income					15,600
Total General Revenues					\$ 2,786,217
Change In Net Position					\$ (187,570)
Net Position - January 1, 2021					2,194,819
Net Position - December 31, 2021					\$ 2,007,249

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Statement of Assets, Liabilities and Fund Balances
Governmental Funds - Cash Basis
As of December 31, 2021

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash & Cash Equivalents -Restricted	\$ 82,179	\$ 17,217	\$ 99,396
Cash & Cash Equivalents -Unrestricted	<u>1,954,805</u>	<u>-</u>	<u>1,954,805</u>
Total Current Assets	<u>\$ 2,036,984</u>	<u>\$ 17,217</u>	<u>\$ 2,054,201</u>
Total Assets	<u>\$ 2,036,984</u>	<u>\$ 17,217</u>	<u>\$ 2,054,201</u>
<u>Liabilities and Fund Balance</u>			
Current Liabilities			
Deferred Revenue	<u>\$ 46,952</u>	<u>\$ -</u>	<u>\$ -</u>
Total Current Liabilities	<u>\$ 46,952</u>	<u>\$ -</u>	<u>\$ 46,952</u>
Fund Balance			
Unassigned Fund Balance	\$ 1,907,853	\$ -	\$ 1,907,853
Restricted Fund Balance	<u>82,179</u>	<u>17,217</u>	<u>99,396</u>
Total Fund Balance	<u>\$ 1,990,032</u>	<u>\$ 17,217</u>	<u>\$ 2,007,249</u>
Total Liabilities and Fund Balance	<u>\$ 2,036,984</u>	<u>\$ 17,217</u>	<u>\$ 2,054,201</u>

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Statement of Revenues, Expenditures and Changes in Fund Balances -
Cash Basis - Governmental Funds
For the Year Ended December 31, 2021

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues			
Taxes and assessments			
Mercantile tax	\$ 867,064	\$ -	\$ 867,064
Earned Income tax	555,525	-	555,525
Local Service tax	335,308	-	335,308
Real Estate tax	339,582	-	339,582
Other taxes	269,131	-	269,131
Licenses and permits	39,030	-	39,030
Fines and forfeits	18,146	-	18,146
Interest and Rents	11,171	69	11,240
Intergovernmental revenues	784,076	132,614	916,690
Charges for services	699,249	-	699,249
Interfund Transfer	149,115	-	149,115
Miscellaneous income	15,600	-	15,600
Total Revenues	<u>\$ 4,082,997</u>	<u>\$ 132,683</u>	<u>\$ 4,215,680</u>
Expenditures			
General government	\$ 363,362	\$ -	\$ 363,362
Public Safety			
Police	1,035,597	-	1,035,597
Fire/Ambulance/Emergency Management	847,061	-	847,061
Planning	424,224	-	424,224
Public works			
Sewer	109,805	-	109,805
Refuse & Recycling	356,634	-	356,634
Highways & Streets	838,087	-	838,087
Storm Water Management	39,407	-	39,407
Culture - Recreation	61,248	-	61,248
Interfund Transfer	-	149,115	149,115
Insurance and Miscellaneous	178,710	-	178,710
Total Expenditures	<u>\$ 4,254,135</u>	<u>\$ 149,115</u>	<u>\$ 4,403,250</u>
Net Change In Fund Balance	<u>\$ (171,138)</u>	<u>\$ (16,432)</u>	<u>\$ (187,570)</u>
Fund balance - January 1, 2021	<u>2,161,170</u>	<u>33,649</u>	<u>2,194,819</u>
Fund balance - December 31, 2021	<u>\$ 1,990,032</u>	<u>\$ 17,217</u>	<u>\$ 2,007,249</u>

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Statement Fiduciary Net Position - Cash Basis
As of December 31, 2021

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total Fiduciary Fund Types</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Investments	\$ 577,476	\$ 588,512	\$ 1,165,988
TOTAL ASSETS	<u>\$ 577,476</u>	<u>\$ 588,512</u>	<u>\$ 1,165,988</u>
 <u>NET POSITION</u>			
Held in Trust for Pension Benefits	<u>577,476</u>	<u>588,512</u>	<u>1,165,988</u>
TOTAL NET POSITION	<u>\$ 577,476</u>	<u>\$ 588,512</u>	<u>\$ 1,165,988</u>

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Cash Basis
For the Year Ended December 31, 2021

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total Fiduciary Fund Types</u>
Additions			
Contributions - Employee	\$ 17,715	\$ -	\$ 17,715
Contributions - Employer	-	69,512	69,512.00
State Aid Payments	81,554	-	81,554.00
Interest and Dividend Income	20,803	55,366	76,169.00
Net Appreciation/Depreciation in Fair Values of Investments	-	-	-
	<u>38,123</u>	<u>-</u>	<u>38,123.00</u>
Total Additions	\$ 158,195	\$ 124,878	\$ 283,073
Deductions			
Pension Benefits	\$ 63,947	\$ 15,000	\$ 78,947
Investment Expenses	7	-	7.00
Administrative Expenses	<u>9,527</u>	<u>-</u>	<u>9,527.00</u>
Total Deductions	\$ 73,481	\$ 15,000	\$ 88,481
Change in Net Position	\$ 84,714	\$ 109,878	\$ 194,592
Net Position - January 1, 2021	\$ 492,762	\$ 478,634	\$ 971,396
Net Position - December 31, 2021	\$ 577,476	\$ 588,512	\$ 1,165,988

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A. Reporting Entity

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (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 manifestations of the ability to exercise oversight responsibilities include (but are not limited to): financial interdependency; selection of the governing members; designation of management; and the ability to significantly influence operations and accountability. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of if the Municipality is able to exercise oversight responsibilities. No component units meet the criteria for inclusion.

B. Basis of Presentation – Fund Accounting

The financial statements of the Township are presented on the cash basis of accounting which is another comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (“GASB”) pronouncements as applied to governmental unites. The Township’s most significant accounting policies to the financial statements are described in the following paragraphs.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent. There are three fund types presented in this report. A brief description of each is presented below.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Governmental Fund Types:

General Fund – The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types:

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity, specifically the uniform plan offered to Township Employees.

The General Fund and the Liquid Fuels Fund (Special Revenue fund) are considered Major Funds.

C. Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities are prepared using the economic measurement focus, within the limitations of the cash basis of accounting, report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are supported primarily through governmental subsidies, fee's, assessments, and taxes. The fiduciary funds are excluded from the governmental-wide financial statements.

The government-wide statement of activities – cash basis, presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a function. Indirect expenses are allocated among the programs, functions, and segments using a full cost allocation approach and are combined with direct expenses only.

Program revenues include (1) charges to users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes and other revenues not specifically identifiable with a particular program or function of the Township.

Fund Financial Statements

All governmental funds are accounted for using the current financial resources method and the cash basis of accounting. Only current financial assets comprised of cash and cash equivalents are presented on the statement of assets, liabilities, and fund balances. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

TOWNSHIP OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Measurement Focus & Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Cash Basis – The government-wide and governmental fund statements are reported using the economic resources measurement focus and cash basis of accounting. This basis recognizes assets, liabilities, and net assets, revenues, and expenditures/expenses, when they result from cash transactions, in the financial statements. The fiduciary fund financial statements are presented on the modified-cash basis of accounting, where investments are reported at fair value. The cash basis and modified-cash basis of accounting are comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Normally, reconciliations accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements. Because both are using the cash basis, these reconciliations are not necessary.

D. Budgets and Budgetary Accounting

The Township follows budgetary policies as established by the Department of Community Affairs for Townships.

E. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and investments with original maturities of three months or less.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

F. Investments – Pension Fiduciary Fund

Investments held by the Township are reported at their fair market value based on quoted prices in actively traded markets as of year-end. Investment income and changes in the fair value of investments are recorded as investments earnings/income in the statement of change in fiduciary net position –cash basis.

G. Fixed Assets and Depreciation

Fund Financial Statements

Under the cash method of accounting, capital assets and the related depreciation are not recognized in the balance sheet. Capital expenditures are recorded as expenses when incurred.

Government-wide Statements

In the government-wide financial statements- cash basis, fixed assets are not recorded. Contributed assets are not reported. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are expensed as incurred. This differs from GAAP which requires that capital assets are recorded and depreciated over their estimated useful lives. Costs incurred for repairs and maintenance are expensed as incurred.

H. Use of Estimates

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

I. Net Position and Fund Balances

Government-wide Financial Statements – Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township’s policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

Restricted - The component of net position that reports amounts restricted by external parties. Restricted net position amounted to \$99,396 for the primary government as of December 31, 2021.

Unrestricted – The difference between assets and liabilities that is not reported as restricted or net investment in capital assets. This amounted to \$1,907,853 for the primary government as of December 31, 2021.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Governmental Fund Financial Statements – In the governmental fund financial statements, the Township reports fund balance classifications. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted Fund Balance – Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the Township, the highest level of decision-making authority resides with the Township's Board of Supervisors.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Township Board delegates the authority. For the purposes of the Township, the Township's Board has delegated authority to management.

Unassigned Fund Balance – Amounts that are available for any purpose.

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.

Restricted:

WVSA Savings Account – is used to account for the specific funds that are restricted for storm water repairs and expenditures. The balance at December 31, 2021 was \$82,179.

Reserve for Liquid Fuels – is used to account for the specific funds that are restricted for the liquid fuel funds. The balance at December 31, 2021 was \$17,216.

Unassigned – Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$1,907,853 for all governmental funds as of December 31, 2021.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 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:

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.

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.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The Township is serviced by the Wyoming Valley Sewer Authority (herein “WVSA”) (under treatment service and lease agreement) who has the authority to bill and collect sewer rents and charges from the Township’s residents and commercial entities and lien on real estate for delinquent billings. However, any outstanding bills are the responsibility of the Township. At December 31, 2021, the Township’s contingent liability totaled \$42,777. As of December 31, 2021, the Township has not been required to pay any delinquent bills.

On February 28, 2020, the Township guaranteed a loan payable by the Sewer Authority of the Township of Pittston to a local bank in the amount of \$124,500 to settle litigation with a third party. The loan is due in 59 monthly installments of \$1,174 including interest at 2.50% and one installment of \$67,311 through February of 2025. The loan balance outstanding as of December 31, 2021 was \$103,032.

NOTE 4 – CASH AND INVESTMENTS

The Township’s investment policy is to invest in: (1) United States Treasury Bills, (2) short-term obligations of the United States Government or its agencies or instrumentalities, (3) deposits in savings or time accounts or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent 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, (4) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and (5) shares of certain investment companies registered under the Investment Companies Act of 1940 and the Securities Act of 1933 which invest only in instruments listed in (1) – (4) listed above, maintain a constant per share net asset value and are rated in the highest category by a nationally recognized rating agency.

Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. At December 31, 2021, \$1,743,528 of the Township’s bank balance of \$2,493,528 was exposed to custodial credit risk. The amount exposed to custodial credit risk was uninsured but was 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 the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – 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, 2021, upon which the levy for the 2021 year was based, was \$498,244,000. Taxes are due during the 2021 calendar year and become delinquent by December 31, 2021. The tax rate during 2021 was .375 mills per \$1,000 of assessed valuation for general purposes and .375 mills per \$1,000 of assessed valuation for emergency services.

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

NOTE 6 – INVESTMENTS

Carrying amounts of investments as of December 31, 2021, appear in the financial statements as summarized below:

Investments – fiduciary fund, statement of net position	\$ <u>1,165,988</u>
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Investments measured at fair value

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB statement No. 72, the Township discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities the Township has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
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Fixed income funds, domestic equities and international equities classified in Level 1 of the fair value hierarchy are valued using quoted in active markets for those securities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair Value Measurement

The Township has the following recurring fair value measurements at December 31, 2021:

Investments by fair value level:	12/31/21:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
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PENSION TRUST FUND:

Money market	\$ 18,376	\$ 18,376		
Mutual funds	232,488	232,488		
Exchange Traded Products	<u>60,293</u>	<u>60,293</u>		
Bonds	<u>108,541</u>	<u>108,541</u>		
Common stock	<u>746,290</u>	<u>746,290</u>	\$ -	\$ -
 Total	 <u>\$1,165,988</u>	 <u>\$1,165,988</u>	 <u>\$ -</u>	 <u>\$ -</u>

Interest rate risk – In accordance with its investment policy, the Township manages its exposure by investing in short-term securities. The Township will reinvest these funds at higher rates as the opportunity presents itself.

Credit risk – The Township's investment policy states that the Township is to only invest in authorized instruments that are backed by the "full faith and credit" of the federal or state government.

Concentration of credit risk – The Township's investment policy places no limit on the amount the Township may invest in any one issuer. However, the Township manages market risk through diversification by including several types of investments.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
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The Township's investment policy and the Pennsylvania Township Code establish criteria for the type of investments that can be held by the Township. Permissible investments include the following:

- United States treasury bills
- Short-term obligations of the united states government or its agencies or instrumentalities
- 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.
- Obligations of the United States of America or any of its agencies or instruments 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.
- 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 only investments of that company are in the authorized investments for Township funds listed in the categories above.
- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation of the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation of 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 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.
- 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.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7– INTERFUND RECEIVABLES, PAYABLES, OR TRANSFERS

Transfers in/out to other funds consists of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 149,115	\$ -0-
Liquid Fuels Fund	<u>-0-</u>	<u>149,615</u>
Total	<u>\$ 149,115</u>	<u>\$ 149,115</u>

NOTE 8–PENSION PLAN

POLICE PENSION PLAN

The Township manages a Police Pension Plan pursuant to the provisions of Act 600 in which the eight (8) 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. In a compliance audit of the plan in May 2019. The Auditor General of the State of Pennsylvania has classified the Police Pension Plan as distress because of its unfunded liability amount.

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, Ordinance 3 of 1994, and ordinance 701 of 2007, 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 2021 was \$81,554.

All full-time police officers are eligible to participate in the plan. The normal retirement date is when 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, 2021

Plan Membership

As of December 31, 2021, the pension plan's membership consisted of:

Active Employees	2
Retirees and beneficiaries currently receiving benefits	1
Disability benefits	2
Terminated employees entitled to benefits but not receiving them	_____ -
Total	_____ 5

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, began in 2018, totaled \$17,715 at December 31, 2021 and are payable to plan participants upon separation of service with accumulated interest.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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 2021 MMO for the Police Pension and Non-Uniform plan was \$76,521.

NOTE 9 – RESTRICTED FUNDS

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

NOTE 10 – INTERGOVERNMENTAL REVENUES

GENERAL FUND:

	<u>Amount</u>	<u>Source</u>
American Rescue Plan	175,687	Federal
PA Municipal Pensions Program	25,590	State
PA Municipal Fire Relief Program	22,225	State
PA Department of Environmental Protection	53,364	State
Local Share Account Funds	296,084	State
Wyoming Valley Sewer Authority	68,586	Local
Other PA intergovernmental revenue	<u>136,240</u>	State/Local
 Total	 <u>\$777,776</u>	

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

LIQUID FUELS FUND:

	<u>Amount</u>	<u>Source</u>
PA Dept of Transportation	<u>\$132,614</u>	State

NOTE 11 – 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.

NOTE 12 – CONCENTRATIONS

The Township levies and collects mercantile tax based on the gross receipts of business taxpayers located within the Township. Eight (8) taxpayers account for approximately 68% of the mercantile tax collected in 2021.

NOTE 13 – TAX ABATEMENTS

Township residents are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased assessment. All abatements are based on the increase of value of the improvement. There were no amounts recorded or receivable from other governments in association with forgone taxes. The Township did not make other commitments other than to reduce taxes as part of the abatement agreements. The adoption of this pronouncement did not have a significant impact to the Township's financial statements.

NOTE 14 – RISK MANAGEMENT

As a governmental unit, the Township could be subject to variety of losses, arising from torts, theft, damage, destruction, business interruption, error, or omissions, injuries, acts of God and other potential risks. The Township seeks to reduce these potential issues through the purchase of commercial insurance. However, there is no guarantee that all potential claims would be fully covered.

TOWNSHIP OF PITTSTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 15– SUBSEQUENT EVENTS

The Township has evaluated events subsequent to the balance sheet date as of December 31, 2021 through April 22, 2022 which is the date these financial statements were available and issued, and has determined that with the exception to the item noted below, no material subsequent events exist that require disclosure. Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (Covid-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Township, COVID-19 may continue to impact various parts of its 2022 operations and financial results. Management believes the Township is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

TOWNSHIP OF PITTSSTON, PENNSYLVANIA

OTHER INFORMATION - POLICE PENSION
 UNAUDITED
 DECEMBER 31, 2021

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED 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%
01/01/2019	\$358,046	\$565,642	\$207,596	63.3%	\$131,281	158.1%
01/01/2021	\$492,762	\$839,083	\$346,321	58.7%	\$342,281	101.2%

TOWNSHIP OF PITTSTON, PENNSYLVANIA

OTHER INFORMATION - POLICE PENSION

UNAUDITED

DECEMBER 31, 2021

The following information has been provided by Duda Actuarial Consulting, Inc

	<u>Police Pension Plan</u>
Actuarial valuation date	January 1, 2019
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%
2019	\$ 79,345	\$ 79,345	100%
2020	\$ 129,170	\$ 129,170	100%
2021	\$ 76,521	\$ 76,521	100%

Township of Pittston, Pennsylvania
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund and Liquid Fuels Fund - Cash Basis - Budget vs Actual
For the Year Ended December 31, 2021

	<u>General Fund</u>			<u>Liquid Fuels Fund</u>		
	<u>Original and</u>		<u>Variance</u>	<u>Original and</u>		<u>Variance</u>
	<u>Revised Budget</u>	<u>Actual</u>		<u>Revised Budget</u>	<u>Actual</u>	
Revenues						
Taxes and assessments						
Mercantile tax	\$ 995,000	\$ 867,064	\$ (127,936)	\$ -	\$ -	\$ -
Earned Income tax	475,000	555,525	80,525	-	-	-
Local Service tax	305,000	335,308	30,308	-	-	-
Real Estate tax	363,000	339,582	(23,418)	-	-	-
Other taxes	95,000	269,131	174,131	-	-	-
Licenses and permits	36,000	39,030	3,030	-	-	-
Fines and forfeits	21,500	18,146	(3,354)	-	-	-
Interest	19,900	11,171	(8,729)	-	69	69
Intergovernmental revenues	1,220,450	784,076	(436,374)	-	132,614	132,614
Charges for services	316,500	699,249	382,749	-	-	-
Interfund Transfer	-	149,115	149,115	-	-	-
Miscellaneous income	-	15,600	15,600	-	-	-
Total Revenues	\$ 3,847,350	\$ 4,082,997	\$ 235,647	\$ -	\$ 132,683	\$ 132,683
Expenditures						
General government	\$ 447,610	\$ 363,362	\$ (84,248)	\$ -	\$ -	\$ -
Public safety						
Police	847,485	1,035,597	188,112	-	-	-
Fire/Ambulance/Emergency Management	759,010	847,061	88,051	-	-	-
Planning	237,700	424,224	186,524	-	-	-
Public works						
Sewer	115,000	109,805	(5,195)	-	-	-
Refuse & Recycling	363,650	356,634	(7,016)	-	-	-
Highways & Streets	1,521,415	838,087	(683,328)	-	-	-
Storm Water Management	59,715	39,407	(20,308)	-	-	-
Culture - Recreation	40,940	61,248	20,308	-	-	-
Interfund Transfer	-	-	-	-	149,115	-
Insurance and Miscellaneous	177,275	178,710	1,435	-	-	-
Total Expenditures	\$ 4,569,800	\$ 4,254,135	\$ (315,665)	\$ -	\$ 149,115	\$ -
Excess (Deficiency) of Revenues over Expenditures	\$ (722,450)	\$ (171,138)	\$ 551,312	\$ -	\$ (16,432)	\$ 132,683

The accompanying notes are an integral part of these financial statements

Township of Pittston, Pennsylvania
Notes to Other Information
December 31, 2021

1. Budgetary Data

Budgetary data is established by the Township Supervisors and is officially adopted via ordinance. The budgets are prepared using the cash basis of accounting which is method utilized for the Governmental Funds.

The Pennsylvania General Assembly dictates specific procedures relative to adoption of the Township's budget and reporting of its financial statements, specifically:

Beginning at least 30 days prior to the adoption of the budget, a proposed budget or annual estimate of revenues and expenditures for the ensuing year shall be prepared in a manner designated by the board of supervisors. The proposed budget shall be kept on file with the township secretary and be made available for public inspection by the township secretary for a period of ten days.

Notice that the proposed budget is available for inspection shall be published by the township secretary in a newspaper of general circulation.

Upon completion of the budget containing the estimated receipts and expenditures, the board of supervisors shall adopt the budget by motion of the board, which may not be later than December 31.

After supervisors have adopted the budget, it is the duty of the supervisors to enact an ordinance levying the taxes referred to in this part for the fiscal year.

Budgetary data and actual data are presented for the General Fund and Special Revenue Fund.