

CITY OF NANTICOKE, PENNSYLVANIA

**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**TABLE OF CONTENTS
DECEMBER 31, 2022**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	I - IV
MANAGEMENT'S DISCUSSION AND ANALYSIS	V - XIII
FINANCIAL STATEMENTS:	
Statement of Net Position	1 - 2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Reconciliation of Fund Balance in the Balance Sheet - Governmental Funds with Net Position in the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6 - 7
Reconciliation of Change in Fund Balance - Governmental Funds with Change in Net Position	8
Statement of Net Position - Proprietary Fund	9
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11 - 12
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15 - 47
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios - Police Pension Plan	48
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios - Firefighter Pension Plan	49

TABLE OF CONTENTS (CONT'D)
DECEMBER 31, 2022

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONT'D):	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios - Non-Uniform PMRS Plan	50
Schedule of City Contributions - Pension Plans	51
Note to Required Supplementary Information - Police and Firefighter Pension Plans	52
Note to Required Supplementary Information - Non-Uniform PMRS Plan	53
Schedule of Changes in the City's OPEB Liability and Related Ratios	54
Note to Required Supplementary Information - OPEB Plan	55
Supplemental Schedules of Revenue and Expenditures - Budget and Actual	56 - 61
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	62 - 63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	64 - 66

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the
City of Nanticoke, Pennsylvania

Opinions

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Nanticoke, Pennsylvania (the "City") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinions on the Governmental Funds and Pension Trust Fund Information

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental funds and the pension trust fund information of the City, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on Governmental Activities and the Business-Type Activity

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Governmental Activities and the Business-Type Activity section, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental and business-type activities of the City, as of December 31, 2022, and the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 unmodified and adverse audit opinions.

CERTIFIED PUBLIC ACCOUNTANTS

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Matters Giving Rise to Adverse Opinions on Governmental and Business-type Activities

Management has not recorded all capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would change the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

In addition, the City has not maintained detailed records of assets in the sewer system of its business-type activity and has not recorded depreciation expense on those assets. Therefore, we were unable to obtain sufficient appropriate audit evidence regarding the amount at which the sewer system is recorded in the financial statements of the business-type activity.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages V - XIII and the schedules of changes in the City's net pension liability (asset) and related ratios, schedule of City contributions - pension plans, schedule of changes in the City's OPEB liability and related ratios, and supplemental schedules of revenue and expenditures - budget and actual on pages 48 - 61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kohanski & Co., PC

Scranton, PA
January 18, 2024

Management Discussion & Analysis



City of Nanticoke Pennsylvania

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City of Nanticoke Management's Discussion and Analysis December 31, 2022

Within this section of the City of Nanticoke's (the City) annual financial report, the City's management provides a narrative overview and analysis of the financial activities of the City, as of and for the fiscal year ended December 31, 2022. This discussion and analysis should be reviewed in conjunction with the City's accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

- The City had a change in net position of \$1,734,733, increasing net position from \$413,324 in the previous year to \$2,148,057 in the current year (2022).
- The assets of the City increased \$3.000 million from \$20.528 million (2021) in the previous year to \$23.528 million in the current year (2022).
- Total liabilities of the City increased \$263 thousand from \$18.677 million (2021) to \$18,940 million in the current year (2022).
- The City implemented GASB 68 which resulted in the recognition of a net pension liability of \$3,116 million and net deferred inflow/outflows of \$(344) thousand.
- Total net position is comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$5.542 million include the sewer system and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the capital leases.
 - 2) Unrestricted net assets of \$(4.133) million represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$10.737 million as compared to \$9.475 million in (2021) and to \$9.054 million (2020).

At the end of the current fiscal year, the General Fund balance was \$8.600 million. This compares to the prior year ending fund balance of \$7.240 million and the 2020 ending fund balance of \$6.332 million.

Management Discussion & Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as makeup of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the city's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees or charges. Governmental activities include general government, public safety, public works, culture and recreation and community development. Business-type activities are sewer services. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City. There are no organizations for which the City is accountable (component units). The General Municipal Authority (the Authority) owns property within the City that requires maintenance. The Authority has entered into a long-term lease with Luzerne County Community College for the Health Science Center building which the Municipal Authority owns. The Authority is also leasing its Lower Broadway parking lot to Luzerne County Community College.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the city's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided for management use in the form of combining statements in a separate reporting package.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Management Discussion & Analysis

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules for the general fund can be found in the Required Supplementary Information section of this report. This schedule demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization. The City has no internal service funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund city programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the City's general fund budgetary comparison and its progress in funding its obligation to provided pension benefits to its employees. Supplementary information follows the notes to the financial statements.

Overview of Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial assets of the City as a whole. The following table provides a summary comparison of the City's net assets at December 31:

Financial Analysis of the City as a Whole

(Dollars are in Thousands)	Governmental Activities		Business Type Activities		Totals		Amount Change
	2022	2021	2022	2021	2022	2021	
Current and Other Assets	\$ 12,970	\$ 10,650	\$ 1,917	\$ 1,733	\$ 14,887	\$ 12,383	\$ 2,504
Capital Assets	308	313	5,548	5,459	5,856	5,772	397
Deferred Outflows	2,785	2,373	-	-	2,785	2,373	412
Total Assets	16,063	13,335	7,465	7,192	23,528	20,528	3,000
Deferred Inflows	2,440	1,437	-	-	2,441	1,437	1,004
Long-term Liabilities	16,139	17,189	29	52	16,168	17,242	-1,074
Other Liabilities	2,385	1,161	387	275	2,772	1,436	1,336
Total Liabilities	20,964	19,787	416	327	21,380	20,144	1,236

Management Discussion & Analysis

							Amount
Net Position:	2022	2021	2022	2021	2022	2021	Change
Invested in Capital Assets, net of related debt	47	73	5,495	5,384	5,542	5,456	86
Restricted	739	1,053	-	-	739	1,053	(314)
Unrestricted	(5,687)	(7,577)	1,554	1,481	(4,133)	(6,096)	(1,960)
Total Net Position	\$ (4,901)	\$(6,451)	\$ 7,049	\$ 6,865	\$ 2,148	\$ 413	\$ 1,735

The City's net position at fiscal year-end are \$2.148 million. This compares to the prior year adjusted ending net position of \$413 thousand showing an increase of \$1.735 million during the current year. The assets of the City increased by \$3.000 million, from \$20.528 million in the previous year to \$23.528 million in the current year. Total liabilities of the City increased by \$1.236 million from \$20.114 million in the previous year to \$21.380 million in the current year.

Total net position is comprised of the following: Invested in capital assets, net of related debt, of \$5,542 million, include the sewer system and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the leased capital assets. Restricted net assets of \$739 million represent funds restricted for use by various grantors, laws, regulations or governing bodies. Unrestricted net assets of (\$4.133) million represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors.

The City reported a positive balance of \$7.465 million in net assets for business-type activities. This compares to the prior year ending net asset balance of \$7.192 million showing a net increase of \$273 thousand during the current year. Business-type activities include the sewer fund activities.

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The City reported a negative balance of \$(4.901) million in net assets for governmental activities. This compares to the prior year ending net asset balance of \$ (6.451) million showing a decrease of \$1.550 million during the current year. The net activity of (\$4.901) million is comprised of a net increase in accounts receivable, and taxes receivable and a decrease in mortgage receivable on the asset side; and offset by an increase of accounts payable of and a decrease of notes payable; and an increase in pension and other post-retirement benefits.

Challenging economic factors continue to affect the City's governmental activities. The City's governmental activities rely heavily on property and earned income taxes. Continuation of operating expense increases are projected as revenue growth forecasts remains stagnant or declines slightly.

Management Discussion & Analysis

Summary of Government Wide – Statements of Activities (Dollars are in Thousands)

	2022	2021	2022	2021	2022	2021	.
	Gov's Type	Gov's Type	Business Type	Business Type	Total	Total	Amount Change
Revenues							
Charges for Services	\$ 1,384	\$ 1,386	\$ 806	\$1,006	\$2,190	\$ 2,392	\$ (202)
Grants & Contributions	1,718	738	-	-	1,718	738	980
Property Taxes	2,078	1,950	-	-	2,078	1,950	128
Other Local Taxes for General Purposes	4,007	3,732	-	-	4,007	3,732	275
Grants, Etc	-	-	-	-	-	-	-
Misc Gen. Purpose Rev	662	458	-	-	662	458	204
Investment Earnings	60	3	11	1	71	4	67
Sale of Assets	6	-	-	-	6	-	6
Total Revenue	\$ 9,915	\$ 8,267	\$ 817	\$ 1,007	\$10,732	\$ 9,274	\$ 1,458
Total Expense	\$ 8,366	\$ 8,648	\$ 632	\$ 405	\$8,998	\$ 9,053	\$ (55)
Change in Net Position before transfers	1,549	(381)	185	602	1,734	221	1,513
Transfers	-	12	-	(12)	-	-	-
Change in Net Position	\$ 1,549	\$ (369)	\$ 185	\$ 590	\$ 1,734	\$ 221	\$1,513
Net Assets – Beginning(restated)	(6,451)	(6,082)	6,865	6,275	414	193	221
Prior Period Adj	-	-	-	-	-	-	-
Net Assets - Ending	\$ (4,901)	\$ (6,451)	\$ 7,049	\$ 6,865	\$ 2,148	\$ 413	\$ 1,735

Management Discussion & Analysis

Total expenses of the City decreased by \$55 thousand from \$9.043 million in 2021 to \$8.998 million in 2022.

Comparison of Current vs. Prior Year Expenditures			
(Dollars are in Thousands)			
Expenses	2022	2021	Amount Change
General Government and Administration	\$ 784	\$ 758	(272)
Public Safety	4,580	5,109	134
Sanitation	806	1,006	(49)
Public Works	1,775	1,490	285
Community Development	354	210	170
Parks and Recreation	35	38	34
Other	32	37	(2)
Sewage	632	405	227
Total Expenses	\$ 8,998	\$9,053	(55)

General Revenue increased from 9,274 million in 2022 to \$10,732 million in 2021.

Comparison of Current vs. Prior Year Revenues			
(Dollars are in Thousands)			
General Revenue:	2022	2021	Amount Change
Charges for Services	\$ 2,190	\$ 2,392	(202)
Grants & Contributions	1,718	738	980
Property Taxes	2,078	1,950	128
Other Local Taxes for General Purposes	4,007	3,732	275
Other Grants	-	-	-
Investment Earnings	71	4	67
Misc. General Purpose Revenues	662	458	204
Other	6	-	6
Total General Revenue	10,732	9,274	1,458

Management Discussion & Analysis

Business Type Activities

An decrease of \$200 thousand was realized for business type activities for 2021 over 2022.

Comparison of Current vs. Prior Year Revenues			
(Dollars are in Thousands)			
	2022	2021	Amount Change
Charges for Services			
Sewage	806	1,006	(200)

Sewer Expenses increase from \$405 thousand in 2021 to \$632 thousand in 2022.

Comparison of Current vs. Prior Year Expenses			
(Dollars are in Thousands)			
	2022	2021	Amount Change
Sewage	632	405	227

Financial Analysis of the City's Funds

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$1.360 million from \$7.240 million to \$8.600 million.

A balanced budget and cost control efforts are key in the City's financial recovery. General Fund net assets and cash flow analysis reflect the City's continuing need to finance operations, at the current levels, through short term borrowing.

The Debt Service Fund has a fund balance of \$353 thousand. Decrease in the fund balance was due to completing all projects financed by the borrowings from the Pennsylvania Infrastructure Bank for 2022. Borrowings from the Pennsylvania Infrastructure Bank in the amount of \$ 3,000,000 was taken out in 2016 for street reconstruction and paving. Phase 1 began in 2017 and phase 2 began in 2020 and should be completed in 2021. Proceeds from this loan were used to pay for street improvements during 2017, 2018, 2019, 2020 & 2021.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The City's Proprietary Fund shares the financing and operations of the City's sewer system in the government-wide statements.

Management Discussion & Analysis

General Fund Budgetary Highlights

Actual revenues were approximately \$1.019 million more than budgeted at \$7.166 million as compared to a budgeted amount of \$ 6.147 million.

Actual expenditures were approximately \$195 thousand less than budgeted at \$6.080 million as compared to a budgeted amount of \$6.275 million.

The General Fund adopted budget was not amended during the 2022 fiscal year. Revenues less expenses exceed budget by \$1.086 million. Excess of revenues over expenditures were positive in 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 thus reversing the negative trend of prior years.

Long-Term Debt

At the end of the fiscal year, the City had total debt outstanding of \$1.187 million.

Debt Schedule (Dollars are in Thousands)	Governmental Activities		Business Type Activities		Totals		Amount Change
	2022	2021	2022	2021	2022	2021	
General Obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Muni-financial Recovery Loans	-	-	-	-	-	-	-
PIB Loan	1,187	1,491	-	-	1,187	1,491	(304)
Total	\$ 1,187	\$ 1,491	\$ -	\$ -	\$ 1,187	\$ 1,491	(304)

Economic Environment and Next Year's Budgets and Rates

As a result of relatively stagnant revenues, rising expenditures and borrowing to meet operational expenses, the City faced an approximately \$ 1.200 million structural deficit in 2006. On May 25, 2006, the City was declared a financially distressed municipality by the Pennsylvania Department of Economic and Community Development (DCED) under the Provisions of the Act, DCED retained a Recovery Plan Coordinator to develop a fiscal recovery plan for the City. The City had exited Act 47 and is no longer considered as a distressed city. It is very important for the City to stay on track with the recovery plan in order to stay out of Act 47.

The City was limited in its revenue potential as revenue sources did not provide sufficient resources to fund operations at current levels. The City is mature, with limited availability of space for housing growth, and personal incomes are not increasing at any measurable rate. Personnel costs are fixed as a result of union and/or contract commitments.

In December 2007, the City Council adopted a Recovery Plan designed to enable the City to restore fiscal health. A key component of the plan was to increase in the City's Earned Income Tax (EIT) to 1.5% for residents and to limit long term borrowing. The tax rate increases needed to be approved annually by the Luzerne County Court of Common Pleas. The increased tax revenue was a significant component in enabling the City to address the \$1.200 million structural deficit.

A Revised Recovery plan was adopted in 2010, outlining the City's exit strategy from Act 47. The exit strategy consisted of a change in the form of government from 3rd Class City to Home Rule Municipality, thus allowing the City to restructure the tax rate limits to better suit the City's requirements. In November of 2011, the voters accepted the Home Rule Charter which became effective on January 5, 2012.

Management Discussion & Analysis

An amendment to the Revised Recovery plan was adopted in 2012 as a result of the transition in form of government to home rule. This amendment to the Recovery Plan updated projections for the future years based on the new form of government. The amended Recovery Plan is an updated road map of the City's strategy to exit from Act 47.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related law and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Mayor of the City of Nanticoke at 15 East Ridge Street, Nanticoke, PA, 18634.

Kevin Coughlin, Mayor

**STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 9,185,696	\$ 1,724,941	\$ 10,910,637
Investments	1,488,510	-	1,488,510
Taxes receivable	1,200,090	-	1,200,090
Accounts receivable, net	3,463	192,514	195,977
Prepaid expenses	805,417	-	805,417
Due from sewer fund	285,913	-	285,913
Due from other governments	451	-	451
Total Current Assets	12,969,540	1,917,455	14,886,995
CAPITAL ASSETS, net	308,674	5,547,952	5,856,626
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	1,870,256	-	1,870,256
Deferred outflows related to OPEB	914,614	-	914,614
	<u>\$ 16,063,084</u>	<u>\$ 7,465,407</u>	<u>\$ 23,528,491</u>
CURRENT LIABILITIES:			
Current portion of long-term debt:			
Note payable	\$ 309,170	\$ -	\$ 309,170
Capital leases	78,791	18,213	97,004
Accounts payable	113,337	62,686	176,023
Accrued payroll	133,124	-	133,124
Other liabilities	88,155	-	88,155
Unearned revenue	101,652	15,013	116,665
Advancements	1,560,150	-	1,560,150
Due to library	126	-	126
Due to general fund	-	285,913	285,913
Total Current Liabilities	<u>2,384,505</u>	<u>381,825</u>	<u>2,766,330</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NATTICOKE, PENNSYLVANIA

**STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2022**

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
LONG-TERM OBLIGATIONS, net of current portion:			
Note payable	877,962	-	877,962
Capital leases	183,336	34,106	217,442
Net OPEB obligation	11,279,297	-	11,279,297
Net pension liability	3,116,371	-	3,116,371
Compensated absences	682,181	-	682,181
Total Long-term Obligations, net of current portion:	<u>16,139,147</u>	<u>34,106</u>	<u>16,173,253</u>
Total Liabilities	<u>18,523,652</u>	<u>415,931</u>	<u>18,939,583</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	913,447	-	913,447
Deferred inflows related to OPEB	1,527,404	-	1,527,404
Total Deferred Inflows of Resources	<u>2,440,851</u>	<u>-</u>	<u>2,440,851</u>
NET POSITION:			
Net investment in capital assets	46,547	5,495,633	5,542,180
Restricted for:			
Debt service	353,481	-	353,481
Restricted for externally imposed restrictions	385,228	-	385,228
Unrestricted	<u>(5,686,675)</u>	<u>1,553,843</u>	<u>(4,132,832)</u>
Total Net Position	<u>(4,901,419)</u>	<u>7,049,476</u>	<u>2,148,057</u>
	<u>\$ 16,063,084</u>	<u>\$ 7,465,407</u>	<u>\$ 23,528,491</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Primary Government
FUNCTIONS/PROGRAMS:							
Governmental Activities:							
General government - administrative	\$ 784,155	\$ 29,451	\$ 390,251	\$ -	\$ (364,453)	\$ -	\$ (364,453)
Public safety	4,579,817	260,155	559,461	-	(3,760,201)	-	(3,760,201)
Public works	2,581,246	1,094,527	484,673	-	(1,002,046)	-	(1,002,046)
Community development	353,677	-	-	283,804	(69,873)	-	(69,873)
Culture and recreation	34,654	-	-	-	(34,654)	-	(34,654)
Interest and fees on long-term debt	32,309	-	-	-	(32,309)	-	(32,309)
Total Governmental Activities	8,365,858	1,384,133	1,434,385	283,804	(5,263,536)	-	(5,263,536)
Business-Type Activity	631,987	805,751	-	-	-	173,764	173,764
Total	\$ 8,997,845	\$ 2,189,884	\$ 1,434,385	\$ 283,804	(5,263,536)	173,764	(5,089,772)
General Revenues:							
Taxes:							
Property taxes					2,077,696	-	2,077,696
Other taxes					4,007,807	-	4,007,807
Cable television franchise revenue					148,130	-	148,130
Payments in lieu of taxes					20,990	-	20,990
Interest earnings					59,869	10,884	70,753
Miscellaneous					475,453	-	475,453
Rents and concessions					18,000	-	18,000
Proceeds of sale of assets					5,676	-	5,676
Total General Revenues					6,813,621	10,884	6,824,505
CHANGE IN NET POSITION					1,550,085	184,648	1,734,733
NET POSITION - Beginning					(6,451,504)	6,864,828	413,324
NET POSITION - Ending					\$ (4,901,419)	\$ 7,049,476	\$ 2,148,057

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>Non-Major Funds</u>						<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Refuse Fund</u>	<u>Debt Service Fund</u>	<u>CDBG Fund</u>	<u>Highway Aid Fund</u>	
ASSETS:							
Cash and cash equivalents	\$ 4,578,213	\$ 1,371,562	\$ 302,134	\$ 780,730	\$ 179,796	\$ 137,377	\$ 7,349,812
Restricted cash and cash equivalents	119,674	1,716,210	-	-	-	-	1,835,884
Investments	1,488,510	-	-	-	-	-	1,488,510
Taxes receivable	1,144,030	-	-	56,060	-	-	1,200,090
Accounts receivable	194	3,269	-	-	-	-	3,463
Prepaid expenses	716,281	-	89,136	-	-	-	805,417
Due from other funds	905,938	-	-	-	4,219	-	910,157
Due from other governments	451	-	-	-	-	-	451
	<u>\$ 8,953,291</u>	<u>\$ 3,091,041</u>	<u>\$ 391,270</u>	<u>\$ 836,790</u>	<u>\$ 184,015</u>	<u>\$ 137,377</u>	<u>\$ 13,593,784</u>
LIABILITIES:							
Accounts payable	\$ 24,635	\$ 86,029	\$ -	\$ -	\$ 271	\$ 2,402	\$ 113,337
Accrued payroll	133,124	-	-	-	-	-	133,124
Other liabilities	-	88,155	-	-	-	-	88,155
Unearned revenue	-	-	101,652	-	-	-	101,652
Advancements	-	1,560,150	-	-	-	-	1,560,150
Due to Library	126	-	-	-	-	-	126
Due to other funds	4,219	18,168	63,693	438,658	99,506	-	624,244
Total Liabilities	<u>162,104</u>	<u>1,752,502</u>	<u>165,345</u>	<u>438,658</u>	<u>99,777</u>	<u>2,402</u>	<u>2,620,788</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue	191,038	-	-	44,651	-	-	235,689
FUND BALANCES:							
Nonspendable	716,281	-	89,136	-	-	-	805,417
Restricted	94,841	71,174	-	353,481	84,238	134,975	738,709
Assigned	-	1,046,718	136,789	-	-	-	1,183,507
Unassigned	7,789,027	220,647	-	-	-	-	8,009,674
Total Fund Balances	<u>8,600,149</u>	<u>1,338,539</u>	<u>225,925</u>	<u>353,481</u>	<u>84,238</u>	<u>134,975</u>	<u>10,737,307</u>
	<u>\$ 8,953,291</u>	<u>\$ 3,091,041</u>	<u>\$ 391,270</u>	<u>\$ 836,790</u>	<u>\$ 184,015</u>	<u>\$ 137,377</u>	<u>\$ 13,593,784</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF FUND BALANCE IN THE BALANCE SHEET -
GOVERNMENTAL FUNDS WITH NET POSITION IN THE
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 10,737,307

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the fund financial statements:

Capital assets	824,913
Accumulated depreciation	(516,239)

Unavailable revenue in the governmental fund balance sheet includes taxes receivable balances that are not considered a current resource. 235,689

The City's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the City's pension plans are not reported in the governmental funds but are reported in the statement of net position:

Net pension liability	(3,116,371)
Deferred outflows of resources	1,870,256
Deferred inflows of resources	(913,447)

The City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB plan are not reported in the governmental funds but are reported in the statement of net position:

Net OPEB obligation	(11,279,297)
Deferred outflows of resources	914,614
Deferred inflows of resources	(1,527,404)

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

Note payable	(1,187,132)
Capitalized lease obligations	(262,127)
Compensated absences	<u>(682,181)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,901,419)

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General Fund	Non-Major Funds					Total Governmental Funds
		Special Revenue Fund	Refuse Fund	Debt Service Fund	CDBG Fund	Highway Aid Fund	
REVENUES:							
Taxes	\$ 5,865,188	\$ -	\$ -	\$ 377,417	\$ -	\$ -	\$ 6,242,605
Intergovernmental revenue	615,536	539,529	13,928	-	283,804	286,382	1,739,179
Departmental earnings	156,466	-	-	-	-	-	156,466
Fines, forfeitures, and costs	29,237	-	-	-	-	-	29,237
Charges for services	265,113	-	1,081,447	-	-	-	1,346,560
Interest	52,720	4,296	953	1,097	278	525	59,869
Rent	18,000	-	-	-	-	-	18,000
Other	163,668	311,785	-	-	-	-	475,453
Total Revenues	7,165,928	855,610	1,096,328	378,514	284,082	286,907	10,067,369
EXPENDITURES:							
Current:							
General government - administration	848,311	-	-	-	-	-	848,311
Public safety	4,607,070	30,607	-	-	-	-	4,637,677
Public works	424,152	490,203	1,110,295	-	-	502,060	2,526,710
Community development	-	-	-	-	353,677	-	353,677
Culture and recreation	34,654	-	-	-	-	-	34,654
Debt Service:							
Debt service principal	63,937	9,640	-	303,567	-	-	377,144
Debt service interest/fees	6,401	1,806	-	24,102	-	-	32,309
Capital Outlay	95,342	-	-	-	-	-	95,342
Total Expenditures	6,079,867	532,256	1,110,295	327,669	353,677	502,060	8,905,824
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,086,061	323,354	(13,967)	50,845	(69,595)	(215,153)	1,161,545
OTHER FINANCING SOURCES (USES):							
Operating transfers-in	178,439	-	-	-	-	-	178,439
Operating transfers-out	-	(96,654)	-	(81,785)	-	-	(178,439)
Proceeds from sale of assets	95,342	5,676	-	-	-	-	5,676
Proceeds from capital leases	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	273,781	(90,978)	-	(81,785)	-	-	101,018

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICKE, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONT'D)
YEAR ENDED DECEMBER 31, 2022**

	<u>Non-Major Funds</u>						<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Refuse Fund</u>	<u>Debt Service Fund</u>	<u>CDBG Fund</u>	<u>Highway Aid Fund</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,359,842	232,376	(13,967)	(30,940)	(69,595)	(215,153)	1,262,563
FUND BALANCE - Beginning	<u>7,240,307</u>	<u>1,106,163</u>	<u>239,892</u>	<u>384,421</u>	<u>153,833</u>	<u>350,128</u>	<u>9,474,744</u>
FUND BALANCE - Ending	<u>\$ 8,600,149</u>	<u>\$ 1,338,539</u>	<u>\$ 225,925</u>	<u>\$ 353,481</u>	<u>\$ 84,238</u>	<u>\$ 134,975</u>	<u>\$ 10,737,307</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
WITH CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

CHANGE IN FUND BALANCE \$ 1,262,563

The change in net position reported in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	95,342
Depreciation	(99,680)

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown below:

Repayment of note payable	303,567
Repayment of capitalized lease	73,577

Proceeds from capital lease agreements are considered a current financial resource and are reported in the statement of changes in fund balances but not in the statement of activities. (95,342)

In the statement of revenues, expenditures, and changes in fund balance, non-exchange revenue is only recognized when measurable and available. Therefore, any non-exchange balances collected past sixty-days of the balance sheet date are not recognized as revenue until the period collected. This amount is the net change in revenue accrued between the prior and the current year. (157,102)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These items consists of:

Change in compensated absences	(89,235)
Change in OPEB and related deferrals	178,590
Change in net pension liability and related deferrals	<u>77,805</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,550,085

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2022**

	Business-Type Activity
	<u>Sewer Fund</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,724,941
Accounts receivable, net	<u>192,514</u>
Total Current Assets	1,917,455
CAPITAL ASSETS, net	<u>5,547,952</u>
	<u>\$ 7,465,407</u>
CURRENT LIABILITIES:	
Current portion of capital leases	\$ 18,213
Accounts payable	62,686
Unearned revenue	15,013
Due to general fund	<u>285,913</u>
Total Current Liabilities	381,825
LONG-TERM OBLIGATIONS, net of current portion:	
Capital leases	<u>34,106</u>
Total Liabilities	<u>415,931</u>
NET POSITION:	
Net investment in capital assets	5,495,633
Unrestricted	<u>1,553,843</u>
Total Net Position	<u>7,049,476</u>
	<u>\$ 7,465,407</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022**

	Business-Type Activity
	<u>Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 770,547
Other Income	<u>35,204</u>
Total Operating Revenues	<u>805,751</u>
OPERATING EXPENSES:	
Personnel services	293,730
Supplies and materials	303,733
Depreciation	29,957
Other operating expenses	<u>2,073</u>
Total Operating Expenses	<u>629,493</u>
INCOME FROM OPERATIONS	<u>176,258</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	10,884
Interest expense	<u>(2,494)</u>
Non-operating Expenses, net	<u>8,390</u>
CHANGE IN NET POSITION	184,648
NET POSITION - Beginning	<u>6,864,828</u>
NET POSITION - Ending	<u>\$ 7,049,476</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022**

	Business-Type Activity
	<u>Sewer Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 742,563
Cash received from miscellaneous sources	35,204
Cash paid to employees for salaries and benefits	(293,730)
Cash paid for operating expenses	<u>(198,101)</u>
Net Cash Provided By Operating Activities	<u>285,936</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest received	<u>10,884</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments on capital leases	(23,422)
Cash paid for interest	(2,494)
Cash paid for capital asset additions	<u>(118,588)</u>
Net Cash Used by Investing Activities	<u>(144,504)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	152,316
CASH AND CASH EQUIVALENTS - Beginning	<u>1,572,625</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 1,724,941</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONT'D)
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activity
	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Income from operations	\$ 176,258
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	29,957
Decrease in allowance for doubtful accounts	3,565
Change in assets and liabilities:	
Accounts receivable	(35,743)
Accounts payable	32,999
Unearned revenue	4,194
Due to general fund	<u>74,706</u>
 Net Cash Provided by Operating Activities	 <u>\$ 285,936</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NANTICOKE, PENNSYLVANIA

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022**

	<u>Pension Trust Fund</u>
ASSETS:	
Cash	\$ 58,709
Investments	10,295,676
Other assets	<u>8,895</u>
	<u>\$ 10,363,280</u>
NET POSITION:	
Held-in-trust for pension benefits	<u>\$ 10,363,280</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	<u>Pension Trust Fund</u>
ADDITIONS:	
Contributions:	
Employer contributions	\$ 395,042
State aid	238,301
Contributions by members	<u>76,333</u>
Total Contributions	<u>709,676</u>
Investment Income:	
Net depreciation in fair-value of investments	(1,491,078)
Interest and dividends, net of fees	<u>178,953</u>
Total Investment Income	<u>(1,312,125)</u>
Total Additions	<u>(602,449)</u>
DEDUCTIONS:	
Retirement benefits paid	539,613
Administrative expenses	<u>7,811</u>
Total Deductions	<u>547,424</u>
CHANGE IN NET POSITION	(1,149,873)
NET POSITION - Beginning	<u>11,513,153</u>
NET POSITION - Ending	<u>\$ 10,363,280</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Nanticoke, Pennsylvania (the "City").

Reporting Entity

The City is governed by a Home Rule Charter and operates under a mayor-council form of government, with the appointment of a professional manager to run the day-to-day operations of the City.

The Home Rule Charter also provides for a formal budget process, mandates an independent auditor, and provides for other fiscal management requirements. The City provides public safety, sanitation, public works, culture and recreation, community development, and general administrative services for its residents.

For financial reporting purposes, in accordance with generally accepted accounting principles, the City includes any entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. Therefore, data from these component units are combined with the data of the primary government. The City has determined that it has no potential component units that should be included.

Related Organizations

Organizations for which the City is not financially accountable even though the City appoints a voting majority of the Organization's governing body are:

- Housing Authority of the City of Nanticoke
- General Municipal Authority of the City of Nanticoke

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present information about the reporting government as a whole. They include all funds of the reporting government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government-Wide Financial Statements (Cont'd)

All of the City's assets and liabilities, including capital assets (except as discussed under Capital Assets), and long-term liabilities, are included in the accompanying statement of net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among other program revenues are reported as general revenues.

Fund Financial Statements

Financial statements of the reporting government are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, net assets/fund equity, revenues, and expenditures/expenses. The City reports the difference between its governmental funds assets, liabilities and deferred inflows of resources as fund balance, and as net position in the proprietary fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has presented all major funds that met the applicable criteria. An accompanying schedule is presented to reconcile and explain the differences in governmental fund balances as presented in these statements to the net position presented in the government-wide financial statements.

Governmental Fund Types

The following is a description of the governmental funds of the City:

General Fund (Major)

The general fund accounts for the general operations of the City and all financial transactions not accounted for in another fund.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governmental Fund Types (Cont'd)

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The following funds included in the accompanying fund financial statements are accounted for as special revenue funds: special revenue fund, refuse, CDBG, and highway aid.

Debt Service Fund

The debt service fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest. The City annually levies property taxes restricted for the retirement of general obligation bonds and interest.

Proprietary Fund Types

The focus of proprietary funds measurement is the determination of operating income, changes in net position, and cash flows. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

The City's proprietary fund is classified as an enterprise fund.

Sewer Fund

Enterprise funds are used for activities which are financed and operated in a manner similar to businesses in the private sector, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The principal operating revenue for the City's proprietary fund is the collection of sewer fees. Operating expenses for the City's enterprise fund includes salaries, supplies and materials. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

Fiduciary Fund Types

Fiduciary funds account for the assets held by the City in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds. The fiduciary fund included in this category is:

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fiduciary Fund Types (Cont'd)

Pension Trust Fund

The pension trust fund accounts for the assets held-in-trust in the City's police and firefighter pension plans.

Measurement Focus and Basis of Accounting

The government-wide statement of net position and statement of activities are reported using the "economic resources measurement focus" and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and repayment of principal are reported as other financing sources/uses, respectively.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenue. Amounts received prior to the entitlement period are recorded as advancements.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus and Basis of Accounting (Cont'd)

Revenues susceptible to accrual include property taxes and sewer fees. In general, other taxes and revenue are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Encumbrances

No provisions are made for the recording of encumbrances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and all other investment instruments with original maturities of three months or less.

Restricted Cash

Several governmental fund cash accounts, which were funded through grants from the Federal government and the Commonwealth of Pennsylvania, are restricted for various programs undertaken by the City.

Investments

Investments are stated at fair-value; changes in fair-value are included with investment income in the operating statements.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

Receivables

Accounts and taxes receivable in the governmental fund financial statements are shown at the total amount due. Taxes, franchise fees and grants not collected within 60 days are offset by deferred inflows of resources in the fund financial statements.

The City provides an allowance for doubtful sewer fees receivable equal to the estimated collection losses that will be incurred. The estimate is based on historical collection experience and a review of the current status of outstanding accounts. Accounts receivable in business-type activities are reported net of an allowance of \$21,391 at December 31, 2022.

Capital Assets

Capital assets are reported in the government-wide statement of net assets but are reported in the governmental fund financial statements as expenditures. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

The City has not capitalized and depreciated all capital assets in governmental activities and has not depreciated sewer system assets in business-type activities. These policies are not in accordance with accounting principles generally accepted in the United States of America which require that all capital assets (excluding some infrastructure capital assets) be capitalized and depreciated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources. Accordingly, these items, deferred pension charges and deferred other post-employment benefit ("OPEB") obligation are reported in the statement of financial

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Outflows/Inflows of Resources (Cont'd)

position in connection with the City's pension plans and other post-employment benefit plan. These deferred charges are either (a) recognized in the subsequent period as a reduction of the net pension liability or other post-employment benefit obligation (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources. On the statement of net position, deferred inflows of resources are related to pensions and OPEB for certain actuarially determined differences between expected and actual experience and changes in assumptions. In the governmental funds balance sheet, deferred inflows of resources are related to unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations. All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Long-term debt consists primarily of notes payable and leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

For governmental activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported. In governmental funds, compensated absences are recorded as expenditures in the year paid.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property Taxes

The provisions of the Pennsylvania Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the Chief Assessor's Office of the County of Luzerne, in the case of locally assessed property, or as determined by the State Board of Equalization.

Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The total tax on real estate in 2022 was 5.9258 mills. Of this amount, 4.9994 mills were levied for general purposes, .907 mills were levied for debt service, and .0194 mills for the Mill Memorial Library.

The current portion of real estate taxes are collected by the appointed Tax Collection Agency and submitted to the City. Delinquent real estate taxes are collected by a third-party collector and are remitted to the City.

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

March 1	Levy date
March 1 - April 30	2.0% discount period
May 1 - June 30	Face payment period
July 1 - December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at December 31, 2022 were \$366,165. The City believes all delinquent real estate taxes receivable to be fully collectible.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgetary Accounting

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the City Code and City procedures, the City Finance Director submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year. Departments for budgetary purposes are general government, public safety, sanitation, public works, parks and recreation, debt service, and employee benefits and miscellaneous. Public hearings are conducted to obtain taxpayer comment.
2. By December 15, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior-year fund balance reserves. This is done as a level of budgetary control.
3. All modifications over a certain threshold, transfers and amendments must be approved by the Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. The legally adopted budgets of the City are for the general fund and all special revenue funds.
6. Council may authorize supplemental appropriations during the year and all over expenditures of appropriations or transfers of appropriated amounts.
7. The budgetary basis of accounting for the general fund differs from generally accepted accounting principles in that it includes certain expenditures and expenses of the liquid fuels fund, CDBG fund, and proprietary fund and accounts for reimbursement from these funds as operating transfers in. Such expenditures and expenses are those of the respective funds and not of the City's general fund. The adjustments necessary to reconcile the budgetary basis with generally accepted accounting principles are not ascertainable. As a result, the budgeted amounts are compared to actual amounts, not actual on budgetary basis.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Transactions

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. These transactions are classified as operating transfers-in/out, and due from/to other governmental funds. The following illustrations summarize interfund transactions (as presented in the City's fund financial statements) for the year ended December 31, 2022.

The following summarizes the receivables and payables between funds as of December 31, 2022:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Sewer fund	\$ 285,913	\$ -
Refuse fund	63,693	-
Special revenue fund	18,168	-
CDBG fund	99,506	4,219
Debt service fund	<u>438,658</u>	<u>-</u>
Total General Fund	<u>\$ 905,938</u>	<u>\$ 4,219</u>
Sewer Fund:		
General fund	<u>\$ -</u>	<u>\$ 285,913</u>
Refuse Fund:		
General fund	<u>\$ -</u>	<u>\$ 63,693</u>
Special Revenue Fund:		
General fund	<u>\$ -</u>	<u>\$ 18,168</u>
CDBG Fund:		
General fund	<u>\$ 4,219</u>	<u>\$ 99,506</u>
Debt Service Fund:		
General fund	<u>\$ -</u>	<u>\$ 438,658</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Transactions (Cont'd)

The operating transfers between funds for the year ended December 31, 2022 are as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund:		
Debt service fund	\$ 81,785	\$ -
Special revenue fund	<u>96,654</u>	<u>-</u>
Total General Fund	<u>\$ 178,439</u>	<u>\$ -</u>
Debt Service Fund:		
General fund	<u>\$ -</u>	<u>\$ 81,785</u>
Special Revenue Fund:		
General fund	<u>\$ -</u>	<u>\$ 96,654</u>

Pensions and OPEB

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows and deferred inflows of resources, pension and OPEB expense, fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair-value.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Governmental Fund Balances

Generally, governmental fund balances represent the difference between current assets current liabilities, and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governmental-Fund Balances (Cont'd)

Non-spendable: amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, granters, contributors, or the laws or regulations of other governments.

Committed: fund balance that contains self-imposed constraints of the government from its highest level of decision making authority, the City Council. The City Council commits revenue streams through adopted motions.

Assigned: amounts constrained by the City's intent to use them for a specific purpose. Fund balance is assigned by City Council by passage of a new resolution.

Unassigned: all other spendable amounts.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications; committed, assigned, then unassigned.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Implemented Accounting Standard

In June 2017, Governmental Accounting Standards Board ("GASB") issued Statement No. 87, *Leases*. The statement increases the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for previously classified operating leases as inflows of resources or outflows of resources based on payment provisions of the contract. The City implemented the provisions of this pronouncement during the year ended December 31, 2022.

Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The provisions of Statement No. 101 are effective for fiscal years beginning after December 15, 2023. The City is currently evaluating the effects of this statement on its financial statements.

GASB has issued the following pronouncements which management of the City does not expect to impact the financial statements.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, with an effective date for fiscal years beginning after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, with an effective date for fiscal years beginning after June 15, 2022.
- Statement No. 99, *Omnibus 2022*, with effective dates for fiscal years through June 15, 2023.
- Statement No. 100, *Accounting Changes and Errors and Corrections - an Amendment of GASB Statement No. 62*, with an effective date for fiscal years beginning after June 15, 2023.

Subsequent Events

Management has evaluated subsequent events through January 18, 2024, which is the date the financial statements were available to be issued.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2: CASH AND INVESTMENTS

Cash

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires depository institutions to pledge securities as collateral for deposits that exceed insured balances. At December 31, 2022, \$7,428,083 of the City's bank balance of \$11,755,806 was uninsured but was collateralized by collateral held by the pledging bank's trust department not in the City's name. Of the remaining balance, \$761,590 was invested in an external investment pool with the Pennsylvania Local Government Investment Trust ("PLGIT"). The fair-value of the City's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. At December 31, 2022 PLGIT carried a AAA rating and had an average weighted maturity of less than one year. Other cash is invested in a money market account with a brokerage firm which is insured by the SIPC up to \$250,000.

Investments

The fair-value of investments are presented on the accompanying statement of fiduciary net position. Refer to Note 8 for the method of valuation. All of the fiduciary fund's investments are held by the custodian in the name of the Police Pension Plan and the Firefighter Pension Plan.

Pension investments by type were as follows at December 31, 2022:

<u>Pension Trust Fund:</u>	<u>Fair-Value</u>
Managed equity	\$ 6,417,882
Corporate bonds	1,003,240
Fixed income fund	1,506,338
Government bonds	1,223,588
Real estate	<u>144,628</u>
	<u>\$ 10,295,676</u>

General fund investments are comprised of six month treasury bills.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All investments are either insured by SPIC, commercial insurer, or evidenced by a contract with the insurance company.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2: CASH AND INVESTMENTS (CONT'D)

Concentration of Credit Risk

The City places no limit on the amount invested in any one issue. At December 31, 2022, there is a 5% or more concentration of corporate bonds, government bonds, and fixed income securities.

Credit Risk

The Plan assumes that its callable investments will not be called.

The City targets the overall rating of its fixed income assets to be at least "BBB" by Standard and Poor's or "Baa" by Moody's rating systems.

Interest Rate Risk

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

The following schedule details the City's exposure to credit risk and interest rate risk:

<u>Investment Type:</u>	<u>Fair-Value</u>	<u>Average Maturity</u>	<u>Average Rating</u>
<u>Police Pension Plan:</u>			
Corporate Bonds	\$ 773,085	5.5 years	A
Fixed Income Fund	919,729	11.2 years	A-
Government Bonds	<u>805,425</u>	5.9 years	AA
	<u>\$ 2,498,239</u>		
<u>Firefighter Pension Plan:</u>			
Corporate Bonds	\$ 230,155	5.5 years	A
Fixed Income Fund	586,609	11.2 years	A-
Government Bonds	<u>418,163</u>	5.9 years	AA
	<u>\$ 1,234,927</u>		

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: FAIR-VALUE MEASUREMENTS

U.S. GAAP defines fair-value as the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. U.S. GAAP specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair-value measurement that reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair-value hierarchy:

Level 1 Inputs - Unadjusted quoted market prices for identical assets and liabilities in an active market that an organization has the ability to access.

Level 2 Inputs - Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs - Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair-value measurements.

U.S. GAAP requires the use of observable market data, when available, in making fair-value measurements. When inputs used to measure fair-value fall within different levels of the hierarchy, the level within which the fair-value measurement is categorized is based on the lowest level input that is significant to the fair-value measurement.

The following tables present the fair-value measurements of assets recognized in the accompanying statements of financial position measured at fair-value on a recurring basis and the level within the fair-value hierarchy in which the fair-value measurements fall at December 31, 2022:

	<u>Fair-Value Measurements Using</u>			
	<u>Fair-Value</u>	<u>(Level 1) Inputs</u>	<u>(Level 2) Inputs</u>	<u>(Level 3) Inputs</u>
General Fund:				
Government securities	<u>\$ 1,488,510</u>	<u>\$ 1,488,510</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: FAIR-VALUE MEASUREMENTS (CONT'D)

Pension Trust Fund:

Managed Equity	\$ 6,417,882	\$ 6,417,882	\$ -	\$ -
Corporate Bonds	1,003,240	1,003,240	-	-
Fixed Income Fund	1,506,338	1,506,338	-	-
Government Bonds	1,233,588	1,233,588	-	-
Real Estate Investment Trust	144,628	144,628	-	-
	<u>144,628</u>	<u>144,628</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,305,676</u>	<u>\$ 10,305,676</u>	<u>\$ -</u>	<u>\$ -</u>

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and other payables, approximate fair-value due to the short maturity of these financial instruments.

NOTE 4: TAXES RECEIVABLE

Taxes receivable consist of the following at December 31, 2022:

General Fund:

Real estate taxes	\$ 310,105
Other taxes:	
Earned income	759,848
Business privilege	28,000
LST	25,938
Real estate transfer tax	<u>20,139</u>
	<u>\$ 1,144,030</u>
Debt Service Fund:	
Real estate taxes	<u>\$ 56,060</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5: CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets:				
Vehicles	\$ 729,571	\$ 95,342	\$ -	\$ 824,913
Less: Accumulated depreciation	<u>(416,559)</u>	<u>(99,680)</u>	<u>-</u>	<u>(516,239)</u>
Capital Assets, net	<u>\$ 313,012</u>	<u>\$ (4,338)</u>	<u>\$ -</u>	<u>\$ 308,674</u>

Depreciation expense charged to functions/programs of governmental activities was as follows:

Governmental Activities:	
Public safety	\$ 57,481
Public works	<u>42,199</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 99,680</u>

Capital asset activity for business-type activities for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Sewer system	<u>\$ 4,844,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,844,474</u>
Capital assets, being depreciated:				
Equipment	247,033	-	-	247,033
Sewer system	<u>560,961</u>	<u>118,588</u>	<u>-</u>	<u>679,549</u>
Total capital assets, being depreciated	<u>807,994</u>	<u>118,588</u>	<u>-</u>	<u>926,582</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5: CAPITAL ASSETS (CONT'D)

	<u>Beginning Balance</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Less: accumulated depreciation:				
Equipment	(180,622)	(18,048)	-	(198,670)
Sewer system	<u>(12,525)</u>	<u>(11,909)</u>	<u>-</u>	<u>(24,434)</u>
 Total accumulated depreciation	 <u>(193,147)</u>	 <u>(29,957)</u>	 <u>-</u>	 <u>(223,104)</u>
 Total capital assets, being depreciated:	 <u>614,847</u>	 <u>88,631</u>	 <u>-</u>	 <u>703,478</u>
 Capital Assets, net	 <u>\$ 5,459,321</u>	 <u>\$ 88,631</u>	 <u>\$ -</u>	 <u>\$ 5,547,952</u>

NOTE 6: TAX ABATEMENTS

As of December 31, 2022, the City provides tax abatements through a program, Local Economic Revitalization Tax Assistance ("LERTA"). The City established a local LERTA to provide property tax abatements to encourage revitalization of existing buildings and the construction of new structures. Abatements are obtained through application by the property owner, forty-five days before starting construction. The exemption commences on the date that the improvement or new construction is assessed by the Luzerne County Assessor's Office and is applied to property taxes for ten years decreasing to 70% from year eight through year ten. For the year ended December 31, 2022, the amount of taxes abated through LERTA was \$174,908.

NOTE 7: LONG-TERM OBLIGATIONS

Governmental ActivitiesPIB Loan

In September 2016, the City borrowed \$3,000,000 from the Commonwealth of Pennsylvania, through the Department of Transportation loan program, for various paving projects. The loan requires quarterly installments of \$81,917, including interest at 1.75%, through September 2026.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

PIB Loan

At December 31, 2022, note payable was as follows:

	Balance Outstanding January 1, <u>2022</u>	<u>Additions/ Reclassifications</u>	<u>Reductions/ Reclassifications</u>	Balance Outstanding December 31, <u>2022</u>	Amounts Due Within <u>One Year</u>
2016 PIB Loan	\$ <u>1,490,699</u>	\$ <u>-</u>	\$ <u>303,567</u>	\$ <u>1,187,132</u>	\$ <u>309,170</u>

The following summarizes the City's future debt service requirements on the above note payable as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 309,170	\$ 18,499	\$ 327,669
2024	314,673	12,996	327,669
2025	320,095	7,574	327,669
2026	<u>243,194</u>	<u>1,569</u>	<u>244,763</u>
	\$ <u>1,187,132</u>	\$ <u>40,638</u>	\$ <u>1,227,770</u>

Capitalized Leases

The City has entered into various leases for vehicles and fire equipment with a net book value of \$221,867 at December 31, 2022, payable in annual installments including interest from 3.33% to 4.00%, with final payments through July 2026.

At December 31, 2022, capitalized lease obligations were as follows:

	Balance Outstanding January 1, <u>2022</u>	<u>Additions/ Reclassifications</u>	<u>Reductions/ Reclassifications</u>	Balance Outstanding December 31, <u>2022</u>	Amounts Due Within <u>One Year</u>
Capitalized Leases	\$ <u>240,362</u>	\$ <u>95,342</u>	\$ <u>73,577</u>	\$ <u>262,127</u>	\$ <u>78,791</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

Capitalized Leases (Cont'd)

The following summarizes the City's future debt service requirements on the above capital leases as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 78,791	\$ 11,194	\$ 89,985
2024	64,172	8,041	72,213
2025	66,756	5,457	72,213
2026	31,158	2,755	33,913
2027	21,250	1,218	22,468
	<u>\$ 262,127</u>	<u>\$ 28,665</u>	<u>\$ 290,792</u>

Other Long-Term Obligations

	<u>Balance Outstanding January 1, 2022</u>	<u>Net Additions (Reductions)</u>	<u>Balance Outstanding December 31, 2022</u>
Compensated absences	<u>\$ 592,945</u>	<u>\$ 89,236</u>	<u>\$ 682,181</u>

Business-Type Activities

Capitalized Leases

The City has entered into various leases for vehicles with a net book value of \$48,363 at December 31, 2022 payable in annual and quarterly installments including interest from 3.33% to 4.00%, with final payments through March 2025.

At December 31, 2022 capitalized lease obligations were as follows:

	<u>Balance Outstanding January 1, 2022</u>	<u>Additions/ Reclassifications</u>	<u>Reductions/ Reclassifications</u>	<u>Balance Outstanding December 31, 2022</u>	<u>Amounts Due Within One Year</u>
Capitalized Leases	<u>\$ 75,741</u>	<u>\$ -</u>	<u>\$ 23,422</u>	<u>\$ 52,319</u>	<u>\$ 18,213</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: LONG-TERM OBLIGATIONS (CONT'D)

Business-Type Activities (Cont'd)

The following summarizes the City's future debt service requirements on the above capital leases as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 18,213	\$ 1,697	\$ 19,910
2024	16,774	1,137	17,910
2025	<u>17,333</u>	<u>578</u>	<u>17,910</u>
	<u>\$ 52,319</u>	<u>\$ 3,412</u>	<u>\$ 55,731</u>

NOTE 8: PENSION PLANS

Plan Description and Administration

The City maintains two single-employer defined benefit pension plans covering police and firemen. The Police Pension Plan provides retirement income and other benefits for the exclusive benefit of members of the police department and is controlled by provisions of Ordinance #17 of 1989 adopted pursuant to Act 317. The Firefighter's Pension Plan provides retirement income and other benefits for the exclusive benefit of the members of the Fire Department and is controlled by provisions of Ordinance #10 of 1986 adopted pursuant to Act 317. For detailed financial information, refer to financial management reports covering the period January 1, 2022 to December 31, 2022 as prepared by AFG Pension Administration.

The Police Pension Plan and Firemen's Pension Plan do not issue stand-alone financial statements but are included as a fiduciary fund in these financial statements.

The Nanticoke City non-uniformed pension plan is administered by the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple-employer defined benefit pension plan. PMRS acts as a common investment and administrative agent for participating municipal pension plans and issues a separate Comprehensive Annual Financial Report.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: PENSION PLANS (CONT'D)Basis of Accounting

The City's Pension Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due in accordance with ACT 205, as amended by ACT 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Membership

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

<u>Covered Employees</u>	<u>Police Pension Plan</u>	<u>Firefighter Pension Plan</u>	<u>Non-Uniform PMRS Plan</u>
Active members	13	11	12
Inactive members, entitled to but not yet receiving benefits	1	1	1
Inactive members and beneficiaries currently receiving benefits	<u>14</u>	<u>9</u>	<u>6</u>
Total	<u>28</u>	<u>21</u>	<u>19</u>

Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: PENSION PLANS (CONT'D)

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Rate of Return</u>
	<u>Police</u>	<u>Firefighter</u>	
Domestic Equity	65.0%	65.0%	5.5% - 7.5%
Fixed income	30.0%	35.0%	1.0% - 3.0%
Real Estate	3.0%	0.0%	4.5% - 6.5%
Cash	<u>2.0%</u>	<u>0.0%</u>	0.0% - 1.0%
	<u>100.0%</u>	<u>100.0%</u>	

Method Used to Value Investments

Investments are reported at fair-value. Short-term investments are reported at cost, which approximates fair-value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of each Plan calculated using the current discount rate, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Police	<u>\$ 2,832,308</u>	<u>\$ 1,780,263</u>	<u>\$ 902,602</u>
	1% Decrease <u>(7.0%)</u>	Current Discount Rate <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
Firefighter	<u>\$ 2,115,711</u>	<u>\$ 1,543,554</u>	<u>\$ 1,063,717</u>
	1% Decrease <u>(4.25%)</u>	Current Discount Rate <u>(5.25%)</u>	1% Increase <u>(6.25%)</u>
Non-Uniform PMRS	<u>\$ (33,813)</u>	<u>\$ (207,446)</u>	<u>\$ (354,958)</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: PENSION PLANS (CONT'D)

Plan Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation ("MMO") which is based upon each Plan's biennial actuarial valuation. The MMO includes the normal cost and estimated administrative expenses. The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO more than employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Each full-time policeman contributes 4% of compensation plus \$2.00 per month. No interest is credited. Each full-time fireman contributes 3% of total compensation plus \$1.00 per month. Active members of the PMRS Pension Plan are required to contribute 3% of compensation to the plan. They may also contribute up to an additional ten percent of compensation to fund the optional contribution annuity.

During the year ended December 31, 2022, the City contributed \$439,753 to the Police Pension Plan, of which \$124,331 were Act 205 funds; \$193,590 to the Firemen Pension Plan, of which \$113,970 were Act 205 funds; and \$77,132 to the PMRS Pension Plan, of which \$62,165 were Act 205 funds. During the year ended December 31, 2022, active members contributed \$48,764 to the Police Pension Plan, \$27,569 to the Firemen Pension Plan, and \$20,229 to the PMRS Pension Plan.

Administrative costs, including investment expenses, trust, custody and actuarial services are charged to the plan and funded through investment earnings.

City's Recognition of the Net Pension Liability, Pension Expense, and Deferred Outflows/
Inflows of Resources

As allowed by GASB Statement No. 68, the City is reporting on its government-wide financial statements, its net pension liability, and related deferred outflows of resources and inflows of resources using information from the City's pension plans measured as of December 31, 2022 for the Police and Firefighter Pension Plan, and December 31, 2021 for the non-uniform pension plan. The City's pension plans' total pension liability as of December 31, 2022 was \$15,153,476 less the City pension plans' fiduciary net position of \$12,037,105, resulting in a net pension liability of \$3,116,371 at December 31, 2022. Accordingly, as of December 31, 2022, the City reported a net pension liability in the government-wide statement of net-position. For the year ended December 31, 2022, the City recognized pension expense of \$632,730. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the City's pension plans from the following sources:

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: PENSION PLANS (CONT'D)

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments:		
Police Pension Plan	\$ 826,002	\$ (336,090)
Firefighter Pension Plan	922,672	(146,782)
Non-Uniform PMRS Plan	-	(205,395)
Change in assumptions:		
Police Pension Plan	-	-
Firefighter Pension Plan	-	-
Non-Uniform PMRS Plan	17,416	-
Net difference between expected and actual experience:		
Police Pension Plan	-	(22,276)
Firefighter Pension Plan	-	(155,625)
Non-Uniform PMRS Plan	27,034	(47,279)
Contributions made subsequent to the measurement date:		
Non-Uniform PMRS Plan	<u>77,132</u>	<u>-</u>
	<u>\$ 1,870,256</u>	<u>\$ (913,447)</u>

Amounts reported as deferred outflows (inflows) of resources will be recognized as an increase (decrease) in pension expense as follows:

<u>Year ending December 31,</u>	<u>Police Pension Plan</u>	<u>Firefighter Pension Plan</u>	<u>Non-Uniform PMRS Plan</u>
2022	\$ -	\$ -	\$ (42,051)
2023	12,558	71,190	(75,614)
2024	127,454	144,792	(56,416)
2025	123,234	173,615	(34,143)
2026	<u>204,390</u>	<u>230,668</u>	<u>-</u>
	<u>\$ 467,636</u>	<u>\$ 620,265</u>	<u>\$ (208,224)</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Nanticoke administers a single-employer, defined benefit post-employment health insurance plan for eligible retired police and firefighters.

Benefits Provided

Police Officers

A police officer who was hired prior to January 1, 2009 and retires after attainment of age 50 and completion of 20 years of service shall be entitled to receive medical, prescription drug, dental and vision coverage for himself and his spouse until age 65. Upon attaining Medicare eligibility, the retired Officer or spouse is entitled to the deductible not covered by Medicare.

In the event that a police officer hired prior to January 1, 2009 becomes disabled in the line of duty, the Officer shall receive continued medical, prescription drug, dental and vision coverage for himself and his spouse for their lifetimes. Disabled retirees contribute to the coverage based on the retirement provisions above. Upon attaining Medicare eligibility, the retired Officer or spouse is entitled to the deductible not covered by Medicare.

In the event that a retired officer dies while receiving benefits, the surviving spouse may continue receiving benefits for life. The surviving spouse would contribute toward coverage based on the contributions made by the retired officer prior to his death. A police officer hired on or after January 1, 2009 shall not be entitled to post-employment medical benefits.

Firefighters

A firefighter who was hired prior to January 1, 2009 and retires after attainment of age 50 and completion of 20 years of service shall be entitled to receive medical, prescription drug, dental and vision coverage for himself and his spouse until age 65. Upon attaining Medicare eligibility, the retired firefighter or spouse is entitled to the deductible not covered by Medicare.

In the event that a firefighter hired prior to January 1, 2009 becomes disabled in the line of duty, the firefighter shall receive continued medical, prescription drug, dental and vision coverage for himself and his spouse for their lifetimes. Disabled retirees contribute to the coverage based on the retirement provisions above. Upon attaining Medicare eligibility, the retired firefighter or spouse is entitled to the deductible not covered by Medicare.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

Benefits Provided (Cont'd)

Firefighters (Cont'd)

In the event that a firefighter hired prior to January 1, 2009 is killed in the line of duty, the surviving spouse and dependents shall continue to receive coverage for a period not to exceed five years. The surviving spouse would contribute toward coverage based on the contributions made by the active firefighter prior to his death. Benefits shall terminate if the spouse remarries or if substantially similar benefits are made available, free of charge, from any other source.

In the event that a retired firefighter dies while receiving benefits, the surviving spouse may continue receiving benefits for life. The surviving spouse would contribute toward coverage based on the contributions made by the retired firefighter prior to his death.

A firefighter hired on or after January 1, 2009 shall not be entitled to post-employment medical benefits.

Contributions

Police Officers

Police officers retiring prior to January 1, 2009 do not contribute toward coverage. Officers retiring on or after January 1, 2009 but prior to January 1, 2013 will contribute toward coverage until Medicare eligibility based upon a percentage, ranging from 10% to 30%, of the increase in the cost of benefits over the rate in effect September 2009 and retirement year. Officers retiring on or after January 1, 2013 will contribute toward coverage until Medicare eligibility up to an annual cap based on coverage level and retirement date. The City pays the full cost for dental and vision coverage.

Firefighters

Firefighters retiring prior to January 1, 2009 do not contribute toward coverage. Firefighters retiring on or after January 1, 2009 but prior to January 1, 2013 will contribute toward coverage until Medicare eligibility based upon a percentage, ranging from 2.5% to 7.5%, of the increase in the cost of benefits over the rate in effect September 2009 and retirement year. Firefighters retiring on or after January 1, 2013 will contribute toward coverage until Medicare eligibility up to an annual cap based on coverage level and retirement date. The City pays the full cost for dental and vision coverage.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

Specific information on benefits and coverages can be found in the retirees' respective collective bargaining agreement.

The City contributes amounts sufficient to cover OPEB benefit payments, not covered by retiree contributions, as they come due.

Plan Membership

The following employees were covered by the benefit terms at December 31, 2022:

Retired participants or beneficiaries currently receiving benefits	16
Retired participants entitled to but not yet receiving benefits	0
Active participants	<u>13</u>
Total	<u>29</u>

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. As of December 31, 2022, no trust has been established for the funding of the City's post-employment benefit obligation.

Changes in the Total OPEB Liability

Balance at January 1, 2022	\$ 13,862,459
Service cost	491,798
Interest	273,962
Changes of benefit terms	-
Differences between expected and actual experience	(2,560,687)
Changes in assumptions or other inputs	(494,122)
Benefit payments	<u>(294,113)</u>
Balance at December 31, 2022	<u>\$ 11,279,297</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using a discount rate and healthcare trend rate that is one percentage point lower and one percentage point higher than the current discount rate and healthcare cost trend rate.

	1% Decrease <u>(1.25%)</u>	Current Rate <u>(2.25%)</u>	1% Increase <u>(3.25%)</u>
Discount rate	\$ 12,766,820	\$ 11,279,297	\$ 10,054,094
	1% <u>Decrease</u>	Current <u>Rate</u>	1% <u>Increase</u>
Healthcare cost trend rate	\$ 9,907,178	\$ 11,279,297	\$ 12,938,191

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized \$72,104 in OPEB expense, which was determined as follows:

Service cost	\$ 491,798
Interest	273,962
Amortization of deferred outflows	981,945
Amortization of deferred inflows	<u>(1,675,601)</u>
	\$ <u>72,104</u>

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 663,920	\$ (247,061)
Net difference between expected and actual experience	-	(1,280,343)
Benefits paid subsequent to the measurement date of January 1, 2022	<u>250,694</u>	<u>-</u>
	\$ <u>914,614</u>	\$ <u>(1,527,404)</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ <u>612,790</u>

NOTE 10: FUND BALANCE

The following is a summary of the governmental fund balances of the City at December 31, 2022:

General Fund

Non-spendable	\$ 716,281
Restricted:	
Various grants and projects	94,841
Unassigned	<u>7,789,027</u>
	<u>8,600,149</u>

Special Revenue Fund

Restricted:	
Various grants and projects	71,174
Assigned:	
Capital Reserve	1,046,718
Unassigned	<u>220,647</u>
	<u>1,338,539</u>

Debt Service Fund

Restricted:	
Debt service	<u>353,481</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 10: FUND BALANCE (CONT'D)

Refuse Fund

Non-spendable 89,136

Assigned:

Refuse collections 136,789

225,925

CDBG Fund

Restricted:

Community development 84,238

Highway Aid Fund

Restricted:

Roads and streets 134,975

Total Governmental Fund Balance \$ 10,648,171

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such situations. Any settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Contingency

Substantially, all of the City's non-management employees are covered by collective bargaining agreements between the City and various unions.

Grant Programs

The City participates in both state and Federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The City is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12: COMMITMENTS AND CONTINGENCIES (CONT'D)

Commitments

The City executed a three-year service contract for trash and recycling services effective January 1, 2019. The contract is renewable for two additional years at the sole discretion of the City. In November 2023, the City entered into a new three-year contract with two one year options for trash and recycling services effective January 1, 2024. Fees for the service are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ 1,071,982
2024	\$ 1,558,208
2025	\$ 1,593,748
2026	\$ 1,636,488
2027	\$ 1,713,484
2028	\$ 1,797,580

Total charges incurred by the City during 2022 were \$1,028,496.

In August 2022, the City approved the purchase of an aerial ladder tower fire truck in the amount of \$1,791,000 with \$509,388 provided as a deposit from a grant. The City also approved the purchase of an engine/pumper truck in the amount of \$628,500. The City does not anticipate receiving the vehicles until September 2024 at which point the City will enter in to a ten year lease to finance the remaining balance.

Litigation

As of December 31, 2022, the City is involved in various legal issues. Currently, it is not possible for the City to speculate as to the possible outcome of these litigations or to the financial consequences of any adverse judgment by the Courts in the pending actions. Therefore, the City has not accrued any potential liability that may result.

CITY OF NANTICOKE, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

POLICE PENSION PLAN

UNAUDITED

DECEMBER 31, 2022

Measurement Date - December 31,:	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Service cost	\$ 208,471	\$ 198,544	\$ 223,316	\$ 212,682	\$ 229,056	\$ 218,149	\$ 189,132	\$ 180,126
Interest	575,232	545,863	519,310	493,450	485,712	460,806	430,425	409,354
Change in benefits terms	-	(66,830)	-	(244,620)	-	(39,121)	-	-
Differences between expected and actual experience	-	-	-	-	-	135,657	-	-
Change of assumptions	-	(340,736)	(353,927)	(340,736)	(345,731)	(322,389)	(299,827)	(295,108)
Benefit payments, including refunds of member contributions	(329,425)	(340,736)	(353,927)	(340,736)	(345,731)	(322,389)	(299,827)	(295,108)
Net Change in Total Pension Liability	454,278	336,861	464,618	120,776	369,037	453,102	319,730	294,372
Total Pension Liability - Beginning	8,173,840	7,836,979	7,372,361	7,251,585	6,882,548	6,429,446	6,109,716	5,815,344
Total Pension Liability - Ending (a)	8,628,118	8,173,840	7,836,979	7,372,361	7,251,585	6,882,548	6,429,446	6,109,716
Plan Fiduciary Net Position:								
Contributions - employer	439,753	419,996	431,422	388,996	339,971	351,559	329,240	317,945
Contributions - member	48,764	42,487	49,700	39,624	36,994	37,681	40,107	37,586
Net investment income (loss)	(512,209)	846,742	384,672	805,419	(455,077)	617,301	253,272	(194,289)
Benefit payments, including refunds of member contributions	(329,425)	(340,736)	(353,927)	(340,736)	(345,731)	(322,389)	(299,827)	(295,108)
Administrative expense	(3,000)	(6,100)	(7,000)	(5,600)	(2,400)	(7,400)	-	(4,600)
Net Change in Plan Fiduciary Net Position	(356,117)	962,389	504,867	887,703	(426,243)	676,752	322,792	(138,466)
Plan Fiduciary Net Position - Beginning	7,203,972	6,241,583	5,736,716	4,849,013	5,275,256	4,598,504	4,275,712	4,414,178
Plan Fiduciary Net Position - Ending (b)	6,847,855	7,203,972	6,241,583	5,736,716	4,849,013	5,275,256	4,598,504	4,275,712
City's Net Pension Liability - Ending (a) - (b)	\$ 1,780,263	\$ 969,868	\$ 1,595,396	\$ 1,635,645	\$ 2,402,572	\$ 1,607,292	\$ 1,830,942	\$ 1,834,004
Plan fiduciary net position as a percentage of the total pension liability	79.37%	88.13%	79.64%	77.81%	66.87%	76.65%	71.52%	68.98%
Covered-employee payroll	\$ 1,097,398	\$ 1,219,170	\$ 868,095	\$ 982,145	\$ 916,238	\$ 881,226	\$ 959,962	\$ 951,319
City's net pension liability as a percentage of covered-employee payroll	162.23%	79.55%	183.78%	166.54%	262.22%	182.39%	190.73%	192.79%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See independent auditors' report and note to required supplementary information.

CITY OF NANTICOKE, PENNSYLVANIA

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
FIREFIGHTER PENSION PLAN**

UNAUDITED

DECEMBER 31, 2022

Measurement Date - December 31,:	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Service cost	\$ 87,300	\$ 83,143	\$ 77,935	\$ 74,224	\$ 91,522	\$ 87,164	\$ 81,551	\$ 77,668
Interest	385,710	366,279	363,697	343,949	334,364	315,783	291,359	276,702
Change in benefits terms	-	(221,457)	-	(113,742)	-	38,113	-	-
Differences between expected and actual experience	-	-	-	-	-	63,685	-	-
Change of assumptions	-	(211,202)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)
Benefit payments, including refunds of member contributions	(210,169)	(211,202)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)
Net Change in Total Pension Liability	262,841	16,763	266,599	129,398	250,853	329,712	197,877	179,337
Total Pension Liability - Beginning	4,839,161	4,822,398	4,555,799	4,426,401	4,175,548	3,845,836	3,647,959	3,468,622
Total Pension Liability - Ending (a)	5,102,002	4,839,161	4,822,398	4,555,799	4,426,401	4,175,548	3,845,836	3,647,959
Plan Fiduciary Net Position:								
Contributions - employer	193,590	188,365	187,590	243,310	208,152	203,541	196,325	198,440
Contributions - member	27,569	25,933	23,013	21,744	21,247	20,315	18,848	16,864
Net investment income (loss)	(804,726)	381,541	426,387	492,160	(243,057)	372,579	157,028	(63,089)
Benefit payments, including refunds of member contributions	(210,169)	(211,202)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)	(175,033)
Administrative expense	-	(5,100)	-	-	(2,000)	(6,500)	-	(4,600)
Net Change in Plan Fiduciary Net Position	(793,736)	379,537	461,957	582,181	(190,691)	414,902	197,168	(27,418)
Plan Fiduciary Net Position - Beginning	4,352,184	3,972,647	3,510,690	2,928,509	3,119,200	2,704,298	2,507,130	2,534,548
Plan Fiduciary Net Position - Ending (b)	3,558,448	4,352,184	3,972,647	3,510,690	2,928,509	3,119,200	2,704,298	2,507,130
City's Net Pension Liability - Ending (a) - (b)	\$ 1,543,554	\$ 486,977	\$ 849,751	\$ 1,045,109	\$ 1,497,892	\$ 1,056,348	\$ 1,141,538	\$ 1,140,829
Plan fiduciary net position as a percentage of the total pension liability	69.75%	89.94%	82.38%	77.06%	66.16%	74.70%	70.32%	68.73%
Covered-employee payroll	\$ 837,160	\$ 892,459	\$ 669,862	\$ 723,709	\$ 703,909	\$ 672,823	\$ 643,146	\$ 558,244
City's net pension liability as a percentage of covered-employee payroll	184.38%	54.56%	126.85%	144.41%	212.80%	157.00%	177.49%	204.36%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See independent auditors' report and note to required supplementary information.

CITY OF NANTICOKE, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
NON-UNIFORM PMRS PLAN
UNAUDITED
DECEMBER 31, 2022

Measurement Date - December 31:	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 79,056	\$ 62,273	\$ 64,889	\$ 60,941	\$ 60,347	\$ 53,753	\$ 55,661	\$ 50,916
Interest	72,094	69,198	64,606	56,454	51,357	44,723	41,429	36,543
Change in benefits terms	-	-	-	-	-	49,645	-	-
Differences between expected and actual experience	-	(70,919)	-	59,829	-	26,245	-	32,175
Change of assumptions	-	20,497	-	-	-	-	(9,391)	-
Benefit payments, including refunds of member contributions	(43,346)	(42,007)	(36,904)	(15,164)	(15,250)	(16,469)	(35,106)	(35,954)
Net Change in Total Pension Liability	107,804	39,042	92,591	162,060	96,454	157,897	52,593	83,680
Total Pension Liability - Beginning	1,315,552	1,276,510	1,183,919	1,021,859	925,405	787,508	714,915	631,235
Total Pension Liability - Ending (a)	1,423,356	1,315,552	1,276,510	1,183,919	1,021,859	925,405	767,508	714,915
Plan Fiduciary Net Position:								
Contributions - employer	70,544	62,184	53,724	51,333	42,532	38,320	43,573	35,911
Contributions - member	20,229	16,449	17,140	16,229	16,071	14,981	14,935	15,123
Net investment income (loss)	196,481	169,829	201,475	(63,982)	142,896	57,447	(11,029)	34,324
Benefit payments, including refunds of member contributions	(43,346)	(42,007)	(36,904)	(15,164)	(15,250)	(16,469)	(35,106)	(35,964)
Administrative expense	(4,299)	(2,938)	(2,263)	(2,534)	(2,316)	(2,307)	(1,979)	(1,707)
Net Change in Plan Fiduciary Net Position	239,609	203,317	233,172	(14,118)	183,933	91,972	10,394	47,687
Plan Fiduciary Net Position - Beginning	1,391,193	1,187,876	954,704	968,822	784,889	692,917	682,523	634,836
Plan Fiduciary Net Position - Ending (b)	1,630,802	1,391,193	1,187,876	954,704	968,822	784,889	692,917	682,523
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ (207,446)	\$ (75,641)	\$ 88,634	\$ 229,215	\$ 53,037	\$ 140,516	\$ 74,591	\$ 32,392
Plan fiduciary net position as a percentage of the total pension liability (asset)	114.57%	105.75%	93.06%	80.64%	94.61%	84.82%	90.28%	95.47%
Covered-employee payroll	\$ 674,301	\$ 548,301	\$ 571,333	\$ 540,955	\$ 535,689	\$ 499,390	\$ 497,827	\$ 463,127
City's net pension liability (asset) as a percentage of covered-employee payroll	(30.76%)	(13.80%)	15.51%	42.37%	9.90%	28.14%	14.98%	6.99%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See independent auditors' report and note to required supplementary information.

CITY OF NANTICOKE, PENNSYLVANIA

PENSION PLANS
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS
UNAUDITED
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<u>Police Pension Plan</u>										
Actuarially determined contribution	\$ 439,753	\$ 419,996	\$ 431,422	\$ 388,996	\$ 339,971	\$ 351,559	\$ 329,240	\$ 317,945	\$ 198,670	\$ 193,520
Contributions in relation to the actuarially determined contribution	439,753	419,996	431,422	388,996	339,971	351,559	329,240	317,945	198,670	193,520
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,097,398	\$ 1,129,170	\$ 868,095	\$ 982,145	\$ 916,238	\$ 881,226	\$ 959,962	\$ 951,319	\$ 887,820	\$ -
Contributions as a percentage of covered-employee payroll	40.07%	37.20%	49.70%	39.61%	37.11%	39.89%	34.30%	33.42%	22.38%	N.A.
<u>Firefighter Pension Plan</u>										
Actuarially determined contribution	\$ 193,590	\$ 188,365	\$ 187,590	\$ 243,310	\$ 208,152	\$ 203,541	\$ 196,325	\$ 198,440	\$ 129,371	\$ 127,021
Contributions in relation to the actuarially determined contribution	193,590	188,365	187,590	243,310	208,152	203,541	196,325	198,440	129,371	127,021
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 837,160	\$ 892,459	\$ 669,862	\$ 723,709	\$ 703,909	\$ 672,823	\$ 643,146	\$ 558,244	\$ 537,960	\$ -
Contributions as a percentage of covered-employee payroll	23.12%	21.11%	28.00%	33.62%	29.57%	30.25%	30.53%	35.55%	24.05%	N.A.
<u>Non-Uniform Pension Plan</u>										
Actuarially determined contribution	\$ -	\$ 70,504	\$ 62,164	\$ 53,704	\$ 47,849	\$ 42,532	\$ 38,320	\$ 43,533	\$ 35,871	\$ 35,891
Contributions in relation to the actuarially determined contribution	-	70,544	62,164	53,724	51,333	42,532	38,320	43,573	35,911	35,891
Contribution deficiency (excess)	\$ -	(40)	(20)	(20)	(3,484)	\$ -	\$ -	(40)	(40)	\$ -
Covered-employee payroll	\$ -	\$ 674,301	\$ 548,301	\$ 571,333	\$ 540,955	\$ 535,689	\$ 499,390	\$ 497,827	\$ 463,127	\$ -
Contributions as a percentage of covered-employee payroll	-	10.46%	11.34%	9.40%	9.49%	7.94%	7.67%	8.75%	7.75%	N.A.

N.A. - Not available

See independent auditors' report and note to required supplementary information.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREFIGHTER PENSION PLANS
DECEMBER 31, 2022**

Valuation date January 1, 2019

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period:	
Police Pension Plan	9 years
Firefighter Pension Plan	12 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7% for police and 8.00% for firefighters
Retirement age	Active members are assumed to retire at age 53 and completion of 20 years of service
Mortality:	
Police Pension Plan	IRS 2017 Static Combined Table for Small Plans
Firefighter Pension Plan	IRS 2017 Static Combined Table for Small Plans

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
NON-UNIFORM PMRS PLAN
DECEMBER 31, 2022**

Valuation date January 1, 2019

Actuarially determined contribution rates are calculated as of January 1, for the odd valuation year at least two years prior to the end of the fiscal year in which contributions are reported. Therefore, the Actuarially Determined Contribution for calendar year 2021 is based upon the January 1, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age
Amortization method:	Level dollar based upon the amortization periods in Act 205
Asset valuation method:	Based upon the municipal reserves
Discount rate:	5.25%
Inflation:	2.80%
Salary increases:	Age related scale with merit and inflation component
Mortality:	Based on the Retired Pensioners (RP) - 2000 Tables
Cost-of-Living adjustment:	2.8% for those eligible for a COLA

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2019 actuarial valuation report.

Actuarial assumptions were updated for the January 1, 2020 actuarial valuations, which is used to determine the Minimum Municipal Obligations for 2020 and 2021, based on the PMRS experience study for the five-year period of January 1, 2014 to December 31, 2018 and the Board's annual review of the regular interest rate.

SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
UNAUDITED
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:					
Service cost	\$ 491,798	\$ 355,680	\$ 313,634	\$ 333,764	\$ 281,311
Interest	273,962	379,667	374,941	334,204	349,069
Changes of benefit terms	-	-	-	-	(65,069)
Differences between expected and actual experience	(2,560,687)	-	392,221	-	-
Changes of assumptions	(494,122)	1,991,762	561,847	(592,784)	833,601
Benefit payments, including refunds of member contributions	<u>(294,113)</u>	<u>(338,655)</u>	<u>(339,498)</u>	<u>(319,990)</u>	<u>(277,734)</u>
Net Change in Total OPEB Liability	(2,583,162)	2,388,454	1,303,145	(244,806)	1,121,768
Total OPEB Liability - Beginning	<u>13,862,459</u>	<u>11,474,005</u>	<u>10,170,860</u>	<u>10,415,666</u>	<u>9,293,898</u>
Total OPEB Liability - Ending	<u>\$ 11,279,297</u>	<u>\$ 13,862,459</u>	<u>\$ 11,474,005</u>	<u>\$ 10,170,860</u>	<u>\$ 10,415,666</u>
Covered Employee Payroll	<u>\$ 1,170,524</u>	<u>\$ 1,160,566</u>	<u>\$ 1,160,567</u>	<u>\$ 1,125,619</u>	<u>\$ 1,125,619</u>
Total OPEB liability as a percentage of covered payroll	<u>963.61%</u>	<u>1,194.46%</u>	<u>988.66%</u>	<u>903.58%</u>	<u>925.33%</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, information for those years for which information is available is shown.

See independent auditors' report and note to required supplementary information.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
DECEMBER 31, 2022**

Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Inflation	2.25%
Healthcare Inflation Rate	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Salary increases	5.00%
Investment rate of return	There are no invested assets.
Discount rate	2.25%. Based on S&P Municipal Bond 20-year High Grade Rate Index at January 1, 2022

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Taxes	\$ 5,343,200	\$ 5,343,200	\$ 5,865,188	\$ 521,988
Intergovernmental revenue	341,600	341,600	615,536	273,936
Departmental earnings	153,000	153,000	156,466	3,466
Fines, forfeitures, and costs	36,000	36,000	29,237	(6,763)
Charges for services	189,450	189,450	265,113	75,663
Rents	18,300	18,300	18,000	(300)
Interest	2,500	2,500	52,720	50,220
Other	63,000	63,000	163,668	100,668
Total Revenue	6,147,050	6,147,050	7,165,928	1,018,878
EXPENDITURES:				
General government - administration	946,170	946,170	848,311	97,859
Public safety	4,887,667	4,887,667	4,607,070	280,597
Public works	436,929	436,929	424,152	12,777
Culture and recreation	3,800	3,800	34,654	(30,854)
Debt service	-	-	70,338	(70,338)
Capital outlay	-	-	95,342	(95,342)
Total Expenditures	6,274,566	6,274,566	6,079,867	194,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	(127,516)	(127,516)	1,086,061	1,213,577
Other Financing Sources (Uses):				
Proceeds from capital leases	-	-	95,342	95,342
Operating transfers in	472,724	472,724	178,439	(294,285)
Operating transfers out	(345,208)	(345,208)	-	345,208
Total Other Financing Sources (Uses)	127,516	127,516	273,781	146,265
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	-	-	1,359,842	1,359,842
Fund Balance, Beginning	-	-	7,240,307	7,240,307
Fund Balance, Ending	\$ -	\$ -	\$ 8,600,149	\$ 8,600,149

See independent auditors' report.

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Interest	\$ 4,500	\$ 4,500	\$ 4,296	\$ (204)
Intergovernmental revenue - Federal	8,207,113	8,207,113	539,529	(7,667,584)
Other	-	-	311,785	311,785
Total Revenue	8,211,613	8,211,613	855,610	(7,356,003)
EXPENDITURES:				
General government	544,178	544,178	-	544,178
Public safety	555,200	555,200	30,607	524,593
Public works	5,400,000	5,400,000	490,203	4,909,797
Debt service	-	-	11,446	(11,446)
Capital outlay	1,712,235	1,712,235	-	1,712,235
Total Expenditures	8,211,613	8,211,613	532,256	7,679,357
Excess of Revenues Over Expenditures	-	-	323,354	323,354
Other Financing Sources (Uses):				
Proceeds from sale of assets	-	-	5,676	5,676
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(96,654)	(96,654)
Total Other Financing Sources (Uses)	-	-	(90,978)	(90,978)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	-	-	232,376	232,376
Fund Balance, Beginning	-	-	1,106,163	1,106,163
Fund Balance, Ending	\$ -	\$ -	\$ 1,338,539	\$ 1,338,539

See independent auditors' report.

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - CDBG FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Interest	\$ 300	\$ 300	\$ 278	\$ (22)
Intergovernmental revenue - Federal	1,079,446	1,079,446	283,804	(795,642)
Total Revenue	1,079,746	1,079,746	284,082	(795,664)
EXPENDITURES:				
Community development	1,079,746	1,079,746	353,677	726,069
Deficiency of Revenues Under Expenditures	-	-	(69,595)	(69,595)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Uses	-	-	-	-
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing (Uses)	-	-	(69,595)	(69,595)
Fund Balance, Beginning	-	-	153,833	153,833
Fund Balance, Ending	\$ -	\$ -	\$ 84,238	\$ 84,238

See independent auditors' report.

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - REFUSE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Charges of Service	\$ 1,057,800	\$ 1,057,800	\$ 1,081,447	\$ 23,647
Interest	1,200	1,200	953	(247)
Intergovernmental revenue - state and local	5,000	5,000	13,928	8,928
Total Revenue	<u>1,064,000</u>	<u>1,064,000</u>	<u>1,096,328</u>	<u>32,328</u>
EXPENDITURES:				
Sanitation	<u>1,111,538</u>	<u>1,111,538</u>	<u>1,110,295</u>	<u>1,243</u>
Deficiency of Revenues Under Expenditures	<u>(47,538)</u>	<u>(47,538)</u>	<u>(13,967)</u>	<u>33,571</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing (Uses)	(47,538)	(47,538)	(13,967)	33,571
Fund Balance, Beginning	-	-	239,892	239,892
Fund Balance, Ending	<u>\$ (47,538)</u>	<u>\$ (47,538)</u>	<u>\$ 225,925</u>	<u>\$ 273,463</u>

See independent auditors' report.

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Real estate taxes	\$ 291,956	\$ 291,956	\$ 318,141	\$ 26,185
Real estate taxes, delinquent	36,044	36,044	59,276	23,232
Interest	350	350	1,097	747
Total Revenue	328,350	328,350	378,514	50,164
EXPENDITURES:				
Debt service - principal	303,898	303,898	303,567	331
Debt service - interest	24,102	24,102	24,102	-
Total Expenditures	328,000	328,000	327,669	331
Excess of Revenues Over Expenditures	350	350	50,845	50,495
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(81,785)	(81,785)
Total Other Financing (Uses)	-	-	(81,785)	(81,785)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	350	350	(30,940)	(31,290)
Fund Balance, Beginning	-	-	384,421	384,421
Fund Balance, Ending	\$ 350	\$ 350	\$ 353,481	\$ 353,131

See independent auditors' report.

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - HIGHWAY AID FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUE:				
Intergovernmental revenue - state and local	\$ 282,013	\$ 282,013	\$ 286,382	\$ 4,369
Interest	250	250	525	275
Total Revenue	282,263	282,263	286,907	4,644
EXPENDITURES:				
Public works	262,263	262,263	502,060	(239,797)
Capital outlay	20,000	20,000	-	20,000
Total Expenditures	282,263	282,263	502,060	(219,797)
Deficiency of Revenues Under Expenditures	-	-	(215,153)	(215,153)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing (Uses)	-	-	(215,153)	(215,153)
Fund Balance, Beginning	-	-	350,128	350,128
Fund Balance, Ending	\$ -	\$ -	\$ 134,975	\$ 134,975

See independent auditors' report.

KOHANSKI

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

To the Mayor and Members of the Council of the
City of Nanticoke, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Nanticoke, Pennsylvania (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

CERTIFIED PUBLIC ACCOUNTANTS

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kohanski & Co., PC

Scranton, PA
January 18, 2024

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

REVENUE RECOGNITION

Criteria: Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

- Property taxes are recorded in the year levied.
- Intergovernmental grants are recognized as revenues in the period the City is entitled to the resources.
- Amounts owed to the City which are not available are recorded as receivables and unavailable revenue. Amounts received prior to the entitlement period are recorded as advancements.
- Proceeds from long-term debt are reported as other financing sources.

Condition – General Fund: Property tax revenue and taxes receivable were overstated by \$365,839 and \$174,801, respectively, and unavailable revenue was understated by \$191,038. In accordance with the revenue recognition principles noted above, property tax revenue should be recorded as revenue if it is received within 60 days of the end of the year. Year end adjustments were not made to record unavailable revenue and to adjust revenue and receivables at year end.

Condition – Debt Service Fund: Unavailable revenue was overstated by \$32,707. In accordance with the revenue recognition principles noted above, property tax revenue should be recorded as revenue if it is received within 60 days of the end of the year. An adjustment was not made to reduce unavailable revenue for taxes received in the first 60 days of the year.

Condition – General Fund: Proceeds from capital leases and capital outlay were understated by \$95,342 in the general fund as a result of capital leases not being properly recorded in accordance with the criteria noted above.

Condition – Special Revenue Fund: Grant revenue from a state grant was overstated by \$300,000, related to grant funds advanced to the City from a Pennsylvania PHARE grant. Grant proceeds were recorded as revenue when received and not after all eligibility requirements had been met in accordance with the revenue recognition criteria noted above.

Effect: Revenue, receivables and unavailable revenue in the fund financial statements were materially misstated.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

REVENUE RECOGNITION (CONT'D)

Cause: Internal controls over financial reporting did not include procedures to ensure the completeness and cutoff of revenue recorded in the financial statements.

Recommendation: We recommend that the City evaluate staffing in the business office as well as policies and procedures related to revenue recognition and reporting. Responsibilities should be assigned in such a way that the finance manager has sufficient time to analyze and review the transactions recorded by other members of the business office. In addition, internal controls over financial reporting should include procedures to reconcile and review general ledger account balances to ensure all transactions are accurately and completely recorded. We would also be available to review required revenue recognition standards with members of the business office to ensure that revenue from all sources is reported in the financial statements in the proper period.

EXPENDITURE REPORTING

Criteria: Expenditures in governmental fund reporting are recorded when a liability is incurred or certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

Condition – General Fund: Total expenses were overstated by \$509,388 as a result of the City receiving a grant from the Commonwealth of Pennsylvania for a deposit on a firetruck to obtain a discount on the purchase price.

Condition – Special Revenue Fund: Expenses and accounts payable were understated by \$34,981 as a result of unrecorded liabilities for expenses incurred during the year.

Effect: Expenditures in the fund financial statements were materially misstated.

Cause: Internal controls over financial reporting did not include procedures to ensure transactions were recorded in the proper period.

Recommendation: We recommend that the City evaluate staffing in the business office as well as policies and procedures related to recording expenditures. Responsibilities should be assigned in such a way that the finance manager has sufficient time to analyze and review the transactions recorded by other members of the business office. In addition, internal controls over financial reporting should include procedures to reconcile and review general ledger account balances to ensure all transactions are accurately and completely recorded. We would also be available to review required expense recognition standards with members of the business office to ensure that expenditures are reported in the financial statements in the proper period.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

ERRORS IN FINANCIAL REPORTING

Criteria: The City levies taxes for general purposes and for debt service. Tax revenues should be allocated to the general fund and the debt service fund based on its proportional share of the total levy.

Condition: Tax revenue was allocated to the debt service fund using an old ratio based on the taxes levied for debt service in a prior year.

Effect: Tax revenue and taxes receivable, restricted for debt service, were overstated by \$87,757 and \$36,611, respectively.

Cause: Internal controls over financial reporting did not include procedures to review general journal entries. In addition, controls were not designed to catch and correct errors in financial reporting.

Recommendation: Implement review and approval procedures for all general journal entries. In addition, periodic review procedures should be developed to allow employees and management to identify and correct errors in a timely manner.