

ROBERT ROSSI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT L. ROSSI, C.P.A.
ROBERT T. ARVONIO, C.P.A.
PETER D. ARVONIO, JR., C.P.A.
ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2ND FLR
OLYPHANT, PA 18447-2326
TEL. (570) 876-2300 - FAX (570) 876-5153
Website: www.rroco.net

SALVATORE A. NOLE, JR., C.P.A.
JOSEPH E. ROSSI, C.P.A.
SEAN J. GRASSI, C.P.A.
RALPH R. MORRIS, III, C.P.A.

February 9, 2022

To the Controller's Office, City of Scranton, Pennsylvania, and
Board of Directors of the Scranton School District
Scranton, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the Scranton Single Tax Office for the year ended December 31, 2019 and have issued our report thereon dated February 9, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 6, 2020 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Scranton Single Tax Office internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated.

Significant Audit Findings

There is one finding included in the report regarding Cash Management and Separation listed in the Schedule of Findings & Questioned Costs 2019.01.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Scranton Single Tax Office are described in Note 1 to the financial statements. The application of existing policies was not changed during the year ended 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 9, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The Master account earns interest which is being used to fund the operating expenses. Per the PA Statutes 30787, the interest earned shall belong to the Municipality that has the deposit funds, City, County, and School. Also, a portion of the held tax overpayments shall be allocated a portion of the interest earned.

The Scranton Single Tax Office doesn't report all tax collections and moneys on hand each month to the municipalities since it doesn't account for the unallocated funds nor the cash balances. PA Statutes 30788 requires monthly reports of all cash collections and moneys on hand. Also, the tax office doesn't follow up on or research tax overpayments unless the taxpayer requests the refund. The tax office escheats unrequested overpayments to the state.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior periods, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements themselves.

This information is intended solely for the use of the Controller's Office, City of Scranton, Pennsylvania, and the Board of Directors of the Scranton School District, and is not intended to be, and should not be used by anyone other than these specified parties.

Robert Rasse & Co.

**SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
TABLE OF CONTENTS
DECEMBER 31, 2019

	<u>PAGE</u>
Independent Auditors' Report	1 – 2
Management Discussion and Analysis	3
Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position	5
Statement of Cash Receipts and Cash Disbursements	6
Schedule of Amounts Held for Refunds	7
Notes to Financial Statements	8 - 12
Additional Information:	
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 Governmental Auditing Standards	13 – 14
Schedule of Findings and Questioned Costs	15 – 16
Plan for Corrective Action in Response to Audit Findings	17

ROBERT ROSSI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT L. ROSSI, C.P.A.
ROBERT T. ARVONIO, C.P.A.
PETER D. ARVONIO, JR., C.P.A.
ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2ND FL
OLYPHANT, PA 18447-2326
TEL. (570) 876-2300 - FAX (570) 876-5153
Website: www.rroco.net

SALVATORE A. NOLE, JR., C.P.A.
JOSEPH E. ROSSI, C.P.A.
SEAN J. GRASSI, C.P.A.
RALPH R. MORRIS, III, C.P.A.
PETER C. ARVONIO, III, C.P.A.

INDEPENDENT AUDITORS' REPORT

February 9, 2022

To The Controller's Office, City of Scranton, Pennsylvania, and
Board of Directors of the Scranton School District
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Scranton Single Tax Office, City of Scranton, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Scranton Single Tax Office basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Scranton Single Tax Office as of December 31, 2019, and the changes in its fiduciary net position, in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, on our consideration of Scranton Single Tax Office'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 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 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 Scranton Single Tax Office's internal control over financial reporting and compliance.

Robert Rossi #6

**SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

This Section of the Single Tax office's (the Office) annual financial report presents management's discussion and analysis (MD&A) of the Office's financial activities during the year ended December 31, 2019. Please read it in conjunction with your review of the Tax Offices' financial statements.

Financial Highlights for the Year Ended 2019

The office collected \$167,577,580 of tax revenues during the 2019 year compared with \$165,171,228 for the year in 2018, an increase of 1.5% year over year. The tax collection increase was primarily due to the increased in the taxes assessed by the Scranton School District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Single Tax Office, City of Scranton, Pennsylvania basic financial statements. The basic financial statements consist of four components: (1) Statement of Fiduciary Net Position; (2) Statement of Changes in Fiduciary Net Position; (3) Statement of Cash Receipts and Cash Disbursements; and (4) Notes to Financial Statements. The Single Tax Office is the Tax Collection Agent for the City of Scranton, Scranton School District and Lackawanna County. The Office collects and disburses funds on behalf of these entities and they each provide payments to the Office for the support of its operations. The funds collected by the Office are custodial in nature meaning they are collected and disbursed on behalf of each of the taxing jurisdictions. The Office is operations are governed by the Local Tax Collection Law Act of May 25, 1945.

Notes to the Financial Statements – The notes provide additional information that is essential for the financial statement user to gain a full understanding of the data provided in the financial statements.

Requests for information

This financial report is designed to provide those with an interest a general overview of the Office's finances and to demonstrate the Office's accountability for the money it receives on behalf of the taxing authorities it serves. Questions concerning this report or requests for additional financial information should be direct to Cathy Nealon Wechsler, 123 Wyoming Avenue, Scranton , PA 18503.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 673,139</u>
 TOTAL ASSETS	 <u><u>\$ 673,139</u></u>
 LIABILITIES	
Amounts held for refunds	<u>\$ 632,640</u>
 TOTAL LIABILITIES	 <u>\$ 632,640</u>
 NET POSITION	
Unrestricted Fiduciary Net Position	<u>\$ 40,499</u>
 TOTAL FIDUCIARY NET POSITION	 <u><u>\$ 40,499</u></u>

"See Accompanying Notes and Independent Auditors' Report."

SCRANTON SINGLE TAX OFFICE
 CITY OF SCRANTON, PENNSYLVANIA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2019

ADDITIONS

Net Collections 2019	\$ 167,577,580
Operating Income	132,000
Interest	2,059
Miscellaneous Fee Income	<u>41,205</u>

Total Additions \$ 167,752,844

DEDUCTIONS

Distributions and Refunds	\$ 167,577,580
Administrative Expenses	<u>160,621</u>

Total Deductions \$ 167,738,201

NET CHANGE IN FIDUCIARY NET POSITION \$ 14,643

FIDUCIARY NET POSITION - JANUARY 1, 2019 25,856

FIDUCIARY NET POSITION - DECEMBER 31, 2019 \$ 40,499

"See Accompanying Notes and Independent Auditors' Report."

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Lackawanna County Fund	Scranton School District Fund	Operating Fund	City of Scranton Fund	Delinquent City of Scranton Fund	Non-Resident Earned Income Tax Fund	Totals
ADDITIONS							
Real Estate Taxes (Discounts) or Penalties	\$ 81,813,118 (2,643,909)	\$ 41,610,276 (821,812)	\$ 0 0	\$ 31,360,872 (561,857)	\$ 1,679,829 72,620	\$ 0 0	\$ 156,464,095 (3,954,958)
Net Real Estate Collections	\$ 79,169,209	\$ 40,788,464	\$ 0	\$ 30,799,015	\$ 1,752,449	\$ 0	\$ 152,509,137
Earned Income Tax Delinquencies	0	27,536	0	66,094	0	0	93,630
Miscellaneous Fees	0	0	41,205	0	0	0	41,205
Interest Income	0	0	2,059	0	0	0	2,059
Local Service Tax Collections	0	165,971	0	4,939,984	0	0	5,105,955
Subsidies from Taxing Authorities	0	0	132,000	0	0	0	132,000
Business Privilege/Mercantile Collections	0	7,270,169	0	2,598,689	0	0	9,868,858
TOTAL ADDITIONS	\$ 79,169,209	\$ 48,252,140	\$ 175,264	\$ 38,403,782	\$ 1,752,449	\$ 0	\$ 167,752,844
DISBURSEMENTS							
Real Estate Taxes Distribution	\$ 75,265,974	\$ 40,781,030	\$ 0	\$ 30,786,495	\$ 1,752,449	\$ 0	\$ 148,585,948
Real Estate Library Distribution	3,887,772	0	0	0	0	0	3,887,772
Real Estate Land Bank Distribution	3,286	7,434	0	12,520	0	0	23,240
Local Service Tax Distribution	0	165,971	0	4,939,984	0	0	5,105,955
Earned Income Tax Distribution	0	27,536	0	66,094	0	0	93,630
Business Privilege/Mercantile Distribution	0	7,270,169	0	2,598,689	0	0	9,868,858
Real Estate LCTA TIF Revenue Fund	12,177	0	0	0	0	0	12,177
Administrative Expenses	0	0	160,621	0	0	0	160,621
TOTAL DISBURSEMENTS	\$ 79,169,209	\$ 48,252,140	\$ 160,621	\$ 38,403,782	\$ 1,752,449	\$ 0	\$ 167,738,201
EXCESS (DEFICIT) OF ADDITIONS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 0	\$ 14,643	\$ 0	\$ 0	\$ 0	\$ 14,643

"See Accompanying Notes and Independent Auditors' Report."

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF AMOUNTS HELD FOR REFUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Real Estate Tax Refund Payable 2015	Real Estate Tax Refund Payable 2016	Real Estate Tax Refund Payable 2017	Real Estate Tax Refund Payable 2018	Real Estate Tax Refund Payable 2019	EIT, BP/IER, & Non-Resident Liability	Totals
ADDITIONS							
Miscellaneous Adjustment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44	\$ 44
Real Estate Tax Overpayments	0	0	0	0	171,910	0	171,910
TOTAL ADDITIONS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,910</u>	<u>\$ 44</u>	<u>\$ 171,954</u>
DISBURSEMENTS							
Miscellaneous Adjustment	\$ 4,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 816	\$ 5,515
Escheated to the State	85,672	0	0	0	0	0	85,672
Real Estate Refunds	0	700	3,103	44,129	0	0	47,932
TOTAL DISBURSEMENTS	<u>\$ 90,371</u>	<u>\$ 700</u>	<u>\$ 3,103</u>	<u>\$ 44,129</u>	<u>\$ 0</u>	<u>\$ 816</u>	<u>\$ 139,119</u>
EXCESS OF ADDITIONS OVER (UNDER) DISBURSEMENTS	<u>\$ (90,371)</u>	<u>\$ (700)</u>	<u>\$ (3,103)</u>	<u>\$ (44,129)</u>	<u>\$ 171,910</u>	<u>\$ (772)</u>	<u>\$ 32,835</u>
BEGINNING BALANCE	<u>\$ 90,371</u>	<u>\$ 143,109</u>	<u>\$ 132,135</u>	<u>\$ 195,601</u>	<u>\$ 0</u>	<u>\$ 38,589</u>	<u>\$ 599,805</u>
ENDING BALANCE	<u>\$ 0</u>	<u>\$ 142,409</u>	<u>\$ 129,032</u>	<u>\$ 151,472</u>	<u>\$ 171,910</u>	<u>\$ 37,817</u>	<u>\$ 632,640</u>

"See Accompanying Notes and Independent Auditors' Report."

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations:

The Scranton Single Tax Office, City of Scranton, Pennsylvania (the Office) is the Collector of Tax for the following entities:

Real Estate Taxes — Current year
Lackawanna County (County and Library)
City of Scranton
Scranton School District

Immediately Prior year delinquent Real Estate Taxes
of City of Scranton, Business and Mercantile Tax, and
Earned Income Tax- 2011 and prior
City of Scranton
Scranton School District

Local Service Tax
City of Scranton
Scranton School District

Reporting Entity:

The Scranton Single Tax Office, City of Scranton, Pennsylvania is a Special Purpose government entity which was created for the administration of the Collection of taxes for the County of Lackawanna, the City of Scranton and the Scranton School District. It manages Agency Funds and collects and distributes taxes for the taxing authorities. However, the Office is not a component unit of any governmental "reporting entity" as defined by the Government Accounting Standards Board, since Office management has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Additionally, the Office has no component units.

Basis of Accounting:

The Office's accounts are maintained on the modified cash basis of accounting, and receipts and disbursements recognize only cash when received and disbursed. The Office has no owned property or equipment. Therefore, receivables and payables, long-lived assets, accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America and which may be material in amount, are not recognized in the accompanying financial statements.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 Nature of Operations and Summary of Significant Accounting Policies (Continued)

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

Net Position: Net position represents the difference between assets and deferred outflow of resources and deferred inflows of resources, and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Scranton Single Tax Office or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* were implemented by the Scranton Single Tax Office. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The Statement of Net Position now reports the following components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, when applicable.

Note 2 Cash and Cash Equivalents

The Office's investment policy is to invest in: (1) United States Treasury Bills, (2) short-term obligations of the United States Government or its agencies or instrumentalities, (3) deposits in savings or time accounts or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by the law therefore shall be pledged by the depository, (4) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and (5) shares of certain investment companies registered under the Investment Companies in (1) — (4) listed above, maintain a constant per share net asset value and are related in the highest category by a nationally recognized rating agency.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 Cash and Cash Equivalents (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of December 31, 2019, \$2,695,428 of the government's bank balance of \$2,945,428 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging banks' not in the tax office's name	<u>\$2,695,428</u>
---	--------------------

Note 3 Real Estate Taxes

County, City and School District Real Estate Taxes for the calendar year are levied on February 1 of the year. Tax payments received in February and March/April of the year are eligible for 2.5% and 2% discounts, respectively. A 10% penalty is assessed for payments of County taxes received subsequent to June 30. A 5%, 7.5% or 10% penalty is assessed for payments of City/School taxes received subsequent to June 30, September 30, or November 30, respectively. County, City and School taxes not collected by December 31 are considered delinquent. Delinquent County and School District taxes are collected by Lackawanna County Tax Claim Bureau; 2018 delinquent City taxes are collected by the Single Tax Office. Prior year delinquent city taxes are collected by a collection agency.

The 2019 assessed values and millage rates for Real Estate Tax purposes are as follows:

	<u>Assessed Value</u>	<u>Millage Rate</u>
Lackawanna County		
County	\$1,543,863,077	53.60
Education	1,543,863,077	1.00
Library	1,543,863,077	2.82
City of Scranton	\$ 385,942,988	232.521 Land 50.564 Improvements
Scranton School District	\$ 385,942,988	133.049

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Act 511 Taxes

Earned Income Tax (delinquent) (for taxes earned during 2011 and prior), Local Service Tax and Business Privilege/Mercantile Tax are the Act 511 Taxes collected by the Office for the City of Scranton and the Scranton School District.

The Earned Income Tax rate is 3.4% and 1%, respectively, on earned income of City residents and non-residents. The Office collects only delinquent Earned Income Taxes, of which 2.4% is remitted to the City and 1.0% to the School District for residents. The 1% for non-resident collections is remitted to the tax collector of the municipalities in which the non-resident employees reside or where none exists, the city keeps.

A City Local Service Tax of \$156 on residents and non-residents is levied on all employees working in the City.

A City Business Privilege Tax of .001 mills and a School District Business Privilege Tax of .00513 mills is levied on the gross receipts of taxable service businesses located in the City of Scranton.

A City Mercantile Tax of .001 mills is levied on the gross annual wholesale and retail sales business transacted in the City. A School District Wholesale Mercantile Tax of .000452 mills and a retail Mercantile Tax of .000679 mills is levied on such business transacted in the City.

Note 5 Contributed Property and Equipment

In accordance with Title 53 P.S. Municipal and Quasi-Municipal Corporations Part IV Cities of the Second-Class A, Chapter 76. Taxation, Article II. Collector of Taxes, § 30785 Office, Supplies, and expenses, payment of salaries of collector and assistants, the Office is provided with office space paid for by the County of Lackawanna. This contribution is not recorded in the accompanying Statement of Changes in Fiduciary Net Position or the Statement of Cash Receipts and Disbursements.

Note 6 Contributed Administrative Costs

In accordance with Title 53 P.S. Municipal and Quasi-Municipal Corporations Part IV Cities of the Second-Class A, Chapter 76. Taxation, Article II. Collector of Taxes, § 30785 Office, supplies, and expenses, payment of salaries of collector and assistants, employees of the Office are compensated directly by either the City, the School District, or both. In addition, the City and School District pay for employee benefits for personnel. These contributions are not recorded in the accompanying Statement of Changes in Fiduciary Net Position or the Statement of Cash Receipt, and Disbursements.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Real Estate Tax Refunds and Overpayments

As reflected on the Schedule of Amounts Held for Refunds, in the 2019 tax year, the Office issued \$139,119 in net real estate tax refunds, including \$85,672 in escheated payments to the State for tax year 2015 and \$44,129 in refunds for tax year 2018, while collecting \$171,910 in overpayments for the year 2019.

Note 8 Subsequent Events

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". On January 31, 2020, the United States Secretary of Health and Human Services declared the coronavirus outbreak a public health emergency for the United States. Future operations and results of operations could be adversely affected by the effects of a widespread outbreak of COVID-19. The public health epidemic poses the risk that the Office's employees and taxpayers may be prevented from conducting activities for an indeterminable period, including due to shutdowns that may be requested or mandated by governmental authorities.

Pursuant to ASC 955 the Scranton Single Tax Office has evaluated subsequent events through February 9, 2022, which is the date financial statements were available to be issued.

ROBERT ROSSI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT L. ROSSI, C.P.A.
ROBERT T. ARVONIO, C.P.A.
PETER D. ARVONIO, JR., C.P.A.
ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2ND FL
OLYPHANT, PA 18447-2326
TEL. (570) 876-2300 - FAX (570) 876-5153
Website: www.rroco.net

SALVATORE A. NOLE, JR., C.P.A.
JOSEPH E. ROSSI, C.P.A.
SEAN J. GRASSI, C.P.A.
RALPH R. MORRIS, III, C.P.A.
PETER C. ARVONIO, III, C.P.A.

INDEPENDENT AUDITOR'S 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

February 9, 2022

To The Controller's Office, City of Scranton, Pennsylvania, and
Board of Directors of the Scranton School District
Scranton, 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 accompanying modified cash basis of accounting financial statements of the Scranton Single Tax Office, City of Scranton, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Scranton Single Tax Office's basic financial statements, and have issued our report thereon dated February 9, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Scranton Single Tax Office's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Scranton Single Tax Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scranton Single Tax Office's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Scranton Single Tax Office's financial statements are free from material misstatements, 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 of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2019-01.

Scranton Single Tax Office's Response to Findings

Scranton Single Tax Office's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Scranton Single Tax Office's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robert Rossi & Co.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I – Auditors’ Result Section

- 1) An unmodified opinion was expressed on the basic financial statements of the auditee.
- 2) The audit did not disclose any deficiencies relating to the audit of the financial statements on Internal Control.
- 3) The audit did disclose non-compliance which is material to the financial statements of the auditee.

Section II – Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

2019-01 Cash Management & Separation of Funds

Condition: The Scranton Single Tax Office maintains a master bank account from which the City, School District & County tax receipts, fee income, and interest is deposited. An operating bank account which is funded by Lackawanna County from which operating expenses are to be paid, and three separate bank accounts for the City, County and School District from which tax collected are transferred into from the master account twice a month and checks are written from the respective accounts and sent to the respective taxing authority. The master bank account has interest and fee income deposited into and bank charges deducted from it on a monthly basis even though they represent income and operating expenses of the Single Tax Office.

Criteria: According to Pennsylvania Statutes Title 53, Municipal and Quasi-Municipal Corporation Part IV cities of the second-class A, Article 76. Taxations Article II Collector of Taxes § 30787 Deposits; Collector liability on insolvency of depository; interest on deposits; bribery; violations, all monies collected should not be deposited in the same account, but in separate accounts for the City, County & School District and all interest earned upon such accounts shall belong to the municipal corporation to whom the principal of the funds belong. According to Pennsylvania Statues Title 53 P.S. Municipal and Quasi-Municipal Corporations Part IV Cities of the Second-Class A, Chapter 76. Taxation, Article II. Collector of Taxes § 30785 Office, Supplies, and expenses, payment of salaries of collector and assistants, the operating expenses of the Single Tax Office are to be paid from funds advanced by the County and not paid from the tax receipts which the bank charges are currently being paid from through the master bank account; and the Office depositing fee income and interest income into the master bank account.

Effect: The proper separation of tax receipts and operating expenses will facilitate a more accurate accounting of tax collections for each municipality and put the Single Tax Office in compliance with the Pennsylvania Statues Title 53 and allow the Scranton Single Tax Office to properly determine their operating cash needs.

SCRANTON SINGLE TAX OFFICE
CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cause: Since the real estate tax bill for the County, City and School is sent as one bill and the taxpayer's remit one payment, it is difficult to separate the deposit funds at the time of receipt into three separate bank accounts. Also, the business privilege/mercantile and local services taxes for the City and School is remitted as one payment on a jointly prepared tax form.

Recommendation: Procedures should be implemented to separate the tax collections, fee income as soon as they are received, and the bank charges and interest income should be added and deducted to the operating account instead of the master account.

Response: Management's views and corrective action plan is included at the end of this report.

Business Privilege Tax
Earned Income Tax
Mercantile Tax
Local Services Tax
Real Estate Tax



William Fox
Collector of Taxes

Telephone: (570) 963-6756
Facsimile: (570) 963-6425
123 Wyoming Avenue
Scranton, PA 18503

Regarding Section II – Finding Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards, the Scranton Single Tax Office has the following response:

The Scranton Single Tax office properly deposits all funds into a Single Trust account in the name of the Scranton Single Tax office in accordance with Section 5.2 of the Local Tax Collection Law. This account is in the custody of the Scranton Single Tax Office and all income and expenses incurred are legally incurred as obligations of the Scranton Single Tax Office. The funds are swept into separate bank accounts for the benefit of each of the taxing jurisdictions for which taxes are collected and interest earnings on those funds are the custody of the jurisdictions. After these funds are separated into the various taxing jurisdictions accounts they are not commingled and thus handled in compliance with the Local Tax Collection Law. Further all expenses of the Scranton Single Tax Office are properly incurred and paid for out of funds in the custody of the Scranton Single Tax office.

Regards,

William Fox
Collector of Taxes

Web Site: www.scrantontaxoffice.org