

Luzerne County Industrial Development Authority
Financial Statements
For the Year Ended December 31, 2021

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
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FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Luzerne County Industrial Development Authority
Wilkes-Barre, Pennsylvania

Opinions

We have audited the accompanying financial statements of Luzerne County Industrial Development Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Luzerne County Industrial Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Luzerne County Industrial Development Authority, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Luzerne County Industrial Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the 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 Luzerne County Industrial Development Authority'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 Luzerne County Industrial Development Authority'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 4 - 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

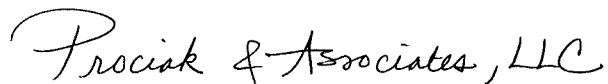
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Luzerne County Industrial Development Authority's basic financial statements. The budgetary comparison information on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Authority's internal control over financial reporting and compliance.

July 7, 2022

A handwritten signature in cursive script that reads "Prociak & Associates, LLC".

PROCIAK & ASSOCIATES, L.L.C.
Wilkes-Barre, Pennsylvania

LUZERNE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
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Wilkes-Barre, PA 18701
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Management's Discussion and Analysis

Our discussion and analysis of Luzerne County Industrial Development Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2021. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

Overview

The original purpose of The Luzerne County Industrial Development Authority ("Authority") was to stimulate the local economy through the issuance of tax-exempt bonds. The Tax Reform Act of 1986 placed limitations of the bonds use and has significantly reduced the eligible use of Industrial Development Bonds.

The Authority continues to manage the outstanding bond portfolio; utilizes its powers to issue bonds and administer other economic development programs.

Financial Highlights

In the year 2021, the Authority undertook activity that effected the financing statements. Fees generated from bond portfolio maintenance, the repository of property held by the Authority as legal owner on behalf of the Greater Wilkes-Barre Development Corporation as equitable owner supported the operation of the Authority. Fee income from the application and administration of economic programs is generated. Interest income was derived from the investment portfolio.

The following table provides a summary of the Authority's operations for the year ended December 31, 2021 and the comparative totals for the year ended December 31, 2020.

	<u>2021</u>	<u>2020</u>
Total assets	\$2,007,971	\$2,036,933
Total liabilities	4,861	5,027
Net position	2,003,110	2,031,906
Total revenues	59,473	103,281
Total expenses	88,269	89,663
Change in net position	(28,796)	13,618
Ending net position	2,003,110	2,031,906

Capital Assets and Debt Administration

Capital Assets

There were no capital expenditures during the year. There are no future plans to invest capital assets at this time. More detailed information about the Authority's capital assets is presented in Note 2.

Debt

The Authority is current with operating expenditures and does not have debt. The Authority does not anticipate acquiring any new debt in the future.

Economic Factors and Next Year's Budget

The Authority continues to market the issuance of eligible bond programs. With the current economic environment the demand for bond financing is in low demand. Fees from the maintenance of the bond portfolio, and income from other fees along with interest income are anticipated to provide a fund balance after operating expenses while improving the local economy and creating or strengthen existing jobs continues. Maintenance fees are reviewed annually.

Contacting the Authority's Financial Management

This Financial Report is designed to provide the public with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the Authority Secretary/Treasurer at 163 South Washington Street, Wilkes-Barre, PA 18701.

Gary F. Lamont
Secretary/Treasurer
Luzerne County Industrial Development Authority

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$	275,446
Investments, at fair market value		1,722,411
Interest receivable		5,114
Service fee receivable		<u>5,000</u>
Total current assets		<u>2,007,971</u>
 Total assets	 \$	 <u>2,007,971</u>

LIABILITIES AND NET POSITION

Liabilities:		
Accounts payable	\$	4,616
Accrued withholding		<u>245</u>
Total current liabilities		<u>4,861</u>
 Net position:		
Unrestricted	\$	<u>2,003,110</u>
 Total liabilities and net position	 \$	 <u>2,007,971</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

Operating revenues:	
Maintenance fees	\$ 34,750
Service fees	<u>13,756</u>
Total operating revenues	<u>48,506</u>
Operating expenses:	
Personnel costs	78,142
Administrative expenses	<u>8,710</u>
Total operating expenses	<u>86,852</u>
Operating gain (loss)	<u>(38,346)</u>
Non-operating revenues:	
Investment income	36,716
Unrealized gain (loss) on investments	<u>(25,749)</u>
Total non-operating revenues	<u>10,967</u>
Non-operating expenses:	
Investment management fees	<u>1,417</u>
Total non-operating expenses	<u>1,417</u>
Non-operating gain (loss)	<u>9,550</u>
Change in net position	(28,796)
Net position at January 1, 2021	<u>2,031,906</u>
Net position at December 31, 2021	<u>\$ 2,003,110</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:	
Receipts from customers	\$ 48,506
Payments to suppliers for goods and services	(38,350)
Payments to employees	<u>(50,076)</u>
Net cash used in operating activities	<u>(39,920)</u>
Cash flows from investing activities:	
Net investment activity	165,384
Net investment income	<u>37,393</u>
Net cash provided by investing activities	<u>202,777</u>
Net increase (decrease) in cash	<u>162,857</u>
Cash, January 1, 2021	<u>112,589</u>
Cash, December 31, 2021	<u>\$ 275,446</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:	
Operating income (loss)	\$ (39,763)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in:	
Accounts payable	<u>(157)</u>
Net cash provided by operating activities	<u>\$ (39,920)</u>
Cash is comprised of:	
Operating cash and cash equivalents	<u>\$ 275,446</u>
Supplementary non-cash investing and financing activities:	
Increase (decrease) in unrealized gain on investments	<u>\$ (25,749)</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Authority was incorporated on September 12, 1969, under the authority of the Pennsylvania Industrial Development Authority Law of August 23, 1969, as amended to operate for the public purpose of alleviating unemployment, maintaining employment at a high level, creating and developing business opportunities by the financing of industrial, commercial, manufacturing and research and development enterprises. The IDA's term of existence as listed in the IDA's Articles of Incorporation or Articles of Amendment as amended in 2011, expires on December 1, 2061.

The Authority participates in financing debt issued in accordance with its bylaws and has no responsibility for repayment of the debt in the event of default.

B. Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Measurement Focus

The Authority reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

Net position is classified and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- c. Unrestricted - The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Authority.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Revenues Classification:

Operating revenues consist of:

The Authority receives fees for bond and economic development program application and administration.

The Authority collects an annual maintenance fee on outstanding bonds.

The Authority receives service fees from the Greater Wilkes-Barre Industrial Fund/Greater Wilkes-Barre Development Corp. in connection with the conveyance of Fund land to the Authority.

Non-operating revenues consist of:

The Authority receives interest and investment income.

Revenues are recognized when earned and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Authority. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units based on several criteria set for the in GASB Statement No. 14, as amended by GASB Statements No. 39, 61 and 90, including legal standing, fiscal dependency, financial accountability and minority equity interest. Based on the application of these criteria, the Authority has no potential component units.

D. Cash and Investments

"Cash and cash equivalents" includes all demand and money market accounts of the Authority.

The Authority considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents are reported at carrying amount which reasonably estimates fair value. The Authority follows GASB 72 for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements.

Title 73 Chapter 12 of the Commonwealth of Pennsylvania Economic Development Financing Law and the Board of Directors authorize the Authority's investments. The Authority is authorized to invest in Short-Term funds, which serve as a primary source to meet and provide funding for operating requirements. These will be primarily dominated by checking accounts, money market accounts, and certificates of deposit.

The Authority is also permitted to invest in Fixed Income Securities which shall serve as a stable base and flow of income. These securities will be dominated by debt securities issued by the U.S. Government or its agencies. Authorized types of securities are: bonds and notes issued, assumed or guaranteed by the U.S. Government or its agencies, or by any state, county, municipality or political subdivision. Mutual funds and commingled funds are also permitted that invest in the above security types.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

E. Receivables

Material receivables include revenue accruals such as commission revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

F. Property and Equipment

Additions are recorded at cost or, if contributed property, at their estimated fair market value at the time of contribution. Repairs and maintenance are recorded as expenses. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated using the straight-line method. Estimated useful life is as follows:

Machinery and equipment - 3 - 20 years

G. Budgetary Control

The Statement of Revenues, Expenses and Changes in Net Position - Actual Compared to Budgetary Basis presents a comparison of budgetary data to actual results of operations. The adopted budget of the Authority is prepared for the Revenue Fund on the cash basis of accounting. The actual (GAAP) amounts are adjusted for comparison to budgeted amounts on the Statement of Revenues, Expenses and Changes in Net Position - Actual Compared to Budgetary Basis to provide a meaningful comparison of actual results with the budget.

H. Allowance for Doubtful Accounts

The Authority provides for estimated losses on accounts and loan receivable based on prior bad debt experience and a review of existing receivables. Based on these factors, there was no allowance for doubtful accounts for the year ended December 31, 2021.

I. Statement of Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

J. 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.

K. Fair Value Measurement

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

In accordance with guidance provided in GASB 72, the Authority groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices on quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument’s categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis

<u>Asset Type</u>	2021			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	\$ 950,787	\$ -	\$ -	\$ 950,787
Corporate Bonds	78,411	-	-	78,411
Municipal Bonds	16,171	-	-	16,171
Mutual Funds	677,042	-	-	677,042
Total	<u>\$1,722,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,722,411</u>

L. Tax Status

The Authority is exempt from federal, state, and local income taxes.

M. Subsequent Events

In preparing the financial statements and notes thereto, the Authority considered subsequent events through July 7, 2022, the date the financial statements were available to be issued.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net resources that applies to future periods.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance at December 31, <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2021</u>
Governmental activities:				
Machinery and equipment	\$ 8,443	\$ -0-	\$ -0-	\$ 8,443
Total at historical cost	<u>8,443</u>	<u>-0-</u>	<u>-0-</u>	<u>8,443</u>
Less accumulated depreciation - machinery and equipment	<u>8,443</u>	<u>-0-</u>	<u>-0-</u>	<u>8,443</u>
Total accumulated depreciation	<u>8,443</u>	<u>-0-</u>	<u>-0-</u>	<u>8,443</u>
Governmental activities capital assets, net	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 3: DEPOSITS

Cash and Cash Equivalents

The carrying amount of the Authority's deposits at December 31, 2021 was \$275,446. Actual bank statement balances at December 31, 2021 were \$275,446. A difference between carrying amounts and bank balances represents primarily checks which have not cleared the bank. The total bank balances are covered by FDIC insurance and SIPC insurance.

NOTE 4: INVESTMENTS

The Authority's policies and applicable laws regarding investments are discussed in Note 1. Investment securities are as follows:

<u>Type of Investment</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less Than One</u>	<u>Maturities (in years)</u>		
					<u>One to Five</u>	<u>Six to Ten</u>	<u>More Than Ten</u>
Certificate of Deposit	\$ 939,921	\$ 950,787	\$ -	\$ 445,988	\$ 504,799	\$ -	\$ -
Corporate Bonds	78,550	78,411	-	-	78,411	-	-
Municipal Bonds	16,181	16,171	-	-	16,171	-	-
Mutual Funds	684,940	677,042	677,042	-	-	-	-
	<u>\$1,719,592</u>	<u>\$1,722,411</u>	<u>\$ 677,042</u>	<u>\$ 445,988</u>	<u>\$ 599,381</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk

The certificates of deposits are covered by FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments in fixed income securities mature in varying intervals between one and five years.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Concentration of Credit Risk

Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer. The Authority's investments are in mutual funds, corporate bonds (rated AAA), and municipal bonds (rated AA) at December 31, 2021.

NOTE 5: DEFINED CONTRIBUTION PLAN

The Authority maintains a simplified employee pension plan "SEP" for its executive director which requires the Authority to contribute 25% of the executive director's annual salary. All contributions are immediately vested at 100%. Contributions for the year ended December 31, 2021 were \$12,519.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority does not carry insurance.

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of the related impact on the Authority's financial position, operations, and cash flows is uncertain and cannot be reasonably estimated at this time.

NOTE 7: CONDUIT DEBT

The Authority participates in financing debt issued in accordance with its bylaws for various commercial and non-profit organizations. The Authority has no responsibility for repayment of the debt in the event of default. The aggregate balance of all conduit debt obligations outstanding at December 31, 2021 is \$133,630,636.

NOTE 8: ACCOUNTS PAYABLE

Payables in the general fund are composed of payables to vendors.

LUZERNE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL COMPARED TO BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:					
Service fees	\$ 13,756	\$ -	\$ 13,756	\$ 5,000	\$ 8,756
Maintenance fees	34,750	-	34,750	23,750	11,000
Application fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>(38,000)</u>
Total operating revenues	<u>48,506</u>	<u>-</u>	<u>48,506</u>	<u>66,750</u>	<u>(18,244)</u>
Operating expenses:					
Personnel costs:					
Salaries	50,076	-	50,076	50,076	-
Payroll taxes	4,783	-	4,783	4,997	214
Employee benefits	23,283	-	23,283	23,283	-
Training	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Total personnel costs	<u>78,142</u>	<u>-</u>	<u>78,142</u>	<u>78,556</u>	<u>414</u>
Administrative costs:					
Office	447	157	604	600	(4)
Legal and accounting	5,466	-	5,466	5,915	449
Advertising	270	-	270	390	120
Telephone	1,507	-	1,507	1,500	(7)
Repairs and maintenance	-	-	-	1,250	1,250
Meetings	1,020	-	1,020	1,770	750
Contracted services	-	-	-	200	200
Bank charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total administrative costs	<u>8,710</u>	<u>157</u>	<u>8,867</u>	<u>11,725</u>	<u>2,858</u>
Total operating expenses	<u>86,852</u>	<u>157</u>	<u>87,009</u>	<u>90,281</u>	<u>3,272</u>
Operating gain (loss)	<u>(38,346)</u>	<u>(157)</u>	<u>(38,503)</u>	<u>(23,531)</u>	<u>(14,972)</u>
Non-operating revenues:					
Investment income	36,716	2,094	38,810	28,600	10,210
Unrealized gain (loss) on investments	<u>(25,749)</u>	<u>25,749</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>10,967</u>	<u>27,843</u>	<u>38,810</u>	<u>28,600</u>	<u>10,210</u>
Non-operating expenses:					
Investment management fees	<u>1,417</u>	<u>-</u>	<u>1,417</u>	<u>1,400</u>	<u>(17)</u>
Total non-operating expenses	<u>1,417</u>	<u>-</u>	<u>1,417</u>	<u>1,400</u>	<u>(17)</u>
Non-operating gain (loss)	<u>9,550</u>	<u>27,843</u>	<u>37,393</u>	<u>27,200</u>	<u>10,193</u>
Change in net position	(28,796)	27,686	(1,110)	3,669	(4,779)
Net position at January 1, 2021	<u>2,031,906</u>	<u>(12,068)</u>	<u>2,019,838</u>	<u>2,019,838</u>	<u>-</u>
Net position at December 31, 2021	<u>\$ 2,003,110</u>	<u>\$ 15,618</u>	<u>\$ 2,018,728</u>	<u>\$ 2,023,507</u>	<u>\$ (4,779)</u>

The accompanying notes are an integral part of this financial statement.

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 Board of Directors
Luzerne County Industrial Development Authority

We have audited, in accordance with 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 Luzerne County Industrial Development Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Luzerne County Industrial Development Authority's basic financial statements and have issued our report thereon dated July 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Luzerne County Industrial Development Authority'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 Luzerne County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Luzerne County Industrial Development Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Financial Statement Preparation

Condition: As is common in small organizations, the Authority's accounting department currently does not perform the following functions:

- Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Authority is unable to, and has not established internal controls over the preparation of financial statements.

Criteria: Internal control over financial reporting is a process which, in addition to capturing and properly recording transactions, safeguarding your assets, and ensuring compliance with laws and regulations, involves the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The external auditors cannot be part of that internal control process.

Cause of Condition: Accounting personnel of the Authority are not qualified to prepare GAAP financial statements and disclosures.

Effect of Condition: There is more than a remote likelihood of a misstatement of the Authority's financial statements (both as to amounts and disclosure) that is more than inconsequential and would not be prevented or detected by the Authority's management.

Recommendation: Since the Authority does not have the resources to hire additional personnel, we recommend the Board of Directors take an active role in the accounting functions of the Authority.

Views of Responsible Officials: Management agrees and has determined it is not cost beneficial to hire additional personnel to perform this function. The Authority's management is responsible for the financial statements and will take steps to ensure all required journal entries are posted prior to the start of the audit, in addition to compiling information for relevant footnote disclosures.

Corrective Action Plan: See attached.

Segregation of Duties

Condition: The Authority has one employee who is responsible for all accounting functions.

Criteria: Segregation of duties is an integral component of internal control over financial reporting, in order to prevent a single individual from controlling all aspects of a transaction.

Cause of Condition: The available resources of the Authority prevent meaningful segregation of duties in daily transactions.

Effect of Condition: Because of the lack of segregation of duties, errors and irregularities could possibly occur and not be detected on a timely basis.

Recommendation: Since the Authority does not have the resources to hire additional personnel, we recommend that the Board of Directors take an active role in the accounting functions of the Authority.

Views of Responsible Officials: Management agrees and has determined it is not cost beneficial to properly segregate duties throughout the Authority's operations.

Corrective Action Plan: See attached.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Luzerne County Industrial Development Authority's financial statements are free of 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*.

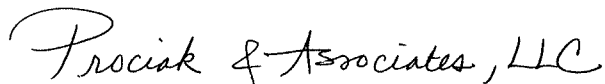
Luzerne County Industrial Development Authority's Response to Findings

Luzerne County Industrial Development Authority's response to the findings identified in our audit are included above. Luzerne County Industrial Development Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 7, 2022

A handwritten signature in cursive script that reads "Prociak & Associates, LLC".

PROCIAK & ASSOCIATES, L.L.C.
Wilkes-Barre, Pennsylvania

LUZERNE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
163 South Washington Street
Wilkes-Barre, PA 18701
570-823-9899
Fax 570-823-9433
Email - lcida@epix.net

Corrective Action Plan
December 31, 2021

The Authority respectfully submits the following corrective action plan for the year ended December 31, 2021.

The findings from the December 31, 2021 schedule of findings are discussed below:

Financial Statement Preparation

Corrective Action Plan:

The Authority's management will continue to take steps to ensure all required journal entries are posted prior to the start of the audit. In addition, management will continue to compile information for the relevant footnote disclosures.

Segregation of Duties

Corrective Action Plan:

The Authority will continue to report summarized financial data to the Board of Directors at regularly scheduled meetings and will continue to provide more detail information related to cash receipts and disbursements. The Board of Directors will review and analyze this information on an ongoing basis.

Any questions regarding this plan, please contact Gary F. Lamont, the Authority Secretary/Treasurer at 570-823-9899 or by email at lcida@epix.net.