LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
DECEMBER 31, 2021

LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

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DECEMBER 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
Luzerne County Flood Protection Authority

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Luzerne County Flood Protection Authority (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmetnal activities, each major fund, and the aggregate remaining fund information of the Authority, as of December 31, 2021, 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.

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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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

The Authority'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.

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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 Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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 the 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 III - XI, the schedule of changes in net pension liability, and the schedule of Authority contributions on pages 27 and 28, respectively, 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.

Kohanski & Co., PC

Scranton, PA
September 28, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
DECEMBER 31, 2021
(UNAUDITED)

INTRODUCTION

The following discussion and analysis of the Luzerne County Flood Protection Authority's annual financial report provides an overview and analysis of the financial performance for the fiscal year ended December 31, 2021. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to those statements in order to obtain a thorough understanding of the Authority's financial condition as of December 31, 2021.

MD&A is designed to focus on the current year's activities and resulting changes in the Authority's financial position and also includes currently known facts that may have a significant impact on the Authority's financial position now and in the foreseeable future. A comparative analysis is provided.

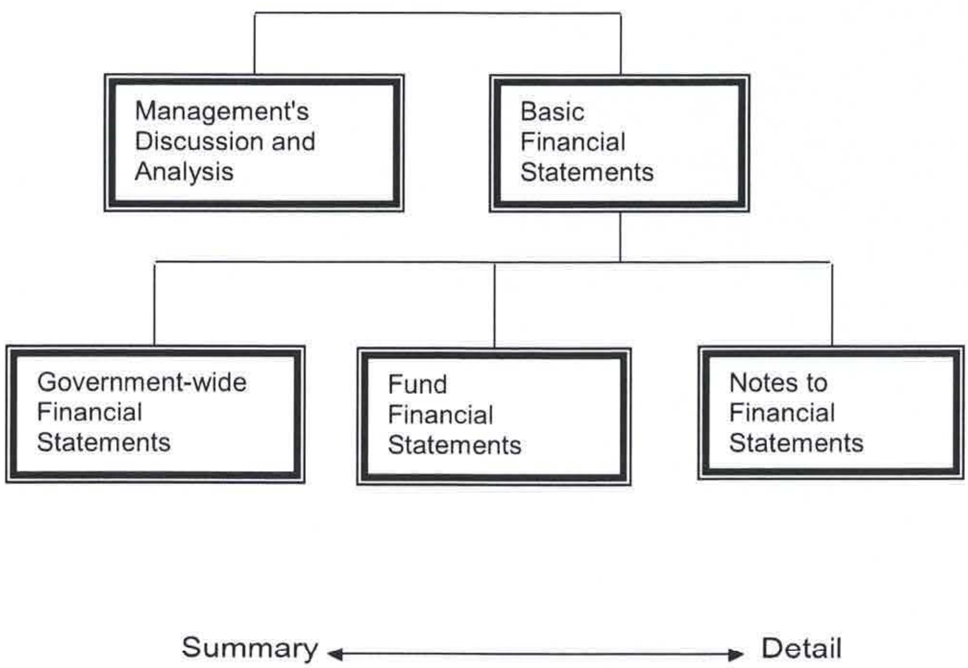
FINANCIAL HIGHLIGHTS

- The Authority had $255.7 million in net position as of December 31, 2021, of which $249.8 million is invested in capital assets and $5.19 million is unrestricted.
- The Authority had Restricted Position of $663,421 as of December 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts: Management Discussion and Analysis (MD&A) and the basic financial statements and the related notes to the financial statements. The MD&A serves as an introduction to the basic financial statements and provides analysis and overview of the Authority's financial activities. The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements. The following diagram shows how the required components of this annual financial report are arranged and relate to one another.

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



The first two statements are government-wide financial statements that provide information about the Authority's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide statements.

The table on the following page provides a condensed summary of the Authority's basic financial statements. The narrative following the table explains the statements and accompanying information in more detail.

Major Features of Luzerne County Flood Protection Authority's Government-wide and Fund Financial Statements		
	Government-wide Statements	**Governmental Funds Statements**
Scope	Entire Authority government	The activities of the Flood Protection Authority
Required financial statements	> Statement of net position > Statement of activities	> Balance sheet > Statement of revenues, expenditures and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, Both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when Cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the financial activities of the Authority in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing the change in the Authority's net position during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period. The focus of this statement is on the net cost of providing flood protection to the citizens of Luzerne County.

The Government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *governmental funds* category is the only fund category the Flood Protection Authority has.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of expendable resources (cash and other financial assets that can readily be converted to cash) and on the balance of expendable resources available at the end of the year.

Governmental funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds as other financing sources and capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements, among other reconciling items.

The Authority maintains the following three major governmental funds: Debt Service, Special Revenue and Capital Projects.

The governmental fund financial statements can be found on pages 3 to 6 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately after the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Statement of Net Position

	2021	2020
Current Assets	$ 10,936,919	$ 6,727,762
Capital Assets	250,572,509	254,313,796
Deferred Pension Charges	60,885	36,826
Net Pension Asset	-	-
Total Assets	$ 261,570,313	$ 261,078,384
Current Liabilities	$ 5,069,268	$ 532,271
Long-Term Liabilities	762,913	53,275
Total Liabilities	5,832,181	585,546
Deferred Inflows (Pensions)	$ 21,954	$ 6,487
Net Position:		
Invested in Capital Assets,	249,857,509	254,313,796
Unrestricted	5,195,248	3,440,637
Restricted	663,421	2,731,918
Total Net Position	255,716,178	260,486,351
	$ 261,570,313	$ 261,078,384

Governmental activities net position

For 2021, net position of governmental activities was $255.7 million, a decrease of $4.77 million from 2020. The decrease is due to an increase of $0.49 million in total assets from the prior year combined with an increase of $5.25 million in total liabilities and an increase of $15,467 in deferred inflows related to pensions.

Investment in capital assets was $249.8 million at the end of the year as compared to $254.3 million in 2020. Although investment in capital assets is reported net of related outstanding debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities, and the assets are used to provide governmental services.

The Luzerne County Flood Protection Authority has $261.5 million in total assets, an increase of $0.47 million from 2020. Of this, there are $10.9 million in current assets and $250.6 in non-current assets, an increase of $4.2 million and a decrease of $3.7 million, respectively, from last year. The non-current assets consist of capital assets. The decrease in capital assets can be attributed to depreciation taken in 2021.

Government-wide Statement of Activities

	2021	2020
Program Revenues		
Capital grants and contributions	$ 816,438.00	$ -
Charges for services	1,983,210	2,950,577
General Revenues		
Interest income	28,458	31,098
Miscellaneous	245	
Disposal of Assets	(4,406)	
Total Revenue	2,823,945	2,981,675
Program Expenditures		
Public works and enterprises	(7,594,118)	(7,248,756)
Interest on long-term debt	-	-
Total Expenditures	(7,594,118)	(7,248,756)
Change in Net Position	$ (4,770,173)	$ (4,267,081)

Governmental Activities Revenues

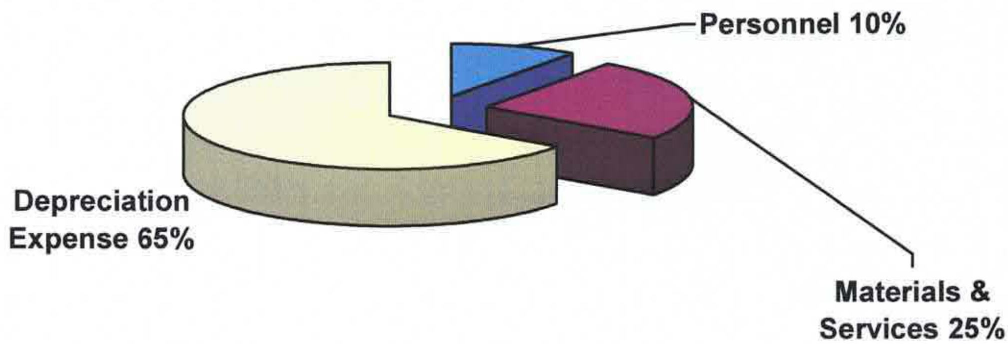
Total 2021 governmental revenues amounted to $1.98 million which is a decrease of $0.97 million from 2020. Nearly 70% of 2021 total revenues consist of charges for services and must be used for specific programs.

The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively measure the annual costs of pension benefits. See Note 6 to the Financial Statements for additional information.

Governmental Activities Expenses

The following chart graphically depicts the governmental activities expenses for the fiscal year ended December 31, 2021:

Governmental Expenses 2021



Expenses for governmental activities totaled $7.59 million, which was an increase of $0.34 million from 2020. The largest expense in 2021 was Depreciation which was $4.93 million, representing 65% of governmental activities expenses. The balance of the expense was for Materials and Services (25%) and Personnel (10%).

FUNDS FINANCIAL ANALYSIS

As noted earlier, the Flood Protection Authority uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The accounting focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Authority's financing requirements. For the year ended December 31, 2021, Luzerne County Flood Protection Authority governmental funds reported an ending fund balance of $5.06 million. The Authority has three active funds, the General Fund, the Levee Raising Fund and the Capital Projects Fund. The General Fund has an ending balance of $2.05 million and is reserved for the operation and maintenance of the Wyoming Valley Flood Risk Management Project. The Levee Raising Fund has a balance of $2.34 million and is fully reserved for activities associated with the Wyoming Valley Levee Raising Project. The Capital Projects Fund has an ending balance of $667,198 and is reserved, as directed by the Authority Board, for large capital project expenditures.

CAPITAL ASSETS

Capital Assets

The Authority's net investment in capital assets amounted to $250.6 million as of December 31, 2021, as compared to $254.3 last year. The capital assets consist of land, levees and improvements, equipment and construction in progress. Beginning on January 1, 2004, the infrastructure of the completed levee system was recognized on the financial statements and depreciation expense was reported.

The real estate and its associated infrastructure of the original levee system, totaling $140.8 million were incorporated into the financial statements as of January 1. 2009. The Authority compiled the total acreage transferred by the Commonwealth and determined the amount to be 669.9918 acres. An appraiser was engaged to determine the value of the land as of the date of the transfer.

The Authority reviewed Operation and Maintenance Manuals for the four existing projects and determined that sixty-seven (67) construction contracts were let by the Corps of Engineers between 1935 and 1986 to construct and/or rehabilitate the levee system. The Corps provided replacement cost data which was used to estimate the original construction costs.

ECONOMIC FACTORS

The Wyoming Valley Flood Risk Management Project (WVFRMP) is federally authorized and is operated and maintained by the Luzerne County Flood Protection Authority. The Authority's sole source of revenue to fund these activities is through an annual levee fee which began in 2009. The fee is imposed on all improved residential, commercial, industrial and tax-exempt (CIT) properties that are located within the Susquehanna River floodplain as defined by the 1972 Tropical Storm Agnes flood event. It is these properties that directly receive our flood protection services. Vacant land, which does not contain an insurable improvement, is not subject to the fee.

The levee fee is based on the improvement value of the property and this data is obtained from the Luzerne County Assessment Office. The fees are based on six (6) property classifications as follows:

Category	Description	Amount
R1	Residential properties with improvement assessments less than $100,000.	**$63.43**
R2	Residential properties with improvement assessments equal to or greater than $100,000.	**$126.87**
CIT0	CIT properties with improvement assessments less than $100,000.	**$126.87**
CIT1	CIT properties with improvement assessments equal to or greater than $100,000 but less than $250,000.	**$404.36**
CIT2	CIT properties with improvement assessments equal to or greater than $250,000 but less than $750,000.	**$808.72**
CIT3	CIT properties with improvement assessments equal to or greater than $750,000.	**$1,213.08**

The Authority anticipated collecting approximately $1.70 million in 2021 from the ratepayers to fund the Authority's operation activities. These activities are detailed in WVFRMP Operation & Maintenance Manuals (O&MM) that are developed by the United States Army Corps of Engineers and that are regularly updated. The Authority is contractually obligated to the Federal government, through an executed Project Cooperation Agreement (PCA), to maintain the system in accordance with the O&MMs.

The annual levee fee bills are issued to property owners on April 1 with a due date of May 31. A 10% late penalty is applied to any delinquent levee fee account that remains unpaid after May 31.

LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
CURRENT ASSETS:	
Cash	$ 4,517,888
Restricted cash	5,556,536
Accounts receivable, net	834,634
Prepaid expenses	27,861
Total Current Assets	10,936,919
CAPITAL ASSETS, net	250,572,509
Total Assets	261,509,428
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	60,885
	$ 261,570,313
CURRENT LIABILITIES:	
Current portion of long-term debt obligations	$ 10,722
Accounts payable	126,995
Accrued expenses	89,658
Due to other governments	249
Advancements	4,841,644
Total Current Liabilities	5,069,268
LONG-TERM LIABILITIES, net of current portion:	
Long-term debt obligations	704,278
Compensated absences	40,385
Net pension liability	18,250
Total Long-Term Liabilities, net of current portion	762,913
Total Liabilities	5,832,181
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions	21,954
NET POSITION:	
Net investment in capital assets	249,857,509
Restricted	663,421
Unrestricted	5,195,248
Total Net Position	255,716,178
	$ 261,570,313

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

LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR END DECEMBER 31, 2021

	Governmental Activities
EXPENSES:	
Personnel	$ 738,144
Materials and services	1,926,719
Depreciation expense	4,927,896
Interest expense	1,359
Total Expenses	7,594,118
PROGRAM REVENUES:	
Charges for services	1,983,210
Grant income	816,438
Total Program Revenues	2,799,648
NET PROGRAM EXPENSES	(4,794,470)
GENERAL REVENUES:	
Interest income	28,458
Miscellaneous	245
Disposal of assets	(4,406)
Total General Revenues	24,297
CHANGE IN NET POSITION	(4,770,173)
NET POSITION - Beginning	260,486,351
NET POSITION - Ending	$ 255,716,178

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

LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Levee Raising Fund	Capital Projects Fund	Total
ASSETS:				
Cash	$ 2,053,995	$ 1,781,507	$ 682,386	$ 4,517,888
Restricted cash	240	5,189,864	366,432	5,556,536
Accounts receivable, net	834,634	-	-	834,634
Prepaid expense	27,653	208	-	27,861
Due from other funds	10,040	-	-	10,040
	$ 2,926,562	$ 6,971,579	$ 1,048,818	$ 10,946,959
LIABILITIES:				
Accounts payable	$ 42,036	$ 22,304	$ 62,655	$ 126,995
Accrued expenses	17,438	72,220	-	89,658
Advancements	-	4,526,443	315,201	4,841,644
Due to other governments	-	249	-	249
Due to other funds	-	6,276	3,764	10,040
Total Liabilities	59,474	4,627,492	381,620	5,068,586
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue:				
Levee fees	812,789	-	-	812,789
FUND BALANCES:				
Nonspendable	27,653	208	-	27,861
Restricted	-	663,421	-	663,421
Assigned	-	1,680,458	667,198	2,347,656
Unassigned	2,026,646	-	-	2,026,646
Total Fund Balances	2,054,299	2,344,087	667,198	5,065,584
	$ 2,926,562	$ 6,971,579	$ 1,048,818	$ 10,946,959

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, 2021

TOTAL FUND BALANCE	$ 5,065,584
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 governmental funds:	
Capital assets	353,889,927
Accumulated depreciation	(103,317,418)
Certain revenues are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds. Unavailable revenue at year end consists of:	
Levee fee revenue	812,789
Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:	
Long-term debt	(715,000)
Compensated absences	(40,385)
The Authority's net pension liability and deferred outflows of resources related to the Authority pension plan are not due and payable in the current period and, therefore, are not reported in the governmental funds but are reported in the statement of net position:	
Net pension liability	(18,250)
Deferred pension charges	38,931
TOTAL NET POSITION	$ 255,716,178

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR END DECEMBER 31, 2021

	General Fund	Levee Raising Fund	Capital Projects Fund	Total
REVENUES:				
Levee fees	$ 1,677,168	$ -	$ 203,351	$ 1,880,519
Grant revenue	-	417,564	398,874	816,438
Occupancy license agreement	21,587	-	-	21,587
Reimbursements	-	2,256	-	2,256
Miscellaneous	17,039	87,710	-	104,749
Interest revenue	12,141	11,779	4,538	28,458
Total Revenues	1,727,935	519,309	606,763	2,854,007
EXPENDITURES:				
Salary and benefits	727,207	14,169	-	741,376
Hazard mitigation	7,000	881,959	403,902	1,292,861
Capital expenditures	786,787	-	404,228	1,191,015
Utilities	170,874	193	-	171,067
Rent	103,522	-	-	103,522
Professional fees	98,754	-	-	98,754
Contractual services	74,102	1,000	-	75,102
Special legal services	33,633	7,517	23,475	64,625
Supplies	37,948	-	4,489	42,437
Repairs and maintenance	40,525	-	-	40,525
Miscellaneous	19,207	10	-	19,217
Office	16,059	2,500	-	18,559
Interest expense	1,359	-	-	1,359
Insurance	50	-	-	50
Total Expenditures	2,117,027	907,348	836,094	3,860,469
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(389,092)	(388,039)	(229,331)	(1,006,462)
OTHER FINANCING SOURCES (USES):				
Operating transfers-in	-	-	149,510	149,510
Operating transfers-out	(149,510)	-	-	(149,510)
Proceeds from long-term debt	715,000	-	-	715,000
Total Other Financing Sources (Uses)	565,490	-	149,510	715,000
CHANGE IN FUND BALANCE	176,398	(388,039)	(79,821)	(291,462)
FUND BALANCE - Beginning	1,877,901	2,732,126	747,019	5,357,046
FUND BALANCE - Ending	$ 2,054,299	$ 2,344,087	$ 667,198	$ 5,065,584

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

RECONCILIATION OF NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS WITH CHANGE IN NET POSITION YEAR END DECEMBER 31, 2021

CHANGE IN FUND BALANCE	$ (291,462)
The change in net position reported in the statement of activities is different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Depreciation expense	(4,927,896)
Capital expenditures	1,191,015
Loss on disposal	(4,406)
In the statement of net change in fund balance non-exchange revenue is only recognized when measurable and available. Therefore, levee fee balances collected after 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:	
Levee fee revenue	(25,656)
Proceeds from long-term debt agreements are considered a current financial resource and are reported in the statement of changes in fund balance but not in the statement of activities.	(715,000)
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 consist of:	
Change in compensated absences	3,389
Change in net pension liability	(8,749)
Change in deferred pension charges	8,592
CHANGE IN NET POSITION	$ (4,770,173)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the Luzerne County Flood Protection Authority (the "Authority").

Nature of Operations

The Authority was formed in May of 1996 in compliance with the Municipal Act of 1945. The Authority issued Guaranteed Flood Protection Bonds, Series A and B of 1998 which were refunded in 2015. The proceeds of the bond issue was used to pay bond issue costs and to provide the local share of the Wyoming Valley Levee Raising Project (the "Project"). The estimated construction cost of the Project was $196,726,667 and was funded 75% through the Army Corps of Engineers, 12.5% by the Commonwealth of Pennsylvania, and 12.5% by the County of Luzerne. The Authority is administered by a five-member Board of Directors.

The intent of the Project was to raise the existing level of protection in the Wyoming Valley from 3 to 5 feet, and was undertaken to prevent a reoccurrence of a 1972 Agnes-level flood event. Capital assets constructed and acquired by the Authority are capitalized in these government-wide financial statements. Capital assets in existence at the beginning of the Project were owned by the Commonwealth of Pennsylvania. The title to the levee system was transferred to the Authority from the Commonwealth and recorded as an asset in 2008.

The Authority and the U.S. Army Corps of Engineers (the "Government") entered into a Project Cooperation Agreement dated October 23, 1996 as part of the levee raising project. Article II Paragraph A1 gives the Government exclusive control over the contents of solicitations, award of contracts, execution of contract information, modification, issuance of change orders, resolution of contract claims, and performance of all work on the flood control aspects of the Project implemented by the Government whether the work is performed under contract or by Government personnel. Upon the request for funds from the Government, the Authority transfers to the Government its share and the Commonwealth of Pennsylvania's share for the funds requested.

Beginning in 2009, the Authority imposed a Levee Fee to provide for the operation and maintenance of the flood control system. The fee, which is collected by Elite Revenue Solutions, LLC from all residential, commercial, industrial and tax-exempt parcels located in the Agnes flood plain, is based on the improvement value of the property obtained from the Luzerne County Assessor's Office. Two residential categories and four commercial, industrial and tax-exempt categories range from $63.43 to $1,213.08 annually. The fee covers the operation and maintenance expenses of the Wyoming Valley Flood Risk Management Project.

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

Nature of Operations (Cont'd)

The schedule for levee fees levied each year is as follows:

February 1	Levy date
April 1	10% penalty

Reporting Entity

Accounting principles generally accepted in the United States of America require the financial statements present the Authority (the "primary government") and its component units, entities for which the Authority is considered to be financially accountable. Management has determined that it has no potential component units that should be included.

Government-Wide and Governmental Fund Financial Statements

The basic financial statements include both the government-wide and governmental fund financial statements.

Government-Wide Financial Statements

The Authority'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.

All of the Authority's assets and liabilities, including 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 expense 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 Authority 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. Other items not included among other program revenues are reported as general revenues.

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

Governmental 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 Authority reports the difference between its governmental fund assets, liabilities, and deferred inflows of resources as fund balance.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and change in fund balances for all major governmental funds. 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

Governmental funds are those through which most governmental functions of the Authority are financed. The acquisition, use and balances of the Authority's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the major governmental funds of the Authority:

General Fund

The general fund accounts for levee fee revenues and normal operational expenditures in relation to the Wyoming Valley Flood Risk Management Project and all financial transactions not accounted for in another fund.

Capital Project Funds

Capital project funds account for financial resources related to capital asset acquisitions, construction and improvements. The Authority has the following capital projects funds:

Levee Raising Fund

The levee raising fund accounts for Federal, state, and local funds that must be used for remaining property acquisitions, mitigation projects, and other activities with the Wyoming Valley Levee Raising Project.

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

Governmental Fund Types (Cont'd)

Capital Projects Funds (Cont'd)

Capital Projects Fund

Includes delinquent levee fees and grants received by the Authority which have been assigned by the Board of Directors to be used for capital improvements to the flood protection system, capital equipment purchases, and other approved activities.

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. 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.

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

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 Authority 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 claims and judgments, and compensated absences, 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.

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

Measurement Focus and Basis of Accounting (Cont'd)

Levee fees 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 Authority is entitled to the resources and the amounts are available. Amounts owed to the Authority which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as advancements.

Revenues susceptible to accrual include public charges for services and interest. General revenues such as permits, fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Authority reports unavailable revenue on its governmental funds balance sheet. For governmental fund financial statements, unavailable revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, unavailable revenue is removed from the balance sheet and revenue is recognized.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Authority's policy is to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Authority that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Use of Estimates

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

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

Cash

Cash includes time deposits, certificates-of-deposit, and all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

Several of the Authority's cash accounts, which were funded by the Commonwealth of Pennsylvania, are restricted for specific projects related to maintenance of the levee.

Due To and From Other Funds

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

Accounts Receivable

Accounts receivable in the government-wide and governmental fund financial statements are shown at the total amount due. Amounts not collected within 60 days of the end of the current fiscal period are offset by deferred inflows of resources in the governmental fund financial statements. The Authority provides an allowance for doubtful accounts for accounts receivable. The estimate is based on historical collection experience and a review of the current status of accounts receivable.

Delinquent levee fees receivable at December 31, 2021 were $957,400. The amount of delinquent fees receivable is reported net of an allowance for doubtful accounts of $122,766.

Capital Assets

General capital assets are reported in the government-wide statement of net position but are reported in the governmental fund financial statements as expenditures.

The Authority's assets are capitalized at historical cost or estimated historical cost. The Authority's policy has set the capitalization threshold for reporting general capital assets at $5,000. and infrastructure assets at $25,000.

All capital assets, except land and construction-in-progress, are depreciated. Land is never depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

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

Capital Assets (Cont'd)

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

	Years
Equipment	3 - 5 years
Buildings	40 years
Infrastructure	40 - 100 years

In accordance with GASB Statement No. 34, the Authority's infrastructure has been capitalized retroactively to 1996.

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. 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 until then. The Authority currently has one type of deferred outflows of resources. Accordingly, the item, deferred pension charges is reported in the statement of net position in connection with the Authority's pension plan. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with Generally Accepted Accounting Principles ("GAAP").

In addition to liabilities, the statement of net 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 Authority currently has two types of deferred inflows of resources. On the statement of net position, deferred inflows of resources are related to the pension for certain actuarially determined differences between expected and actual experience. In the governmental funds balance sheet, deferred inflows of resources are related to unavailable revenues from levy fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Compensated Absences

Authority policy permits employees to accumulate a limited amount of earned, but unused compensation time. These benefits are payable to employees upon separation of services, pursuant to the terms of the applicable union agreement or the Authority's policy for non-union employees. All leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Authority recognizes a net pension liability for its pension plan which represents the excess of the total pension liability over the net position of the qualified pension plan assets, measured as of the Authority's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Classification of Net Position

In the government-wide financial statements, net assets are classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

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

Classification of Net Position (Cont'd)

Restricted Net Assets

The Authority's restricted net assets consist of escrow funds controlled by the United States Army Corps of Engineers and the Commonwealth of Pennsylvania and were used for the construction of the Wyoming Valley Levee Raising Project in the early 2000's and unused grant proceeds for capital projects.

Unrestricted Net Assets

This category represents the net assets of the Authority, which are not restricted for any project or other purpose.

Governmental Fund Balance

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

Nonspendable: amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: this category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned: all other spendable amounts.

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

Interfund Transactions

The Flood Protection Authority had numerous transactions between funds to provide services. These transactions are classified as operating transfers-in/out, and due from/to other funds. The following illustrations summarize interfund transactions (as presented in the fund financial statements) for the year ended December 31, 2021.

Receivables and payables between funds as of December 31, 2021 were as follows:

	Due From	Due To
General Fund:		
Levee Raising Fund	$ 6,276	$ -
Capital Projects Fund	3,764	-
Total General Fund	$ 10,040	$ -
Levee Raising Fund:		
General Fund	$ -	$ 6,276
Capital Projects Fund:		
General Fund	$ -	$ 3,764

Effects of New Pronouncements

The following summarizes recent Governmental Accounting Standards Board ("GASB") pronouncements and their impact, if any, on the financial statements:

In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognize as inflows of resources or outflows of resources based on payment provisions of the contract.

The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The Authority is currently evaluating the effects of this statement on its financial statements.

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

- Statement No. 92, *Omnibus 2020,* with an effective date for fiscal years beginning after June 15, 2021.

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

Effects of New Pronouncements (Cont'd)

- Statement No. 93, *Replacement of Interbank Offered Rates,* with an effective date for periods ending after December 31, 2021.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* with an effective date for periods beginning after June 15, 2022.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84,* and a suppression of GASB Statement No. 32, with effective dates for fiscal years beginning after June 15, 2021.
- Statement No. 98, *The Annual Comprehensive Financial Report,* with an effective date for fiscal years ending after December 15, 2021.
- Statement No. 99, *Omnibus 2022,* with effective dates for fiscal years beginning after June 15, 2022 and 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.
- Statement No. 101, *Compensated Absences,* with an effective date for fiscal years beginning after December 15, 2023.

Subsequent Events

Management performed a review for subsequent events through September 28, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the basic financial statements for the year ended December 31, 2021 and has determined that the Authority has no subsequent events that are required to be reported.

NOTE 2: CASH AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2021, $9,357,715 of the Authority's bank balance of $10,107,715 was collateralized by collateral held by the pledging bank's trust department not in the Authority's name.

NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	$ 48,935,120	$ 218,000	$ -	$ 49,153,120
Construction-in-progress	102,000	487,529	(102,000)	487,529
Total capital assets, not being depreciated	49,037,120	705,529	(102,000)	49,640,649
Capital assets, being depreciated:				
Infrastructure and buildings	217,042,563	465,663	-	217,508,226
Equipment	86,644,813	121,823	(25,584)	86,741,052
Total capital assets, being depreciated	303,687,376	587,486	(25,584)	304,249,278
Less: accumulated depreciation:				
Infrastructure and buildings	(52,011,445)	(2,853,472)	-	(54,864,917)
Equipment	(46,399,255)	(2,074,424)	21,178	(48,452,501)
Total accumulated depreciation	(98,410,700)	(4,927,896)	21,178	(103,317,418)
Total capital assets, being depreciated, net	205,276,676	(4,340,410)	(4,406)	200,931,860
Total capital assets, net	$ 254,313,796	$ (3,634,881)	$ (106,406)	$ 250,572,509

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

Governmental Activities:	
Public works	$ (4,927,896)

NOTE 4: LONG-TERM OBLIGATIONS

Long-term debt consists of the following at December 31, 2021:

Mortgage payable to a Bank requiring monthly interest only payments for six months, then payments of $3,141 including interest at 2.28%. The loan matures on June 16, 2047. Pledged as collateral is a building with a net book value of $581,663 at December 31, 2021 and revenues and receipts of the Authority.

	Balance Outstanding January 1, 2021	Additions	Reductions	Balance Outstanding December 31, 2021	Amounts Due Within One Year
Mortgage Payable	$ -	$ 715,000	$ -	$ 715,000	$ 10,722

Debt service requirements to maturity are as follows:

Year ending December 31,	Principal	Interest	Total
2022	$ 10,722	$ 16,206	$ 26,928
2023	21,859	15,830	37,689
2024	22,320	15,369	37,689
2025	22,877	14,812	37,689
2026	23,404	14,285	37,689
2027-2031	125,324	63,121	188,445
2032-2036	140,424	48,021	188,445
2037-2041	157,405	31,040	188,445
2042-2046	176,404	12,041	188,445
2047	14,261	76	14,337
	$ 715,000	$ 230,801	$ 945,801

At December 31, 2021 other long-term obligations were as follows:

	Balance January 1, 2021	Net Additions (Reductions)	Balance December 31, 2021
Compensated absences	$ 43,774	$ (3,389)	$ 40,385

NOTE 5: FUND BALANCE

The following is a summary of the governmental fund balances of the Authority at December 31, 2021:

General Fund

Nonspendable:	
Prepaid expenses	$ 27,653
Unassigned	2,026,646
	$ 2,054,299

Levee Raising Fund

Nonspendable:	
Prepaid expenses	$ 208
Restricted for:	
Administration and construction of levee raising project	663,421
Assigned for:	
Administration and construction of levee raising project	1,680,458
	$ 2,344,087

Capital Projects Fund

Assigned for:	
Repairs and maintenance of the levee project	$ 667,198

NOTE 6: PENSION PLAN

Pennsylvania Municipal Retirement System

Plan Description

The Authority participates in a municipal pension plan with the Pennsylvania Municipal Retirement System ("PMRS") in accordance with Article IV of the Pennsylvania Municipal Retirement Law, 53 P.S. 881.101 et seq. PMRS is an agent multiple-employer defined benefit pension plan. Effective January 1, 2018, all Authority employees were covered by this plan. A copy of the Plan's financial statements may be obtained from PMRS.

NOTE 6: PENSION PLAN (CONT'D)

Pennsylvania Municipal Retirement System (Cont'd)

Benefits Provided

The Plan provides for normal retirement, disability, and death benefits to its members and their beneficiaries. Cost of living allowances are provided at discretion of the plan.

Plan Membership

The following table provides information concerning types of covered employees and benefit provision based upon the most recent actuarial valuation date of January 1, 2021:

Inactive members currently receiving benefits	2
Active employees	10
Total	12

Basis of Accounting

The 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 the plan are recognized when due, in accordance with Pennsylvania Act 205 of 1984 ("Act 205"), the Municipal Pension Plan funding Standard and Recovery Act, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair-value. Fair-value is the amount at which an investment could be exchanged in a current transaction between willing parties other than in a forced liquation sale. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures are required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued comprehensive annual financial report.

NOTE 6: PENSION PLAN (CONT'D)

Pennsylvania Municipal Retirement System (Cont'd)

Annual Pension Cost

Act 205 initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

Act 205 also requires:

The filing of Biennial Actuarial Valuation Reports;

a. The funding of pension plans from member contributions, and municipal contributions,

b. The prior cost estimate before the adoption of any benefit plan modification, and

c. The government to provide information contained in actuarial valuation reports to plan members of benefit recipients.

Authority Contributions

Act 205 requires that annual contributions be based upon the plan's MMO which is based upon the plan's biennial valuation.

Authority's Recognition of Net Pension Asset, Pension Expense, and Deferred Outflows/ Inflows of Resources

As allowed by GASB Statement No. 68, the Authority 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 Authority pension plan measured as of December 31, 2020. The Authority pension plan's total pension liability as of December 31, 2020 was $202,606 and the Authority pension plan's fiduciary net position was $184,356, resulting in a net pension liability of $18,250. For the measurement year ended December 31, 2020, the Authority recognized pension expense of $27,301. At December 31, 2021, the Authority reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension income) related to the Authority's pension plan from the following sources:

NOTE 6: PENSION PLAN (CONT'D)

Pennsylvania Municipal Retirement System (Cont'd)

Authority's Recognition of Net Pension Asset, Pension Expense, and Deferred Outflows/ Inflows of Resources

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority Pension Plan:		
Differences between expected and actual experience	$ 33,721	$ (194)
Changes in assumptions	20	(3,556)
Net difference between projected and actual earnings on investments	-	(18,204)
Contributions subsequent to the measurement date	27,144	-
	$ 60,885	$ (21,954)

The deferred outflows of resources related to pensions resulting from Authority contributions in 2021 subsequent to the measurement date will be recognized as a reduction in the net pension liability for the December 31, 2021 measurement period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2021	$ (376)
2022	95
2023	(1,168)
2024	1,179
2025	4,526
Thereafter	7,531
	$ 11,787

NOTE 6: PENSION PLAN (CONT'D)

Pennsylvania Municipal Retirement System (Cont'd)

PMRS Discount Rate

While it is often common practice to establish an actuarial discount rate that is equal to the long-term expected rate of return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the regular interest rate. The PMRS Board establishes the regular interest rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The PMRS Board considers the following five quantitative factors in establishing the regular interest rate:

1. Retiree plan liability as a percentage of total plan liability,
2. Active plan participant liability as a percentage of total plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
4. PMRS System long-term expected rate of return, and
5. PMRS administrative expenses.

The regular interest rate is equal to the retiree liability percentage times the smoothed PBGC annuity rates, plus the active employee liability percentage times the system long-term expected rate of return, less administrative expenses as a percentage of assets.

The PMRS Board may then adjust the regular interest rate derived from the formula due to a variety of qualitative factors such as the desire to minimize regular interest rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the system's investment and actuarial consultants. The discount rate adopted by the PMRS Board and to measure the individual participating municipalities' total pension liability as of December 31, 2020 was 5.25%.

The regular interest rate/discount rate will likely be less than the system long-term expected rate of return. Should the system experience a prolonged period of investment returns in excess of the regular interest rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of excess interest as provided for in the law.

NOTE 6: PENSION PLAN (CONT'D)

Pennsylvania Municipal Retirement System (Cont'd)

PMRS Discount Rate (Cont'd)

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.25%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Lower (4.25%)	Current Discount Rate (5.25%)	1% Higher (6.25%)
Net pension liability	$ 54,327	$ 18,250	$ (10,854)

NOTE 7: COMMITMENT AND CONTINGENCIES

On December 17, 2019, the Authority accepted the contract of Elite Revenue Solutions, LLC for 2020 levee fee billing and collection services. The contact term is from January 1, 2020 to December 31, 2020 and includes two one-year renewal terms at the option of the Authority.

In May 2021, the Authority entered into a construction contract for closure structure modifications which totaled $934,930. As of December 31, 2021, $536,056 remains outstanding.

NOTE 7: COMMITMENT AND CONTINGENCIES (CONT'D)

On March 11, 2020, the World Health Organization declared, a novel strain of coronavirus disease ("COVID-19") a pandemic. The extent of COVID-19's effect on the Authority's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

Management currently believes that it has adequate liquidity and business plans to continue to operate the Authority and mitigate the risks associated with COVID-19 for twelve months from the date of this report.

LUZERNE COUNTY FLOOD PROTECTION AUTHORITY

PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY*
UNAUDITED
DECEMBER 31, 2021

	2021	2020	2019	2018	2017
Measurement Date	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Total Pension Liability					
Service cost	$ 47,110	$ 55,927	$ 51,454	$ 7,236	$ 2,650
Interest	8,918	6,471	3,163	503	146
Differences between expected and actual experience	34,179	-	6,103	-	(514)
Changes in assumptions	(4,064)	-	(1,868)	-	60
Benefit payments	(12,662)	(2,206)	-	-	-
Net Change in Total Pension Liability	73,481	60,192	58,852	7,739	2,342
Total Pension Liability - Beginning	129,125	68,933	10,081	2,342	-
Total Pension Liability - Ending	$ 202,606	$ 129,125	$ 68,933	$ 10,081	$ 2,342
Plan Fiduciary Net Position					
Contributions - employer	$ 32,221	$ 25,516	$ 3,145	$ 17,440	$ 8,720
Contributions - PMRS assessment	-	240	80	220	40
Contributions - employee	22,322	26,872	23,488	3,248	1,258
PMRS investment income	6,670	3,884	2,263	820	6
Market value investment income	16,732	11,435	(6,285)	2,355	(454)
Benefit payments	(12,662)	(2,206)	(1,868)	-	-
Administrative expenses	(551)	(374)	(141)	(78)	-
Net Change in Fiduciary Net Position	64,732	65,367	20,682	24,005	9,570
Total Fiduciary Net Position - Beginning	119,624	54,257	33,575	9,570	-
Total Fiduciary Net Position - Ending	$ 184,356	$ 119,624	$ 54,257	$ 33,575	$ 9,570
Net Pension Liability (Asset) - Ending	$ 18,250	$ 9,501	$ 14,676	$ (23,494)	$ (7,228)
Plan fiduciary net position as a percentage of the total pension liability	90.99%	92.64%	78.71%	333.05%	408.63%
Covered Payroll	$ 441,420	$ 517,392	$ 455,459	$ 64,955	$ 25,170
Net pension liability as a percentage of covered employee payroll	4.13%	1.84%	3.22%	-36.17%	-28.72%

*Note: This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

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

PENSION PLAN
SCHEDULE OF AUTHORITY CONTRIBUTIONS
LAST 6 MEASUREMENT YEARS*
UNAUDITED
DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016
Pennsylvania Municipal Retirement System						
Actuarially determined contribution	$ 27,144	$ 32,221	$ 25,736	$ 3,185	$ 17,480	$ 8,720
Contributions in relation to the actuarially determined contribution	27,144	32,221	25,756	3,225	17,660	8,760
Contribution deficiency (excess)	$ -	$ -	$ (20)	$ (40)	$ (180)	$ (40)
Covered-employee payroll	N.A.	$ 441,420	$ 517,392	$ 455,459	$ 64,955	$ 25,170
Contributions as a percentage of covered-employee payroll	N.A.	7.30%	4.98%	0.71%	27.19%	34.80%

N.A. - Not available
N/A - Not applicable

*Note: This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, only 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
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
DECEMBER 31, 2021

Valuation date	January 1, 2021

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 the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2020 is based upon the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarially 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, 2017 actuarial valuation report.

The actuarial assumptions used in this report are as follows. These assumptions are based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020, covering the defined benefit plan participants and all retirees, as well as subsequent assumption changes approved by the Board. The assumption changes from the Experience Study are first being used for the December 31, 2020 measurement date. Effective with the December 31, 2016 measurement date, the Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.