

ATTACHMENTS



Attachment List

<u>Attachment</u>	<u>Description</u>
1	Scranton STO Financial Statement – Dec 31, 2004 and 2003
2	Scranton STO Operating Income and Expense Schedule
3	Accountants Workpapers - Scranton STO Cash Receipts & Disbursements Summary Statements and Trial Balance Sheets for Dec. 31, 2005
4	Scranton STO Analysis of Tax Receipts & Disbursements (1999-2004)
5	Scranton STO Analysis of EIT Receipts & Disbursements (Illustrate Non-Resident Accumulation)
6	Flowcharts - Scranton STO Cash Receipts Processing and STO Distributions of Tax
7	Example of Monthly Distribution Worksheet
8	Selected Information from Comparative Trial Balance for Fund 04 Non Resident EIT Collections and Disbursements from 2005-2008
9	Scranton STO – Comparative Trial Balance Schedule (Funds 01-04)
10	Scranton Trial Balance Sheets for Funds 01-04 as of Dec. 31, 2005, Dec. 31, 2006, Dec 31, 2007 and Dec. 31, 2008



ATTACHMENT 1

SCRANTON SINGLE TAX OFFICE

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

INDEX

PAGE

1-2	Independent Auditor's Report
3	Management's Discussion and Analysis
4-5	Statements of Cash Receipts, Disbursements and Changes in Cash Balances
6-8	Notes to Financial Statements

SUPPLEMENTARY INFORMATION

9-10	Schedule of Cash Receipts, Disbursements and Changes in Cash Balance - Real Estate Tax
11-12	Schedule of Cash Receipts, Disbursements and Changes in Cash Balance - Earned Income Tax
13-14	Schedule of Cash Receipts, Disbursements and Changes in Cash Balance - Occupational Privilege Tax
15-16	Schedule of Cash Receipts, Disbursements and Changes in Cash Balance - Business Privilege/Mercantile Tax
17	Schedule of Current Real Estate Tax Levy - Lackawanna County
18	Schedule of Current Real Estate Tax Levy - City of Scranton
19	Schedule of Current Real Estate Tax Levy - Scranton School District
20-22	Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>



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To the Collector of Taxes of the
Scranton Single Tax Office
Scranton, Pennsylvania

Independent Auditor's Report

We have audited the accompanying statements of cash receipts, disbursements and changes in cash balances of the Scranton Single Tax Office for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Scranton Single Tax Office's management. Our responsibility is to express an opinion on the financial statements, based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Scranton Single Tax Office prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, disbursements and changes in cash balances of the Scranton Single Tax Office for the years ended December 31, 2004 and 2003 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005 on our consideration of the Scranton Single Tax Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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To the Collector of Taxes of the
Scranton Single Tax Office

The Management's Discussion and Analysis on Page 3 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Scranton Single Tax Office, taken as a whole. The accompanying schedules of cash receipts and disbursements by tax account type and schedules of current real estate tax levy are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Mc Grail, Merkel, Quinn
& Associates*

Scranton, Pennsylvania
September 13, 2005

Management's Discussion and Analysis

As management of the Scranton Single Tax Office, we offer readers of the Scranton Single Tax Office's financial statements this narrative overview and analysis of the financial activities of the Scranton Single Tax Office for the fiscal years ended December 31, 2004 and 2003. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

Financial Highlights

- Total taxes collected for the year 2004 and 2003 respectively were \$118,213,459 and \$116,010,949.
- There was an increase in cash receipts for each type of tax in 2004, except for the occupational privilege tax where there was a decrease of \$66,772.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Scranton Single Tax Office, basic financial statements. The basic financial statements consist of three components 1) the statement of cash receipts, disbursements and changes in cash balances 2) notes to the financial statements and 3) findings and recommendations. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Scranton Single Tax Office.

The Financial Statement

The financial statements show the taxes collected by tax type real estate, earned income, occupational privilege and business privilege/mercantile. The statements also shows the amount of each type tax that is disbursed by tax type.

The statements also show the cost of operating the office net of salaries and fringe benefits which are shared and paid directly by the taxing authorities for whom the taxes are collected.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information - This report includes certain supplementary information concerning the Single Tax Offices' financial information.

Request for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to Kenneth J. McDowell, 135 Jefferson Avenue, Scranton, PA 18503-1716

SCRANTON SINGLE TAX OFFICE

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

YEAR ENDED DECEMBER 31, 2004

	Accounts					Total (Memorandum only)
	Tax					
	Real Estate	Earned Income	Occupational Privilege	Business Privilege/ Mercantile	Operating	
Receipts						
Tax collections	\$76,209,836	\$35,561,743	\$516,660	\$5,437,652	\$ -	\$117,725,891
Overpayments	314,058	-	-	-	-	314,058
Interest and penalties	13,217	8,701	-	75,592	-	97,510
Interfund transfers	-	76,000	-	-	-	76,000
Administrative fees	-	-	-	-	240,000	240,000
Miscellaneous	-	-	-	-	51,602	51,602
Total receipts	<u>76,537,111</u>	<u>35,646,444</u>	<u>516,660</u>	<u>5,513,244</u>	<u>291,602</u>	<u>118,505,061</u>
Disbursements						
Tax remittances	76,018,978	34,634,639	521,045	5,362,700	-	116,537,362
Overpayment reimbursements	196,486	311,390	1,121	1,631	-	510,628
Interfund transfers	-	-	-	-	76,000	76,000
Interest remittances	370	-	-	-	-	370
Administrative fees	-	160,000	-	-	-	160,000
Insurance	-	-	-	-	558	558
Professional fees	-	-	-	-	12,500	12,500
Data processing	-	-	-	-	49,109	49,109
Postage	-	-	-	-	55,181	55,181
Printing	-	-	-	-	18,163	18,163
Court costs	-	-	-	-	1,565	1,565
Equipment rental and maintenance	-	-	-	-	20,680	20,680
Supplies	-	-	-	-	10,828	10,828
Conferences and travel	-	-	-	-	5,950	5,950
Telephone	-	-	-	-	1,580	1,580
Collection costs	-	-	-	53	38,648	38,701
Miscellaneous	20	-	-	-	-	20
Capital expenditures	-	-	-	-	82,830	82,830
Total disbursements	<u>76,215,854</u>	<u>35,106,029</u>	<u>522,166</u>	<u>5,364,384</u>	<u>373,592</u>	<u>117,582,025</u>
Excess of receipts over (under) disbursements	321,257	540,415	(5,506)	148,860	(81,990)	923,036
Cash, at January 1, 2004	<u>2,097,344</u>	<u>3,839,969</u>	<u>10,216</u>	<u>4,899</u>	<u>244,039</u>	<u>6,196,467</u>
Cash, at December 31, 2004	<u>\$ 2,418,601</u>	<u>\$ 4,380,384</u>	<u>\$ 4,710</u>	<u>\$ 153,759</u>	<u>\$ 162,049</u>	<u>\$ 7,119,503</u>

The accompanying Notes are an integral part of these Financial Statements.

SCRANTON SINGLE TAX OFFICE

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - (CONTINUED)

YEAR ENDED DECEMBER 31, 2003

	Accounts					Total (Memorandum only)
	Tax					
	Real Estate	Earned Income	Occupational Privilege	Business Privilege/ Mercantile	Operating	
Receipts						
Tax collections	\$74,239,940	\$35,561,971	\$583,234	\$5,224,457	\$ -	\$115,609,602
Overpayments	257,500	-	-	-	-	257,500
Interest and penalties	13,248	13,781	198	66,620	-	93,847
Interfund transfers	-	50,000	-	-	-	50,000
Administrative fees	-	-	-	-	239,757	239,757
Miscellaneous	-	-	-	-	42,705	42,705
Total receipts	<u>74,510,688</u>	<u>35,625,752</u>	<u>583,432</u>	<u>5,291,077</u>	<u>282,462</u>	<u>116,293,411</u>
Disbursements						
Tax remittances	73,618,358	34,653,833	593,707	5,276,759	-	114,142,657
Overpayment reimbursements	131,621	227,437	2,000	6,266	-	367,324
Interfund transfers	-	-	-	-	50,000	50,000
Interest remittances	22,560	2,872	437	3,968	-	29,837
Administrative fees	-	160,000	-	-	-	160,000
Insurance	-	-	-	-	1,116	1,116
Professional fees	-	-	-	-	15,500	15,500
Data processing	-	-	-	-	22,893	22,893
Postage	-	-	-	-	59,117	59,117
Printing	-	-	-	-	18,484	18,484
Court costs	-	-	-	-	132	132
Equipment rental and maintenance	-	-	-	-	28,935	28,935
Supplies	-	-	-	-	7,930	7,930
Conferences and travel	-	-	-	-	2,986	2,986
Telephone	-	-	-	-	1,490	1,490
Collection costs	-	99	-	3,571	7,587	11,257
Miscellaneous	33	-	-	7	-	40
Total disbursements	<u>73,772,572</u>	<u>35,044,241</u>	<u>596,144</u>	<u>5,290,571</u>	<u>216,170</u>	<u>114,919,698</u>
Excess of receipts over (under) disbursements	738,116	581,511	(12,712)	506	66,292	1,373,713
Cash, at January 1, 2003	<u>1,359,228</u>	<u>3,258,458</u>	<u>22,928</u>	<u>4,393</u>	<u>177,747</u>	<u>4,822,754</u>
Cash, at December 31, 2003	<u>\$ 2,097,344</u>	<u>\$ 3,839,969</u>	<u>\$ 10,216</u>	<u>\$ 4,899</u>	<u>\$ 244,039</u>	<u>\$ 6,196,467</u>

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Organization

The Scranton Single Tax Office (the Office) is the Collector of Taxes for the following:

Real Estate Tax

Lackawanna County (County and Library)
City of Scranton
Scranton School District

Act 511 Taxes

City of Scranton
Scranton School District

Act 511 Taxes consist of, but are not limited to, Earned Income Tax, Occupational Privilege Tax, and Business Privilege/Mercantile Tax

Basis of Accounting

The Office's accounts are maintained on the cash basis of accounting, and the statement of cash receipts and disbursements recognize only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which would be recognized under accounting principles generally accepted in the United States of America and which may be material in amount, are not recognized in the accompanying financial statements.

Reporting Entity

The Scranton Single Tax Office is the basic level of government which has oversight responsibility and control over activities related to the collection of taxes for the County of Lackawanna, the City of Scranton and the Scranton School District. The Office receives contributions from these local sources and must comply with the specific requirements of these funding source entities. However, the Office is not a component unit of any governmental "reporting entity" as defined by the *Government Accounting Standards Board*, since Office management has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Additionally, the Office has no component units.

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

Accounts

The accounts of the Office are each considered a separate accounting entity. The operations of each account are summarized in a separate set of self-balancing accounts which include its cash balance, receipts and disbursements. The following accounts are used by the Office:

Real Estate Tax accounts are used to account for receipts and disbursements relative to the collection of real estate taxes.

Earned Income Tax, Occupational Privilege Tax, and the Business Privilege/Mercantile Tax accounts are used to account for receipts and disbursements relative to the collection of each of Act 511 taxes.

The Operating account is used to account for receipts and disbursements relative to operating the Office.

Note 2 - Cash

At December 31, 2004 and 2003, cash consisted of the following:

	<u>2004</u>	<u>2003</u>
Fidelity Deposit and Discount Bank		
Demand Accounts	\$2,255,541	\$2,252,418
Sweep Accounts	4,863,902	3,943,989
Other cash	<u>60</u>	<u>60</u>
Total cash	<u>\$7,119,503</u>	<u>\$6,196,467</u>

The Office considers all highly liquid investments with maturities of three months or less to be cash equivalents.

The amount in excess of \$100,000 is collateralized with securities held by the pledging financial institutions in the name of the Scranton Single Tax Office.

Note 3 - Real Estate Tax

County, City and School District Real Estate Taxes for the calendar year are levied on February 1 of the year. Tax payments received in February and March/April of the year are eligible for 2½% and 2% discounts, respectively. A 10% penalty is assessed for payments of County taxes received subsequent to June 30. A 5%, 7½% or 10% penalty is assessed for payments of City/School taxes received subsequent to June 30, September 30 or November 30, respectively. County taxes not collected by December 31 are considered delinquent; City and School District taxes not collected by December 31 are considered delinquent. Delinquent County and School District taxes are collected by the Lackawanna County Tax Claim Bureau; delinquent City taxes are collected by the City Treasurer.

Note 3 - Real Estate Tax - (Continued)

The 2004 and 2003 assessed values and millage rates for Real Estate Tax purposes are as follows:

	2004		2003	
	<u>Assessed Value</u>	<u>Millage Rate</u>	<u>Assessed Value</u>	<u>Millage Rate</u>
Lackawanna County				
County	<u>\$1,380,872,120</u>	<u>.0276293</u>	<u>\$1,396,414,441</u>	<u>.0276293</u>
Library	<u>\$1,380,872,120</u>	<u>.0021000</u>	<u>\$1,396,414,441</u>	<u>.0021000</u>
City of Scranton				
Land	<u>\$ 94,317,016</u>	<u>.0821220</u>	<u>\$ 95,896,302</u>	<u>.0821220</u>
Improvements	<u>\$ 291,314,044</u>	<u>.0178600</u>	<u>\$ 283,578,822</u>	<u>.0178600</u>
Scranton School District	<u>\$ 385,631,060</u>	<u>.089170</u>	<u>\$ 379,475,124</u>	<u>.086990</u>

Note 4 - Act 511 Taxes

Earned Income Tax, Occupational Privilege Tax and Business Privilege/Mercantile Tax are the Act 511 Taxes collected by the Office for the City of Scranton and the Scranton School District.

The Earned Income Tax rate is 3.4% and 1%, respectively, on earned income of City residents and non-residents. The collected Earned Income Tax is remitted 2.4% to the City and 1.0% to the School District. The 1% non-resident collections are remitted to the tax collector of the municipalities in which the non-resident employees reside.

A City Occupational Privilege Tax of \$10 on residents and \$5 on non-residents and a School District Occupational Privilege Tax of \$5 is levied on all employees working in the City.

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

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

Note 5 - Contributed Property and Equipment

The Office is provided with office space by the County of Lackawanna. The County also provides the use of all office equipment and furniture. These contributions are not recorded in the accompanying Statements of Cash Receipts, Disbursements and Changes in Cash Balances.

Note 6 - Contributed Administrative Costs

Employees of the Office are compensated directly by either the City, the School District, or both. In addition, the City and School District pay for employee benefits for personnel. These contributions are not recorded in the accompanying Statements of Cash Receipts, Disbursements and Changes in Cash Balances.

SUPPLEMENTARY INFORMATION