
TOWNSHIP OF TOBYHANNA
MONROE COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS
AND AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010





TOWNSHIP OF TOBYHANNA

CONTENTS

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT	2-3
-------------------------------------	-----

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	4-5
---	-----

MANAGEMENT'S DISCUSSION AND ANALYSIS	6-15
---	------

GOVERNMENT WIDE FINANCIAL STATEMENTS	
Statement of Net Assets – Modified Cash Basis	16
Statement of Activities – Modified Cash Basis	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Activities	18
Reconciliation of the Statement of Revenue, Expenditure and Changes in Fund Balance to the Statement of Activities	19

FUND FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Fund Equity - Cash Basis - Governmental Fund Types	20
Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis - Governmental Fund Types	21
Statements of Assets, Liabilities and Retained Earnings - Cash Basis - Proprietary Fund Types	22
Statements of Revenues, Expenditures and Changes in Net Assets - Cash Basis - Proprietary Fund Types	23
Statements of Net Assets - Cash Basis - Fiduciary Fund Types	24
Statements of Changes in Net Assets - Cash Basis - Fiduciary Fund Types	25

NOTES TO FINANCIAL STATEMENTS	26-36
--------------------------------------	-------

BUDGETARY STATEMENTS	37-38
-----------------------------	-------

COMBINING STATEMENTS	40-42
-----------------------------	-------

Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA
Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA
Todd J. Bushta, CPA

INDEPENDENT AUDITORS' REPORT

TOWNSHIP OF TOBYHANNA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Tobyhanna as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tobyhanna's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *U.S. Generally Accepted Auditing Standards* and *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, The Township of Tobyhanna prepares its financial statements on a modified cash and cash basis of accounting, which are a comprehensive basis of accounting other than *U.S. Generally Accepted Accounting Principles*. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with *U.S. Generally Accepted Accounting Principles*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position, as of and for the year then ended December 31, 2010, in conformity with the other comprehensive basis of accounting referred to above.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2011 on our consideration of Township of Tobyhanna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. 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 audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Tobyhanna's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

G. Mearns, De Luca, Blizard & Company, LLP

Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA
Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA
Todd J. Bushta, CPA

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

TOWNSHIP OF TOBYHANNA

We have audited the financial statements of the Township of Tobyhanna, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township of Tobyhanna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Tobyhanna's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Tobyhanna's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial control that we consider to be material weakness as defined above.

However, we identified the following certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. *Due to a relatively small staff, accounting, administrative, and asset custody functions are not properly segregated consistent with appropriate control objectives. A significant deficiency is a deficiency, or 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.*

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Township of Tobyhanna'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*.

AUDITOR REPORTING AND OTHER COMMUNICATION CONSIDERATIONS

Township of Tobyhanna's response to the finding identified above is as follows: *Management believes that with the oversight of the Board of Supervisors, the significant deficiency described above is sufficiently mitigated to a level acceptable by management.*

We did not audit Township of Tobyhanna's response and, accordingly, we express no opinion on it. This report is intended solely for the information and use of management and that of government oversight bodies and is not intended to be and should not be used by anyone other than these specified parties.

Smiley, DeLustig, Bhopal & Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWNSHIP OF TOBYHANNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

The discussion and analysis of Township of Tobyhanna's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

Township of Tobyhanna was organized in 1830. The Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.



FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2010 are as follows:

- In total, net assets were \$9,334,380.
- General revenues accounted for \$3,936,748 in revenue or 70% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,656,583 or 30% of total revenues of \$5,593,331.
- Total assets were \$17,116,963 of which \$2,378,813 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$13,673,266.
- The Township had \$5,300,788 in expenses; only \$1,656,583 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$3,936,748 were adequate to provide for these programs.
- Expenses, after program revenue was \$3,644,205. Note that in 2009, the Township received \$230,000 in intergovernmental revenues for the purchase of open space, which reduced the net cost of recreation.

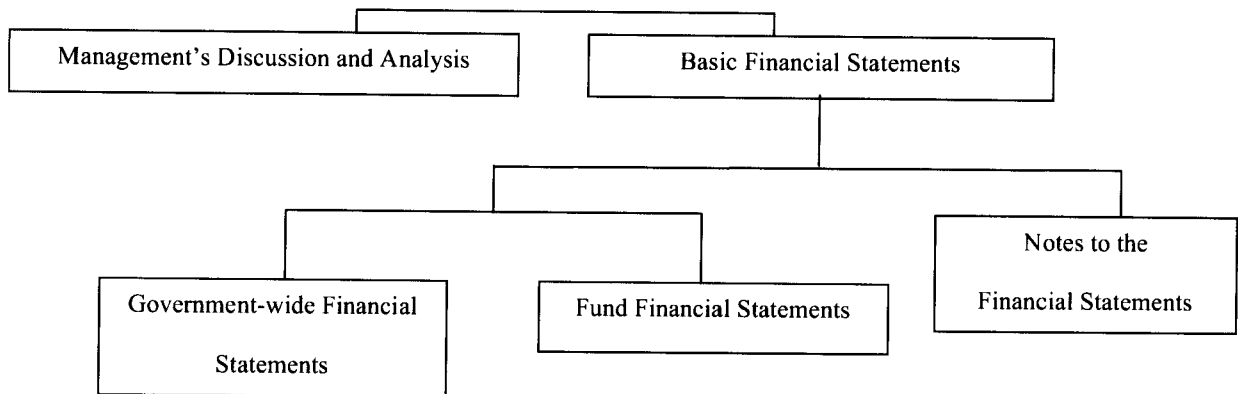
TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Tobyhanna as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.



The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other non-major funds. In the case of Township of Tobyhanna, the General Fund is by far the most significant fund.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Township to provide programs and activities, the view of the Township as a whole looks at all financial transactions and asks the question, ***"How did we do financially during the year?"***

TOWNSHIP OF TOBYHANNA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2010

REPORTING THE TOWNSHIP AS A WHOLE (CONTINUED)

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting is that of modified cash, which means, the financial information is reported on the cash basis and also include outstanding debt and fixed assets. These two statements report the Township's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors.

Table 1 provides a summary of the Township's net assets:

	2010	2009	2008	2007	2006	2005
Assets						
Current and Other Assets	\$ 3,443,770	\$ 3,366,139	\$ 4,109,213	\$ 3,662,619	\$ 2,570,857	\$ 2,936,673
Capital Assets	<u>13,673,266</u>	<u>13,757,626</u>	<u>13,454,126</u>	<u>14,109,704</u>	<u>14,792,664</u>	<u>14,857,821</u>
	<u>17,117,036</u>	<u>17,123,765</u>	<u>17,563,339</u>	<u>17,772,323</u>	<u>17,363,521</u>	<u>17,794,494</u>
Liabilities						
Current Liabilities	961,554	793,584	811,479	831,932	790,561	734,876
Long-Term Liabilities	<u>5,206,800</u>	<u>5,674,115</u>	<u>6,320,086</u>	<u>6,563,803</u>	<u>7,205,022</u>	<u>7,837,852</u>
	<u>6,168,354</u>	<u>6,467,699</u>	<u>7,131,565</u>	<u>7,395,735</u>	<u>7,995,583</u>	<u>8,572,728</u>
Net Assets						
Investment in Capital						
Assets, net of related debt	8,003,548	7,437,545	6,489,204	6,909,742	6,953,704	6,391,948
Restricted	1,155,208	1,423,105	1,867,162	1,209,206	906,096	1,261,138
Unrestricted	<u>1,789,926</u>	<u>1,795,416</u>	<u>2,075,408</u>	<u>2,257,640</u>	<u>1,508,138</u>	<u>1,568,680</u>
	<u>\$ 10,948,682</u>	<u>\$ 10,656,066</u>	<u>\$ 10,431,774</u>	<u>\$ 10,376,588</u>	<u>\$ 9,367,938</u>	<u>\$ 9,221,766</u>

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

REPORTING THE TOWNSHIP AS A WHOLE (CONTINUED)

Statement of Net Assets and the Statement of Activities

In the Statement of Net Assets and the Statement of Activities, the Township reports governmental activities. Governmental activities are the activities where most of the Township's programs and services are reported including, but not limited to, general government, public works, public safety, and recreation. The Township also engages in business-like activities, which includes the sewer fund. Recall that the Statement of Net Assets provides the perspective of the Township as a whole.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, decreased by \$ 5,490 for 2010.

Table 2 provides a summary of the Township's statement of activities:

	2010	2009	2008	2007	2006	2005
Program Revenues						
Charges for Services	\$ 1,036,036	\$ 1,090,080	\$ 1,262,456	\$ 2,052,027	\$ 1,188,866	\$ 1,116,766
Operating Grants / Contributions	620,547	481,498	539,148	565,688	602,645	678,078
Capital Grants / Contributions	0	230,000	0	0	0	0
General Revenues						
Taxes	3,927,222	3,640,911	3,937,932	3,689,018	3,975,418	4,059,307
Investment Earnings	9,526	39,225	111,736	172,638	140,760	94,007
Total Revenues	5,593,331	5,481,714	5,851,272	6,479,371	5,907,689	5,948,158
Program Expenses						
General Government	458,934	526,656	703,868	759,812	871,575	766,704
Public Safety	2,463,480	2,472,508	2,531,443	2,397,373	2,512,022	2,421,435
Public Works	1,006,033	855,023	1,035,759	830,261	885,293	1,152,831
Cultural and Recreation	260,413	251,854	282,101	298,822	293,829	286,937
Other	63,157	76,309	82,161	82,265	108,935	68,700
Interest on Long-Term Debt	25,314	28,069	31,242	62,872	42,188	45,274
Unallocated Depreciation	423,584	423,584	423,584	423,584	423,584	423,584
Enterprise fund	599,873	623,419	705,928	615,732	624,091	569,031
Total Expenses	5,300,788	5,257,422	5,796,086	5,470,721	5,761,517	5,734,496
Increase in Net Assets	\$ 292,543	\$ 224,292	\$ 55,186	\$ 1,008,650	\$ 146,172	\$ 213,662

TOWNSHIP OF TOBYHANNA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2010

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

	2010	2009	2008	2007	2006	2005
General Government	\$ (78,449)	\$ (74,067)	\$ (289,619)	\$ (283,985)	\$ (370,026)	\$ (316,294)
Public Safety	(2,127,261)	(2,207,992)	(2,057,492)	(1,738,236)	(2,202,213)	(2,178,600)
Public Works	(1,281,734)	(659,880)	(773,729)	(643,627)	(671,126)	(827,599)
Cultural and Recreation	(247,502)	(14,447)	(273,661)	(291,653)	(285,071)	(223,872)
Other	(63,157)	(72,748)	(82,161)	(82,205)	(77,106)	(68,700)
Interest on Long-Term Debt	(25,314)	(28,069)	(31,242)	(62,872)	(42,188)	(45,274)
Unallocated Depreciation	(423,584)	(423,584)	(423,584)	(423,584)	(423,584)	(423,584)
Enterprise	<u>53,755</u>	<u>24,943</u>	<u>(62,995)</u>	<u>673,156</u>	<u>101,308</u>	<u>144,271</u>
	<u>\$ (4,193,246)</u>	<u>\$ (3,455,844)</u>	<u>\$ (3,994,483)</u>	<u>\$ (2,853,006)</u>	<u>\$ (3,970,006)</u>	<u>\$ (3,939,652)</u>

Defining the Classifications of Expenditure:

- General Government activities includes the activities of the legislative board of Supervisors, financial administration, legal counsel, insurance, and physical plant.
- Public safety activities includes police protection, code enforcement, fire protection, and planning.
- Public Works includes general services, servicing of streets and storm sewers, and snow and ice removal.
- Cultural and recreation includes the library and parks.
- Other includes insurance.
- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Township.
- Enterprise fund involves the Townships activities in the public sewers operations.

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 70%. The community, as a whole, is the primary support for the Township of Tobyhanna. The real estate taxes for the Township are collected from township residents. The tax on real estate, as levied by the Board, was 15.19 mills (\$15.19 per \$1,000 of assessed valuation) for the year. The tax levy is 13.74 mills for general purposes, 0.75 mills for the Library and 0.70 mills for fire protection. Assessed valuations of property are determined by Monroe County and the collectors are responsible for collection. Taxable assessed valuation was \$196,358,160.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called cash basis, which measures cash receipts and disbursements. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. The following are the Township's governmental funds:

General Fund (Major Fund)

The general fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS (CONTINUED)

The following are the Township's governmental funds (continued):

Special Revenue Fund (Non-major Fund)

The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Township accounts for the Fire tax, Library tax, and Liquid Fuels Tax in this fund.

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

The following are the Township's other funds:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services to the general public on a continuing basis are financed through user charges. The Public Sewer Fund is the sole Enterprise Fund of the Township.

Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

THE TOWNSHIP'S FUNDS

As indicated above, these funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,939,364 and expenditures of \$5,035,075. Other financing sources and uses include transfers between the funds. The net change in fund balance for the year was a decrease of \$95,638.

In 2009, the Township received \$230,000 in intergovernmental revenues for the purchase of open space, which reduced the net cost of recreation. In 2010, the Township spent \$549,041 on the Stony Hollow road improvement project, which is included in public works expenditures.

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

GENERAL FUND BUDGETING HIGHLIGHTS

The Township's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

CAPITAL ASSETS

Table 4
Capital Assets

	Balance, Beginning	Additions	Deletions	Balance, Ending
CAPITAL ASSETS				
Land and Land Improvements	\$ 1,546,135	\$	\$	\$ 1,546,135
Building & Improvements	7,941,047	20,228		7,961,275
Roads and Bridges	12,855,898	549,041		13,404,939
Sewer System	4,411,149			4,411,149
Equipment	3,676,979	29,331		3,706,310
	30,431,208	598,600		31,029,808
ACCUMULATED DEPRECIATION	(16,673,582)	(682,960)		(17,356,542)
	\$ 13,757,626	(84,360)	\$ 0	\$ 13,673,266

Description of the years Capital Asset Activity:

- Depreciation for the year was \$423,584.
- During the year the Township experienced capital purchases for the Sewer Fund activities. Governmental expenditures did include \$549,041 spent on the Stony Hollow road improvement project.

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

DEBT SERVICE

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Series A of 1997 Notes	\$ 2,335,000	\$	\$	\$ 2,335,000
Series of 2003 Bonds	185,000		185,000	0
Series of 2001 Notes	376,649		23,703	352,946
Series of 1997 Notes	3,423,432		441,660	2,981,772
	<u>\$ 6,320,081</u>	<u>\$ 0</u>	<u>\$ 650,363</u>	<u>\$ 5,669,718</u>

Governmental Debt :

Series 2003 General Obligation Bonds

Original issue of \$1,195,000 for the refunding of bond Series of 1998; principal due annually on July 15th and interest is payable semi-annually on January and July 15th at rates ranging from 1.25% to 2.80%, maturing in 2010

Series 2001 General Obligation Notes

Original issues of \$2,000,000 of which the Township is responsible for 26% or \$520,000 originally, for the construction of a regional police building; due in monthly installments of \$3,403 with interest at 4.9% maturing 2022. The Township does not retain any pro-rata share of the constructed asset as ownership resides with the regional police department.

Business-Type debt :

Series 1997 General Obligation Notes

Original issue of \$7,824,805 for the construction and completion of various sewer products payable to Pennsylvania Infrastructure Investment Authority in monthly installments of \$39,937; interest is payable at a fixed rate of 1.0% per annum, maturing 2017.

Series A of 1997 General Obligation Notes

Original issue of \$4,835,000 for the construction and completion of sewer expansion projects; due as interest only until 2017 at a variable rate currently 2.12% annually, maturing in 2021. The debt is certified as self-liquidating.

TOWNSHIP OF TOBYHANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

CURRENT FINANCIAL ISSUES AND CONCERNS

The Township of Tobyhanna continues to be financially sound. The Township of Tobyhanna has committed itself to being fiscally responsible over the years and appropriately addressing Township needs. The Township plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township offices.



GOVERNMENT WIDE FINANCIAL STATEMENTS



TOWNSHIP OF TOBYHANNA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total	2009 Memorandum Total
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 193,274	\$ 364,449	\$ 557,723	\$ 545,965
Internal Balances			0	26,288
Investments	<u>2,246,265</u>	<u>132,621</u>	<u>2,378,886</u>	<u>2,574,278</u>
	<u>2,439,539</u>	<u>497,070</u>	<u>2,936,609</u>	<u>3,146,531</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land	1,536,135	10,000	1,546,135	1,546,135
Building & Building Improvements	4,838,503	3,122,772	7,961,275	7,941,047
Roads and Bridges	13,404,939		13,404,939	12,855,898
Sewer System		4,411,149	4,411,149	4,411,149
Equipment	<u>1,727,531</u>	<u>1,978,779</u>	<u>3,706,310</u>	<u>3,676,979</u>
	21,507,108	9,522,700	31,029,808	30,431,208
Accumulated Depreciation	<u>(14,267,773)</u>	<u>(3,088,769)</u>	<u>(17,356,542)</u>	<u>(16,673,582)</u>
Net General Fixed Assets	7,239,335	6,433,931	13,673,266	13,757,626
Restricted Cash and Cash Equivalents	507,161		507,161	219,608
Restricted Investments			0	0
	<u>7,746,496</u>	<u>6,433,931</u>	<u>14,180,427</u>	<u>13,977,234</u>
	<u>10,186,035</u>	<u>6,931,001</u>	<u>17,117,036</u>	<u>17,123,765</u>
LIABILITIES				
<i>Current Liabilities</i>				
Payroll liabilities	1,233		1,233	815
Internal Balances			0	0
Deposits	497,403		497,403	146,803
Current Portion of LT Debt - bonds payable			0	185,000
Current Portion of LT Debt - notes payable	<u>24,893</u>	<u>438,025</u>	<u>462,918</u>	<u>460,966</u>
	523,529	438,025	961,554	793,584
<i>Non-current Liabilities</i>				
Bonds Payable - Long term			0	0
Notes Payable - Long term	<u>328,053</u>	<u>4,878,747</u>	<u>5,206,800</u>	<u>5,674,115</u>
	<u>851,582</u>	<u>5,316,772</u>	<u>6,168,354</u>	<u>6,467,699</u>
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	6,886,389	1,117,159	8,003,548	7,437,545
Restricted for:				
Capital Projects	914,706		914,706	1,316,449
Specified use	240,502		240,502	106,656
Unrestricted	<u>1,292,856</u>	<u>497,070</u>	<u>1,789,926</u>	<u>1,795,416</u>
	<u>\$ 9,334,453</u>	<u>\$ 1,614,229</u>	<u>\$ 10,948,682</u>	<u>\$ 10,656,066</u>

TOWNSHIP OF TOBYHANNA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				2009 Memorandum Total
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
			Grants and Contributions						
Governmental activities:									
General government	\$ 458,934	\$ 228,013	\$ 152,472	\$	\$ (78,449)	\$	\$ (78,449)	\$ (74,067)	
Public safety	2,463,480	96,334	239,885		(2,127,261)		(2,127,261)	(2,207,992)	
Public works	1,006,033	45,150	228,190		(732,693)		(732,693)	(659,880)	
Recreation	260,413	12,911			(247,502)		(247,502)	(14,447)	
Other	63,157				(63,157)		(63,157)	(72,748)	
Interest on Long-Term debt	25,314				(25,314)		(25,314)	(28,069)	
Unallocated Depreciation	423,584				(423,584)		(423,584)	(423,584)	
Business-type activities:									
Public Sewer	599,873	653,628				53,755	53,755	24,943	
	<u>\$ 5,300,788</u>	<u>\$ 1,036,036</u>	<u>\$ 620,547</u>	<u>\$</u>	<u>(3,697,960)</u>	<u>53,755</u>	<u>(3,644,205)</u>	<u>(3,455,844)</u>	
General revenues:									
Taxes:									
					3,054,967		3,054,967	2,952,273	
Real Estate					259,953		259,953	257,070	
Real Estate Transfer					62,035		62,035	0	
Local Services Tax					550,340		550,340	431,568	
Earned income									
					3,927,295	0	3,927,295	3,640,911	
Interest Income					9,187	339	9,526	39,225	
					3,936,482	339	3,936,821	3,680,136	
<i>Total general revenues, special items, and transfers</i>									
Change in Net Assets									
<i>Net Assets—beginning</i>									
					238,522	54,094	292,616	224,292	
<i>Net Assets—ending</i>									
					9,095,931	1,560,135	10,656,066	10,431,774	
					<u>\$ 9,334,453</u>	<u>\$ 1,614,229</u>	<u>\$ 10,948,682</u>	<u>\$ 10,656,066</u>	

TOWNSHIP OF TOBYHANNA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010

Total Fund Balances - Governmental Funds (CASH BASIS) \$ 2,448,064

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

<i>General Fixed Assets</i>	21,507,108
<i>Accumulated Depreciation</i>	(14,267,773)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

<i>Bonds Payable</i>	0
<i>Notes Payable</i>	(352,946)

Total Net Assets - Governmental Activities (MODIFIED CASH BASIS) \$ 9,334,453

TOWNSHIP OF TOBYHANNA

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

Total net change in fund balances - governmental funds (CASH BASIS) \$ (95,638)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

<i>Depreciation</i>	(423,584)
<i>Capital Outlay</i>	549,041

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<i>Notes Payable</i>	208,703
<i>Bonds Payable</i>	0

Change in net assets of governmental activities (MODIFIED CASH BASIS) \$ 238,522

FUNDS FINANCIAL STATEMENTS



TOWNSHIP OF TOBYHANNA
COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Major Funds		Non-Major Funds	Total Governmental Funds	2009 Memorandum Total
	General	Capital Projects	Special Revenue		
ASSETS					
Cash - unrestricted	\$ 193,274	\$	\$ 193,274	\$ 193,274	\$ 3,767
Cash - restricted	507,161		507,161	507,161	219,608
Due from other funds			0	0	26,288
Investments - unrestricted	1,091,057	914,706	240,502	2,246,265	2,441,657
	<u>\$ 1,791,492</u>	<u>\$ 914,706</u>	<u>\$ 240,502</u>	<u>\$ 2,946,700</u>	<u>\$ 2,691,320</u>

LIABILITIES AND FUND BALANCE

Liabilities					
Payroll liabilities	\$ 1,233	\$	\$ 1,233	\$ 1,233	815
Due to other funds			0	0	0
Escrow deposits	454,350		454,350	454,350	142,353
Other deposits	43,053		43,053	43,053	4,450
	<u>498,636</u>	<u>0</u>	<u>498,636</u>	<u>498,636</u>	<u>147,618</u>

Fund balances:

Reserved for specified projects			0	0	5,486
Unreserved and undesignated	1,292,856	914,706	240,502	2,448,064	2,538,216
	<u>1,292,856</u>	<u>914,706</u>	<u>240,502</u>	<u>2,448,064</u>	<u>2,543,702</u>
	<u>\$ 1,791,492</u>	<u>\$ 914,706</u>	<u>\$ 240,502</u>	<u>\$ 2,946,700</u>	<u>\$ 2,691,320</u>

TOWNSHIP OF TOBYHANNA
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CASH BASIS
PERMANENT FUND
PERIOD ENDED DECEMBER 31, 2010

	Major Funds			Non-Major Funds			Total Governmental Funds	2009 Memorandum Total
	General	Capital Projects	Total	Special Revenue	Debt Service	Total		
REVENUES								
Taxes	\$ 3,679,082	\$	\$ 3,679,082	\$ 248,213	\$	\$ 248,213	\$ 3,927,295	\$ 3,640,911
Licenses and permits	84,441		84,441			0	84,441	78,638
Fines and forfeitures	71,442		71,442			0	71,442	73,843
Interest income	2,657	6,408	9,065	122		122	9,187	37,676
Intergovernmental revenue	442,349		442,349	181,941		181,941	624,290	715,245
Charges for services	222,782		222,782			0	222,782	285,490
	<u>4,502,753</u>	<u>6,408</u>	<u>4,509,161</u>	<u>430,276</u>	<u>0</u>	<u>430,276</u>	<u>4,939,437</u>	<u>4,831,803</u>
EXPENDITURES								
Current								
General government	458,909	25	458,934			0	458,934	558,469
Public safety	2,463,207	273	2,463,480			0	2,463,480	3,028,769
Public works	788,401	524,868	1,313,269	241,805		241,805	1,555,074	984,039
Recreation	115,397	2,910	118,307	142,106		142,106	260,413	495,454
Other	63,157		63,157			0	63,157	72,748
Debt Service								
Principal					208,703	208,703	208,703	207,573
Interest	<u>3,889,071</u>	<u>528,076</u>	<u>4,417,147</u>	<u>383,911</u>	<u>25,314</u>	<u>25,314</u>	<u>25,314</u>	<u>28,069</u>
					<u>234,017</u>	<u>617,928</u>	<u>5,035,075</u>	<u>5,375,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>613,682</u>	<u>(521,668)</u>	<u>92,014</u>	<u>46,365</u>	<u>(234,017)</u>	<u>(187,652)</u>	<u>(95,638)</u>	<u>(543,318)</u>
OTHER FINANCING (USES) SOURCES								
Operating transfers in	(441,423)	119,925	119,925	87,481	234,017	321,498	441,423	445,447
Operating transfers out	<u>(441,423)</u>	<u>119,925</u>	<u>(321,498)</u>	<u>87,481</u>	<u>234,017</u>	<u>321,498</u>	<u>(441,423)</u>	<u>(445,447)</u>
							<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	<u>172,259</u>	<u>(401,743)</u>	<u>(229,484)</u>	<u>133,846</u>	<u>0</u>	<u>133,846</u>	<u>(95,638)</u>	<u>(543,318)</u>
FUND BALANCES, JANUARY 1	<u>1,120,597</u>	<u>1,316,449</u>	<u>2,437,046</u>	<u>106,656</u>	<u>0</u>	<u>106,656</u>	<u>2,543,702</u>	<u>3,087,020</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,292,856</u>	<u>\$ 914,706</u>	<u>\$ 2,207,562</u>	<u>\$ 240,502</u>	<u>\$ 0</u>	<u>\$ 240,502</u>	<u>\$ 2,448,064</u>	<u>\$ 2,543,702</u>

TOWNSHIP OF TOBYHANNA
STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS - ENTERPRISE
DECEMBER 31, 2010

	Public Sewer	
	2010	2009
ASSETS		
Cash - unrestricted	\$ 364,449	\$ 542,198
Cash - restricted		
Investments - restricted	132,621	132,621
	<u>497,070</u>	<u>674,819</u>
Fixed Assets		
Land	10,000	10,000
Building & Building Improvements	3,122,772	3,102,544
Sewer system	4,411,149	4,411,149
Equipment	1,978,779	1,949,448
	<u>9,522,700</u>	<u>9,473,141</u>
Accumulated Depreciation	<u>(3,088,769)</u>	<u>(2,829,393)</u>
Net General Fixed Assets	<u>6,433,931</u>	<u>6,643,748</u>
	<u>6,931,001</u>	<u>7,318,567</u>
LIABILITIES AND		
NET ASSETS		
LIABILITIES		
Due to other funds	0	0
Notes Payable	5,316,772	5,758,432
	<u>5,316,772</u>	<u>5,758,432</u>
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	1,117,159	885,316
Unrestricted	497,070	674,819
	<u>\$ 1,614,229</u>	<u>\$ 1,560,135</u>

TOWNSHIP OF TOBYHANNA
STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
PROPRIETARY FUNDS - ENTERPRISE
YEAR ENDED DECEMBER 31, 2010

	Public Sewer	
	2010	2009
OPERATING REVENUES		
Charges for service	\$ 642,028	\$ 601,962
Tapping Fees	11,600	46,400
	<u>653,628</u>	<u>648,362</u>
OPERATING EXPENSES		
Administration	16,396	5,697
Operating	138,062	117,989
Repairs and maintenance	102,462	150,098
	<u>256,920</u>	<u>273,784</u>
Net income from operations	<u>396,708</u>	<u>374,578</u>
NON-OPERATING REVENUE / EXPENSE		
Transfer from other funds	0	0
Intergovernmental revenues	0	0
Interest income	339	1,549
Interest expense	(83,577)	(90,259)
Depreciation	(259,376)	(259,376)
	<u>(342,614)</u>	<u>(348,086)</u>
CHANGE IN NET ASSETS	54,094	26,492
NET ASSETS, JANUARY 1	<u>1,560,135</u>	<u>1,533,643</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 1,614,229</u></u>	<u><u>\$ 1,560,135</u></u>

TOWNSHIP OF TOBYHANNA
STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Pension Trust	
	2010	2009
ASSETS		
Cash - unrestricted	\$ 2,860	\$ 12,877
Investments - restricted	<u>712,443</u>	<u>570,804</u>
	<u>\$ 715,303</u>	<u>\$ 583,681</u>
LIABILITIES AND		
NET ASSETS		
LIABILITIES	\$ 0	\$ 0
NET ASSETS		
Reserve for retirement benefits	<u>715,303</u>	<u>583,681</u>
	<u>\$ 715,303</u>	<u>\$ 583,681</u>

TOWNSHIP OF TOBYHANNA
STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2010

	Pension Trust	
	2010	2009
ADDITIONS		
Township Contributions	\$ 48,906	\$ 47,713
Interest, dividends, and net unrealized gains/losses	90,084	119,648
	<u>138,990</u>	<u>167,361</u>
DEDUCTIONS		
Administrative		9,976
Pension benefits	7,368	7,368
	<u>7,368</u>	<u>17,344</u>
CHANGE IN NET ASSETS	131,622	150,017
NET ASSETS, JANUARY 1	<u>583,681</u>	<u>433,664</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 715,303</u></u>	<u><u>\$ 583,681</u></u>

NOTES TO THE FINANCIAL STATEMENTS



TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Tobyhanna was organized in 1830. The Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

Principles Determining Scope of Reporting Entity

The financial statements of the Township consist only of the funds and account groups of the Township. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Accounting

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the modified cash basis of accounting. Governmental funds use the cash basis of accounting. Fiduciary funds also use the cash basis of accounting. Differences in the modified cash and the cash basis of accounting arise in the recognition fixed assets and related debt.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

FUND FINANCIAL STATEMENTS:

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported separately by type.

All funds of the Township are accounted for using the cash basis. As such, revenues are recognized when cash is received, and expenses are recognized when they are paid. The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following funds are used by the Township.

GOVERNMENTAL FUND TYPES

General Fund (Major Fund) is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

Special Revenue Funds (Non-major Fund) are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Included in these funds are State Liquid Fuels Highway Aid, Fire, and Library funds.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

PROPRIETARY FUND TYPES

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services to the general public on a continuing basis are financed through user charges. The Public Sewer Fund is the sole Enterprise Fund of the Township.

FIDUCIARY FUND TYPES

Trust Fund is used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

MEASUREMENT FOCUS:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Township are included on the Statement of Net Assets.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Cash and Investments

The Township maintains all its cash in checking and savings accounts which are covered by federal depository insurance or by collateral held by the Township's custodial bank. The Second Class Township Code authorizes the Township to invest its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository. In addition, the Township may invest its funds in obligations of the United States of America or the Commonwealth of Pennsylvania, including their agencies or instrumentalities, political subdivisions of the Commonwealth of Pennsylvania, and United States Treasury Bills.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Enterprise Fund are stated at cost. Depreciation of equipment in the Enterprise Fund is computed using the straight-line method over the estimated useful life of the equipment.

General Fixed Assets purchased are recorded as expenditures at the time of purchase. General Fixed Assets are stated at cost when determinable, or estimated historical cost based on appraisals or other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of gift.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Budgets and Budgetary Accounting

The Township adopts annual budgets for all funds in accordance with the Second Class Township Code. All budgets are adopted on a cash basis, which is not consistent with U.S. generally accepted accounting principles. All budget amounts included in the accompanying financial statements and supplementary information are as originally adopted or as amended by the Board of Supervisors. Appropriations not expended lapse at the end of each fiscal year. The Township uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. The budget is adopted by ordinance and subject to change only by ordinance. The Township utilizes the cash basis of accounting for budgetary purposes. Once adopted, the budget is not revised or amended.

Debt and debt service

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt of the Township not accounted for in other funds.

Pension Plan

The Township has one defined benefit pension plan. Pension costs for the plan includes current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over 30 years.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions and are not treated as operating transfers.

Fund Equity

The unreserved fund balances for governmental funds represent the amounts available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Township, under the Pennsylvania Second Class Township Code Act of 1933, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

Credit risk The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the Township's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk. Investments in PLGIT have received an AAAM rating from Standards & Poors. The pension trust investments amount to \$1,064,884.

Custodial credit risk –deposits In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year end, the bank balance of the Township's deposits with financial institutions including cash equivalent investments was \$0. The remaining balances was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by the financial institution for such funds, but not in the Township's name.

Custodial credit risk investments For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The Township's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet in the amount of \$715,303. The fair value of the Township's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Concentrations of Credit Risk

The Organization maintains cash balances at a single financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's account balance may exceed the federally insured limit. The institution has collateralized any excess over insured amounts.

However, On November 9, 2010, the FDIC issued a Final Rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution. A noninterest-bearing transaction account is a deposit account where interest is neither accrued nor paid; depositors are permitted to make an unlimited number of transfers and withdrawals; and the bank does not reserve the right to require advance notice of an intended withdrawal. Money Market Deposit Accounts (MMDAs) and Negotiable Order of Withdrawal (NOW) accounts are not eligible for this unlimited insurance coverage, regardless of the interest rate, even if no interest is paid on the account

NOTE 3 PROPERTY TAXES

Property taxes are levied on a calendar year basis, and are assessed on March 1. The taxes are due June 30. A discount of 2% is available through April 30, and a penalty of 10% is charged on payments after June 30. The Township recognizes the taxes when collected. Assessed valuation is taxed at 15.19 Mills (13.74 for general purposes, 0.70 for Fire and 0.75 Library) and is \$196,358,160.

NOTE 4 LITIGATION

The Township is a defendant in lawsuits concerning various matters. Although the outcome of the lawsuits is not presently determinable, in the opinion of Township legal counsel, resolution of these matters will not have a material adverse effect on the financial condition of the Township.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 5 CAPITAL ASSETS

	Balance, Beginning	Additions	Deletions	Balance, Ending
CAPITAL ASSETS				
Land and Land Improvements	\$ 1,546,135	\$	\$	\$ 1,546,135
Building & Improvements	7,941,047	20,228		7,961,275
Roads and Bridges	12,855,898	549,041		13,404,939
Sewer System	4,411,149			4,411,149
Equipment	3,676,979	29,331		3,706,310
	30,431,208	598,600		31,029,808
ACCUMULATED DEPRECIATION	(16,673,582)	(682,960)		(17,356,542)
	\$ 13,757,626	(84,360)	\$ 0	\$ 13,673,266

NOTE 6 DEBT AND DEBT SERVICE

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Series A of 1997 Notes	\$ 2,335,000	\$	\$	\$ 2,335,000
Series of 2003 Bonds	185,000		185,000	0
Series of 2001 Notes	376,649		23,703	352,946
Series of 1997 Notes	3,423,432		441,660	2,981,772
	\$ 6,320,081	\$ 0	\$ 650,363	\$ 5,669,718

Governmental Debt :

Series 2003 General Obligation Bonds

Original issue of \$1,195,000 for the refunding of bond Series of 1998; principal due annually on July 15th and interest is payable semi-annually on January and July 15th at rates ranging from 1.25% to 2.80%, maturing in 2010

\$ 0

Series 2001 General Obligation Notes

Original issues of \$2,000,000 of which the Township is responsible for 26% or \$520,000 originally, for the construction of a regional police building; due in monthly installments of \$3,403 with interest at 4.9% maturing 2022. The Township does not retain any pro-rata share of the constructed asset as ownership resides with the regional police department.

\$ 352,946

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 6 DEBT AND DEBT SERVICE (CONTINUED)

Business-Type debt :

Series 1997 General Obligation Notes

Original issue of \$7,824,805 for the construction and completion of various sewer products payable to Pennsylvania Infrastructure Investment Authority in monthly installments of \$39,937; interest is payable at a fixed rate of 1.0% per annum, maturing 2017

\$ 2,981,772

Series A of 1997 General Obligation Notes

Original issue of \$4,835,000 for the construction and completion of sewer expansion projects; due as interest only until 2017 at a variable rate currently 2.12% annually, maturing in 2021. The debt is certified as self-liquidating.

\$ 2,335,000

The Township's debt service to maturity is expected to be as follows:

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>
2011	\$	40,837	\$	589,934	\$ 630,771
2012		40,837		589,934	630,771
2013		40,837		589,934	630,771
2014		40,837		589,934	630,771
2015		40,837		589,934	630,771
2016		40,837		589,934	630,771
2017		40,837		548,342	589,179
2018		40,837		589,375	630,212
2019		40,837		589,000	629,837
2020		40,837		587,375	628,212
2021		40,837		589,375	630,212
Debt Service	\$	449,207	\$	6,443,071	\$ 6,892,278
Interest Portion		96,261		1,126,299	1,222,560
Debt	\$	352,946	\$	5,316,772	\$ 5,669,718

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 8 DEFINED BENEFIT PENSION PLANS

NONUNIFORMED EMPLOYEES PENSION PLAN

Plan Description

The Tobyhanna Township Non-uniformed Employees Pension Plan is a single-employer defined benefit pension plan. All permanent non-uniform employees are eligible to participate in the Plan. Benefits vest after five years of service. Benefits equal 0.03 times years of credited service times average salary of last three years of service. Benefits paid shall not exceed 70% of an employee's average annual salary during the last three years of employment. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the Pennsylvania Municipal Retirement System.

Funding Policy

Act 205 requires that annual contributions be based upon the Plan's minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation (the last available which is January 1, 2009).

In accordance with the Plan's governing Ordinance, members are not required to contribute to the Plan.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings.

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

TOWNSHIP OF TOBYHANNA

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE 9 EMERGING ACCOUNTING PRONOUNCEMENTS

GASB 51, Accounting and Financial Reporting for Intangible Assets

Governments possess many different types of assets that may be considered intangible assets, including right-of-way easements, water rights, land or property use rights, and computer software (purchased, licensed, or internally generated). Although GASB Statement 34 included intangible assets within the scope of the term capital assets, such reference had created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes.

GASB 51 clarifies the accounting and financial reporting requirements for intangible assets in order to reduce these inconsistencies. When implementing GASB 51, the Township will determine whether it has made any significant expenditures to purchase something that will provide value to your citizens over an extended period of time. Even if the underlying asset is not owned by the government (roads, for example, which may be partially paid for by a Township). *Exceptions to the retroactive capitalization requirement are governments classified as phase 3 implementers under GASB 34*, any internally generated computer software, and intangibles with indefinite useful lives. This pronouncement is effective **beginning with June 30, 2010** fiscal year-ends. The Township is a phase 3 implementer.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves the Township from the current standard of reporting three main classifications of fund balance (*reserved, designated, and unreserved/undesignated*) to five new fund balance classifications (*nonspendable, restricted, committed, assigned, and unassigned*). The statement also modifies the definition of existing governmental fund types. The changes to the general fund, debt service fund, and capital project fund definitions are minor and, in most cases, will not result in any changes to the fund types utilized. On the contrary, the changes to the special revenue fund definition included additional guidance on when resources should be reported in this fund type. It is expected in some cases to result in existing special revenue funds no longer meeting the criteria and therefore, resulting in fund reclassifications. Specifically, any fund that does not have an external revenue source as its foundation will likely no longer meet the definition of a special revenue fund.

GASB 54 is required to be implemented for financial statements for periods **beginning after June 15, 2010**. Retroactive restatement are required for all periods presented.

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**



TOWNSHIP OF TOBYHANNA
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<i>REVENUES:</i>			
<i>TAXES</i>			
Real Estate	\$ 2,688,500	\$ 2,806,754	\$ 118,254
Real Estate Transfer	250,000	259,953	9,953
Local Services Tax	90,000	62,035	(27,965)
Earned income	410,000	550,340	140,340
	<u>3,438,500</u>	<u>3,679,082</u>	<u>240,582</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	75,000	81,246	6,246
Permits	2,500	3,195	695
	<u>77,500</u>	<u>84,441</u>	<u>6,941</u>
<i>FINES AND FORFEITURES</i>			
Fines and Code Violations	60,000	71,442	11,442
	<u>60,000</u>	<u>71,442</u>	<u>11,442</u>
<i>INTEREST INCOME</i>			
Interest on investments	5,750	2,657	(3,093)
<i>INTERGOVERNMENTAL REVENUE</i>			
State public utility tax	5,000	5,331	331
Alcoholic beverage taxes	3,000	4,000	1,000
Foreign fire insurance premium tax	86,738	97,629	10,891
Pension fund state aid	128,689	143,141	14,452
State Payments in lieu of tax	3,750	3,743	(7)
Act 537 enforcement	50,000	46,249	(3,751)
Other local grants - fuels reimbursements	116,000	142,256	26,256
	<u>393,177</u>	<u>442,349</u>	<u>49,172</u>
<i>CHARGES FOR SERVICES</i>			
General Government	144,350	133,764	(10,586)
Public Works	42,162	45,150	2,988
Recreation	8,000	12,911	4,911
Public Safety	25,800	24,892	(908)
	<u>220,312</u>	<u>216,717</u>	<u>(3,595)</u>
<i>OTHER</i>			
Rent	7,500	6,065	(1,435)
Miscellaneous	10,950	4,317	(6,633)
	<u>18,450</u>	<u>10,382</u>	<u>(8,068)</u>
	<u>\$ 4,213,689</u>	<u>\$ 4,507,070</u>	<u>\$ 293,381</u>

TOWNSHIP OF TOBYHANNA
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<i>EXPENDITURES:</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative and Governing Body	\$ 99,460	\$ 92,687	\$ 6,773
Manager and administrative	58,590	53,204	5,386
Financial services	79,758	74,872	4,886
Tax Collection	53,978	44,117	9,861
Legal	30,000	27,198	2,802
Other general government	39,996	31,417	8,579
Engineering	95,000	74,154	20,846
	<u>456,782</u>	<u>397,649</u>	<u>59,133</u>
<i>PUBLIC SAFETY</i>			
Police	1,959,341	1,985,018	(25,677)
Fire	219,345	214,603	4,742
Ambulance and Rescue	61,000	62,045	(1,045)
Protective Inspection	172,887	149,169	23,718
Planning and Zoning	105,544	96,209	9,335
	<u>2,518,117</u>	<u>2,507,044</u>	<u>11,073</u>
<i>PUBLIC WORKS</i>			
Highways, Streets and General services	574,706	534,825	39,881
Winter Maintenance	28,500	29,063	(563)
Economic Development	10,000	23,750	(13,750)
Traffic control	14,000	11,007	2,993
Repairs of tools and machinery	3,500	2,671	829
Road and bridge maintenance	200,000	187,085	12,915
	<u>830,706</u>	<u>788,401</u>	<u>42,305</u>
<i>RECREATION AND COMMUNITY</i>			
Pool	59,555	56,864	2,691
Parks	62,131	58,533	3,598
	<u>121,686</u>	<u>115,397</u>	<u>6,289</u>
<i>MISCELLANEOUS</i>			
Pensions	48,906	53,678	(4,772)
Refund of prior years revenue	8,000	7,582	418
Insurance premiums	68,100	63,157	4,943
	<u>125,006</u>	<u>124,417</u>	<u>589</u>
	<u>\$ 4,052,297</u>	<u>\$ 3,932,908</u>	<u>\$ 119,389</u>

COMBINING SCHEDULES



TOWNSHIP OF TOBYHANNA
COMBINING STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE - CASH BASIS
NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS
DECEMBER 31, 2010

	Fire	Library	Highway Aid	Total
ASSETS				
Cash - unrestricted	\$	\$	\$	\$
Due from other funds				0
Investments- unrestricted	203,168		37,334	240,502
	<u>\$ 203,168</u>	<u>\$ 0</u>	<u>\$ 37,334</u>	<u>\$ 240,502</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE				
Unreserved and undesignated	203,168		37,334	240,502
	<u>\$ 203,168</u>	<u>\$ 0</u>	<u>\$ 37,334</u>	<u>\$ 240,502</u>

TOWNSHIP OF TOBYHANNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CASH BASIS
NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2010

	Fire	Library	Highway Aid	Total
REVENUES				
Taxes	\$ 106,034	\$ 142,106	\$ 73	\$ 248,213
Interest income	122			122
Intergovernmental revenue			181,941	181,941
	<u>106,156</u>	<u>142,106</u>	<u>182,014</u>	<u>430,276</u>
EXPENDITURES				
Current				0
Public Safety				
Public works			241,805	241,805
Recreation		142,106		142,106
	<u>0</u>	<u>142,106</u>	<u>241,805</u>	<u>383,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>106,156</u>	<u>0</u>	<u>(59,791)</u>	<u>46,365</u>
OTHER FINANCING (USES) SOURCES				
Operating transfers in			87,481	87,481
Operating transfers out				
	<u>0</u>	<u>0</u>	<u>87,481</u>	<u>87,481</u>
FUND BALANCES, JANUARY 1	<u>97,012</u>	<u>0</u>	<u>9,644</u>	<u>106,656</u>
FUND BALANCES, DECEMBER 31	<u>\$ 203,168</u>	<u>\$ 0</u>	<u>\$ 37,334</u>	<u>\$ 240,502</u>

TOWNSHIP OF TOBYHANNA**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE****CASH BASIS****MAJOR FUNDS - CAPITAL PROJECTS FUNDS**DECEMBER 31, 2010

	Capital Contingency Improvements	Capital Improvements Reserve	Total
ASSETS			
Cash - unrestricted	\$	\$	\$
Cash - restricted			
Investment - unrestricted	304,746	609,960	914,706
Total Assets	<u>\$ 304,746</u>	<u>\$ 609,960</u>	<u>\$ 914,706</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE			
Reserved for specified projects			0
Unreserved and undesignated	304,746	609,960	914,706
	<u>\$ 304,746</u>	<u>\$ 609,960</u>	<u>\$ 914,706</u>

TOWNSHIP OF TOBYHANNA**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES****IN FUND BALANCE - CASH BASIS****MAJOR FUNDS - CAPITAL PROJECTS FUNDS****YEAR ENDED DECEMBER 31, 2010**

	Capital Contingency Reserve	Capital Improvements Reserve	Total
REVENUES			
Interest income	\$ 6,057	\$ 351	\$ 6,408
Intergovernmental revenue			0
	<u>6,057</u>	<u>351</u>	<u>6,408</u>
EXPENDITURES			
Current			
General government		25	25
Public safety		273	273
Public works	513,963	10,905	524,868
Recreation		2,910	2,910
	<u>513,963</u>	<u>14,113</u>	<u>528,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(507,906)</u>	<u>(13,762)</u>	<u>(521,668)</u>
OTHER FINANCING (USES) SOURCES			
Operating transfers in	39,540	80,385	119,925
Operating transfers out			0
	<u>39,540</u>	<u>80,385</u>	<u>119,925</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	<u>(468,366)</u>	<u>66,623</u>	<u>(401,743)</u>
FUND BALANCES, JANUARY 1	<u>773,112</u>	<u>543,337</u>	<u>1,316,449</u>
FUND BALANCES, DECEMBER 31	<u>\$ 304,746</u>	<u>\$ 609,960</u>	<u>\$ 914,706</u>