

TOWNSHIP OF TOBYHANNA
FINANCIAL STATEMENTS
DECEMBER 31, 2014

TOWNSHIP OF TOBYHANNA
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As at December 31, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Tobyhanna Township
Pocono Pines, PA

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business activity, each major fund, and the aggregate remaining fund information of Tobyhanna Township, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Tobyhanna Township, as of December 31, 2014, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tobyhanna Township's basic financial statements. The budgetary comparison information in the Schedule of Revenues and Expenditures - General Fund - Budget and Actual - Cash Basis and the Combining Funds Financial Statements - Cash Basis for the Special Revenue and Capital Projects funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information described above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Riley and Company, Inc.

Stroudsburg, PA
June 8, 2015

TOWNSHIP OF TOBYHANNA
Statement of Net Position - Modified Cash Basis
As at December 31, 2014

Exhibit A

	<u>2014</u>		<u>2013</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Memorandum Total</u>
Assets:				
Cash and cash equivalents - Note 2	<u>\$3,658,497</u>	<u>\$316,760</u>	<u>\$4,301,522</u>	<u>\$3,755,207</u>
Restricted cash and cash equivalents - Note 2	<u>784,538</u>	<u>38,372</u>	<u>496,645</u>	<u>768,953</u>
Property and Equipment - Note 5:				
Construction in progress	59,686	0	59,686	11,305
Land	2,224,962	0	2,224,962	2,224,962
Roads and bridges	15,659,700	0	15,659,700	15,216,564
Machinery and equipment	1,716,335	2,151,310	3,867,645	3,770,558
Sewer system	0	4,684,527	4,684,527	4,684,527
Buildings and improvements	3,401,945	3,145,573	6,547,518	6,472,725
Less: Accumulated depreciation	<u>(15,549,017)</u>	<u>(4,104,632)</u>	<u>(19,653,649)</u>	<u>(18,998,405)</u>
Total Property and Equipment:	<u>7,513,611</u>	<u>5,876,778</u>	<u>13,390,389</u>	<u>13,382,236</u>
Total Assets	<u>11,956,646</u>	<u>6,231,910</u>	<u>18,188,556</u>	<u>17,906,396</u>
Current Liabilities:				
Payroll and other liabilities	3,613	0	3,613	672
Due on capital assets	0	0	0	23,905
Current portion of general obligation bond - Note 6	26,617	216,799	243,416	234,585
Customer security deposits - Payable from Restricted Cash	<u>457,754</u>	<u>0</u>	<u>457,754</u>	<u>426,399</u>
Total Current Liabilities	<u>487,984</u>	<u>216,799</u>	<u>704,783</u>	<u>685,561</u>
Long-Term Liabilities:				
General obligation bond payable - Note 6	<u>226,505</u>	<u>4,242,390</u>	<u>4,468,895</u>	<u>4,714,614</u>
Total Liabilities	<u>714,489</u>	<u>4,459,189</u>	<u>5,173,678</u>	<u>5,400,175</u>
Net Position:				
Restricted	326,265	38,372	364,637	381,803
Net investment in capital assets	7,260,489	1,417,589	8,678,078	8,409,132
Unrestricted	<u>3,655,403</u>	<u>316,760</u>	<u>3,972,163</u>	<u>3,715,286</u>
Total Net Position	<u>\$11,242,157</u>	<u>\$1,772,721</u>	<u>\$13,014,878</u>	<u>\$12,506,221</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Statement of Activities - Modified Cash Basis
As at December 31, 2014

Exhibit B

	2014				2013	
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
General government	(\$758,636)	\$332,516	\$35,290	\$0	(\$390,830)	\$0
Public safety	(2,616,786)	248,201	209,431	0	(2,159,154)	0
Public works	(1,195,249)	0	260,625	0	(934,624)	0
Culture and recreation	(268,035)	0	9,450	0	(258,585)	0
Other	(70,777)	0	0	0	(70,777)	0
Interest	(13,215)	0	0	0	(13,215)	0
Total Governmental Activities	(4,922,698)	580,717	514,796	0	(3,827,185)	0
Business-Type Activities:						
Wastewater/sewage	(578,707)	748,584	0	0	0	169,877
Total Government	(\$5,501,405)	\$1,329,301	\$514,796	\$0	(3,827,185)	169,877
General Revenues:						
Taxes						
Interest and rents					4,140,366	0
Other					6,731	1,358
					17,510	0
Total General Revenues					4,164,607	1,358
Change in Net Position					337,422	171,235
Net Position at Beginning of Year					10,904,735	1,601,486
Net Position at End of Year					\$11,242,157	\$1,772,721
					\$13,014,878	\$12,506,221

The "Notes to Financial Statements" are in integral part of these statements and should be read in conjunction therewith.

TOWNSHIP OF TOBYHANNA
Balance Sheets
Cash Basis - Governmental Fund Types
As at December 31, 2014

Exhibit C

	Major Funds			Non-Major Funds		
	General	Capital Projects	Total	Special Revenue	Total Governmental Funds	2013 Memorandum Total
Assets:						
Cash and cash equivalents - Note 2	\$2,687,919	\$970,578	\$3,658,497	\$326,265	\$3,984,762	\$3,874,839
Restricted cash and cash equivalents - Note 2	<u>458,273</u>	<u>0</u>	<u>458,273</u>	<u>0</u>	<u>458,273</u>	<u>387,150</u>
Total Assets	<u>\$3,146,192</u>	<u>\$970,578</u>	<u>\$4,116,770</u>	<u>\$326,265</u>	<u>\$4,443,035</u>	<u>\$4,261,989</u>
Liabilities:						
Payroll and other liabilities	\$3,613	\$0	\$3,613	\$0	\$3,613	\$672
Customer security deposits - Payable from Restricted Cash	<u>457,754</u>	<u>0</u>	<u>457,754</u>	<u>0</u>	<u>457,754</u>	<u>426,399</u>
Total Liabilities	<u>461,367</u>	<u>0</u>	<u>461,367</u>	<u>0</u>	<u>461,367</u>	<u>427,071</u>
Fund Balances:						
Restricted	0	0	0	326,265	326,265	350,086
Assigned	43,387	970,578	1,013,965	0	1,013,965	945,758
Unassigned	<u>2,641,438</u>	<u>0</u>	<u>2,641,438</u>	<u>0</u>	<u>2,641,438</u>	<u>2,539,074</u>
Total Fund Balances	<u>2,684,825</u>	<u>970,578</u>	<u>3,655,403</u>	<u>326,265</u>	<u>3,981,668</u>	<u>3,834,918</u>
Total Liabilities and Fund Balances	<u>\$3,146,192</u>	<u>\$970,578</u>	<u>\$4,116,770</u>	<u>\$326,265</u>	<u>\$4,443,035</u>	<u>\$4,261,989</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As at December 31, 2014

Exhibit D

Total Fund Balances - Governmental Funds	\$3,981,668
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet	7,513,611
Long-term debt is reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet	<u>(253,122)</u>
Net Position - Governmental Activities	<u>\$11,242,157</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA

Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis - Governmental Fund Types As at December 31, 2014

Exhibit E
Page 1

	<u>Major Funds</u>			<u>Non-Major Funds</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>	<u>2013 Memorandum Total</u>	
Revenues							
Taxes	\$3,855,174	\$0	\$3,855,174	\$285,192	\$4,140,366	\$4,159,852	
Licenses and permits	244,049	0	244,049	0	244,049	238,087	
Fines and forfeitures	52,263	0	52,263	0	52,263	60,864	
Interest, rents, and royalties	10,468	1,075	11,543	700	12,243	8,010	
Intergovernmental revenue	272,348	0	272,348	232,998	505,346	571,701	
Charges for services	278,893	0	278,893	0	278,893	346,661	
Other	11,721	0	11,721	0	11,721	2,725	
Total Revenues	<u>4,724,916</u>	<u>1,075</u>	<u>4,725,991</u>	<u>518,890</u>	<u>5,244,881</u>	<u>5,387,900</u>	
Expenditures							
General government	597,498	77,465	674,963	0	674,963	657,706	
Public safety	2,280,440	20,215	2,300,655	273,528	2,574,183	2,553,532	
Public works - Highways and streets	977,283	97,575	1,074,858	175,217	1,250,075	888,353	
Culture and recreation	58,475	0	58,475	201,606	260,081	222,506	
Debt service	40,837	0	40,837	0	40,837	40,837	
Employer paid benefits and withholdings	242,455	0	242,455	0	242,455	48,474	
Insurance	68,631	0	68,631	0	68,631	69,575	
Total Expenditures	<u>4,265,619</u>	<u>195,255</u>	<u>4,460,874</u>	<u>650,351</u>	<u>5,111,225</u>	<u>4,480,983</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$459,297</u>	<u>(\$194,180)</u>	<u>\$265,117</u>	<u>(\$131,461)</u>	<u>\$133,656</u>	<u>\$906,917</u>	

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

TOWNSHIP OF TOBYHANNA
Statements of Revenues, Expenditures and Changes in
Fund Balances - Cash Basis - Governmental Fund Types
As at December 31, 2014

Exhibit E
Page 2

	<u>Major Funds</u>			<u>Non-Major Funds</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>	<u>2013 Memorandum Total</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$459,297</u>	<u>(\$194,180)</u>	<u>\$265,117</u>	<u>(\$131,461)</u>	<u>\$133,656</u>	<u>\$906,917</u>
Other Financing Sources (Uses):						
Refunds of prior year's expenditures	15,239	0	15,239	0	15,239	51,661
Proceeds of capital asset disposition	0	0	0	0	0	766
Interfund operating transfers	0	219,000	219,000	107,640	326,640	198,350
Refund of prior year revenue	(2,145)	0	(2,145)	0	(2,145)	(4,305)
Interfund operating transfers out	<u>(326,640)</u>	<u>0</u>	<u>(326,640)</u>	<u>0</u>	<u>(326,640)</u>	<u>(198,350)</u>
Total Financing Sources (Uses)	<u>(313,546)</u>	<u>219,000</u>	<u>(94,546)</u>	<u>107,640</u>	<u>13,094</u>	<u>48,122</u>
Net Change in Fund Balances	145,751	24,820	170,571	(23,821)	146,750	955,039
Fund Balances at Beginning of Year	<u>2,539,074</u>	<u>945,758</u>	<u>3,484,832</u>	<u>350,086</u>	<u>3,834,918</u>	<u>2,879,879</u>
Fund Balances at End of Year	<u>\$2,684,825</u>	<u>\$970,578</u>	<u>\$3,655,403</u>	<u>\$326,265</u>	<u>\$3,981,668</u>	<u>\$3,834,918</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

TOWNSHIP OF TOBYHANNA
Reconciliation of the Statements of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
As at December 31, 2014

	Exhibit F
Total Net Change in Fund Balances - Governmental Funds	\$146,750
Depreciation is reported as an expense on the Statement of Activities but not on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	(479,967)
Debt principal payments are reported as expenditures on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances but not on the Statement of Activities	27,622
Expenditures for capital assets are reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances but not on the Statement of Activities	<u>643,017</u>
Change in Net Position	<u>\$337,422</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Statement of Net Position - Modified Cash Basis -
Proprietary Fund Type
As at December 31, 2014

Exhibit G

		2013 Memorandum <u>Only</u>
Current Assets:		
Cash and cash equivalents - Note 2	\$316,760	\$230,454
Restricted cash and cash equivalents - Note 2	<u>38,372</u>	<u>31,717</u>
Total Current Assets	<u>355,132</u>	<u>262,171</u>
Property and Equipment - Note 5:		
Machinery and equipment	2,151,310	2,140,030
Sewer system	4,684,527	4,684,527
Buildings and improvements	3,145,573	3,136,473
Less: Accumulated depreciation	<u>(4,104,632)</u>	<u>(3,929,355)</u>
Total Property and Equipment:	<u>5,876,778</u>	<u>6,031,675</u>
Total Assets	<u>6,231,910</u>	<u>6,293,846</u>
Liabilities:		
Current Liabilities:		
Current portion of general obligation bond - Note 6	216,799	209,238
Due on capital assets	<u>0</u>	<u>23,905</u>
Total Current Liabilities	216,799	233,143
Long-Term Liabilities:		
General obligation bond payable - Note 6	<u>4,242,390</u>	<u>4,459,217</u>
Total Liabilities	<u>4,459,189</u>	<u>4,692,360</u>
Net Position:		
Net investment in capital assets	1,417,589	1,339,315
Restricted	38,372	31,717
Unrestricted	<u>316,760</u>	<u>230,454</u>
Total Net Position	<u>\$1,772,721</u>	<u>\$1,601,486</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Statement of Revenues, Expenses and Changes in Net Position -
Modified Cash Basis - Proprietary Fund Type
As at December 31, 2014

Exhibit H

		2013 Memorandum <u>Only</u>
Operating Revenues:		
Charges for services	\$745,042	\$653,176
Other operating revenues	<u>3,541</u>	<u>2,569</u>
Total Operating Revenues	<u>748,583</u>	<u>655,745</u>
Operating Expenses:		
Wastewater/sewage treatment and collection	233,449	216,980
Depreciation	<u>175,277</u>	<u>288,449</u>
Total Operating Expenses	<u>408,726</u>	<u>505,429</u>
Non-Operating Revenues (Expenses):		
Interest income	1,358	37
Refund of prior year revenue	0	0
Interest expense	<u>(169,980)</u>	<u>(175,558)</u>
Total Non-operating Revenues (Expenses)	<u>(168,622)</u>	<u>(175,521)</u>
Change in Net Position	171,235	(25,205)
Net Position at Beginning of Year	<u>1,601,486</u>	<u>1,626,691</u>
Net Position at End of Year	<u>\$1,772,721</u>	<u>\$1,601,486</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Statement of Net Position - Non-Uniform Pension Fund – Modified Cash Basis
As at December 31, 2014

Exhibit I

		2013 Memorandum <u>Only</u>
Assets:		
Cash and cash equivalents - Note 2	\$6,120	\$412
Investments	<u>1,216,566</u>	<u>1,091,428</u>
Total Assets	<u>\$1,222,686</u>	<u>\$1,091,840</u>
Net Position:		
Net position held in trust for pension benefits	<u>\$1,222,686</u>	<u>\$1,091,840</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Statement of Changes in Net Position - Non-uniform Pension Fund – Modified Cash Basis
As at December 31, 2014

Exhibit J

		2013 Memorandum <u>Only</u>
Additions:		
Investment income	\$95,916	\$197,233
State aid	<u>52,598</u>	<u>48,474</u>
Total Additions	<u>148,514</u>	<u>245,707</u>
Deductions:		
Fiscal charges	13,934	13,423
Fiduciary fund benefits and refunds paid	<u>3,734</u>	<u>1,831</u>
Total Deductions	<u>17,668</u>	<u>15,254</u>
Change in Net Position	130,846	230,453
Net Position at Beginning of Year	<u>1,091,840</u>	<u>861,387</u>
Net Position at End of Year	<u>\$1,222,686</u>	<u>\$1,091,840</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

Page 1

Note 1: Summary of Significant Accounting Policies:

The Township of Tobyhanna was organized in 1830. The Township operates under an elected 5 member Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture and-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 position 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 and proprietary fund financial statements are prepared using the modified cash basis of accounting. Governmental funds use the cash basis of accounting. Differences in the modified cash and the cash basis of accounting arise in the recognition capital assets and related debt. Fiduciary funds use the modified cash basis of accounting, under which pension investments are reported at fair value.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. Such information is presented in a summarized comparative format as memorandum information only and should be read in conjunction with the Authority's financial statements for the prior year, from which the information was summarized.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

Page 2

Note 1: Summary of Significant Accounting Policies: (Continued)

BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net position 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 position presents the financial condition of the governmental activities of the Township at year-end in total as well as the Township's business activities. 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.

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 the financial information of the Township at this more detailed level. The focus of the 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.

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 a separate accounting entity. The operations of each fund or account group are summarized using a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

Page 3

Note 1: Summary of Significant Accounting Policies: (Continued)

Government Funds

Governmental funds are those through which most governmental functions 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 or 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.

The Debt Service Fund (Non-major 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 Sewer Fund is the sole Enterprise Fund of the Township.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Proprietary Fund Types (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types

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 Township's retirement plan and reports investments at fair value. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statements of Net Position and Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as follows. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities recognized using the modified cash basis of accounting (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus, as applied to the cash basis of accounting, is used. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities governmental activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This method of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or for services provided but payment is not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid for, and accrued expenses and liabilities) are not recorded in these financial statements.

In the fund financial statements, only current assets and current liabilities arising from cash transactions are generally included on the statement of assets, liabilities and fund balances. 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 government-wide financial statements are prepared. Reconciliations with brief explanations of differences are provided to better identify the relationship between the government-wide financial statements and the governmental funds financial statements.

The private purpose trust funds are reported using the economic resources measurement focus as applied to the modified cash basis of accounting.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

The Township maintains all of 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

Under the modified cash basis of accounting, the Township reports capital assets acquired or constructed by the Township and reports related depreciation, where appropriate. The accounting treatment of capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements

In the government-wide financial statements, capital assets are reported as assets in the Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost based on appraisals or other acceptable methods, if actual is unavailable. Capital assets contributed to the Township as part of an agreement to allow the construction of residential or commercial property, such as a park or other facility, or are donated to the Township are valued at the developer's construction cost, if available, or at estimated fair value at date of contribution.

Depreciation of all exhaustible capital assets is recorded as a direct allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Roads and bridges	20-50 years
Machinery and equipment	5-30 years
Sewer system	5-65 years
Buildings and improvements	20-40 years

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Capital Assets (Continued)

Fund Financial Statements

In the fund financial statements, capital acquisitions and construction costs are reflected as expenditures in governmental funds upon payment.

Long-term Debt

All long-term debt to be repaid from the Township's resources is reported as liabilities in the government-wide statements.

The long-term debts of governmental activities are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

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.

EQUITY CLASSIFICATIONS

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Government-Wide Statements (Continued)

- c) Unrestricted net position-All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

It is the Township's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available to be spent.

Fund Financial Statements

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances is comprised of the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Supervisors - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Fund Equity (Continued)

Assigned fund balance. This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors and the Treasurer have the authority to assign amounts to be used for specific purposes as established in the approved budget. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Currently, the Township uses only restricted, assigned, and unassigned classifications.

Investment earnings, such as interest, on restricted or committed monies are included in the same fund balance classification as the money that earned these revenues.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program revenues in each activity:

General Government

Licenses and permits.

Public Safety

Fines and forfeits revenue; building permits and inspection fees; subdivision application fees.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Program Revenues (Continued)

Streets and Public Works	Liquid fuels tax collections shared by the State; pension funding from the State.
Culture and Recreation	Rental income, recreation fees, and specific donations

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund reimbursements-Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
3. Interfund transfers-Flows of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Reclassification of Prior Year Financial Statement Amounts

To facilitate comparison between current and prior year financial statements, certain items in the prior year financial statements have been reclassified to reflect their presentation in the current year financial statements.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities (if any) columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

Budgets and Budgetary Accounting

The Township adopts annual budgets for all funds in accordance with the Second Class Township Code. All adopted budgets use a cash basis of accounting, 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.

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, plus prior costs which are amortized over 30 years.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 1: Summary of Significant Accounting Policies: (Continued)

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.

Note 2: Cash and Cash Equivalents:

Custodial Credit Risk to Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's (FDIC) insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

Credit Risk

The Township is permitted to invest funds in U.S. Treasury Bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized Investment Trust Companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Foreign Currency Risk

The Township was not exposed to foreign currency risk during the year.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 2: Cash and Cash Equivalents: (Continued)

Reconciliation of Cash and Cash Equivalents:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	\$2,940,098
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u>\$2,940,098</u>

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	\$2,940,098
Add: Amount Insured Under FDIC	698,417
Plus: Deposits in Transit	4,669
Less: Outstanding Checks	<u>(80,759)</u>
Carrying Amount	3,562,425
Add: Pooled Deposits - Cash Equivalents	1,235,542
Add: Petty Cash	<u>200</u>
Total Cash and Cash Equivalents	<u>\$4,798,167</u>

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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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 tax revenues when collected. Assessed valuation is taxed at 15.19 mills (13.74 for general purposes, 0.70 for Fire and 0.75 Library) and was \$202,020,170 for 2014.

Total regular real estate taxes collected were \$2,672,099, which represents the face amount less discounts plus penalties. Current regular tax collections for the year ended December 31, 2014 were approximately ninety two percent (92%) of the tax levy.

The schedule for regular real estate taxes levied is as follows:

Levy Date: March 1st
2.00% Discount Period: March 1st – April 30th
Face Payment Period: May 1st – June 30th
10.00% Penalty Period: July 1st – December 31st
Lien Date: January 1st

If payment is not made by December 31st, any and all unpaid amounts are turned over to Monroe County Tax Claim Bureau for delinquent tax collection.

Note 4: Related Party Transactions:

During 2014, the Township hired a company that is the employer of one of the Supervisors. This company provided equipment, operators, and laborers under an equipment rental contract for which bidders were requested. The equipment rented by the Township was used for road maintenance, construction and related purposes. Payments made under this contract during 2014 totaled \$312,808.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 5: Capital Assets

A summary of the changes in governmental activities capital assets are as follows:

<u>Description</u>	<u>Balance as of January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of December 31</u>
Depreciable Capital Assets:				
Buildings and building improvements	\$3,336,252	\$65,693	\$0	\$3,401,945
Roads and bridges	15,216,564	443,136	0	15,659,700
Machinery and equipment	<u>1,630,528</u>	<u>85,807</u>	<u>0</u>	<u>1,716,335</u>
Total Depreciable Capital Assets	<u>20,183,344</u>	<u>594,636</u>	<u>0</u>	<u>20,777,980</u>
Non-Depreciable Capital Assets:				
Land	2,224,962	0	0	2,224,962
Construction in progress	<u>11,305</u>	<u>48,381</u>	<u>0</u>	<u>59,686</u>
Total Non-Depreciable Capital Assets	<u>2,236,267</u>	<u>48,381</u>	<u>0</u>	<u>2,284,648</u>
Total Capital Assets	<u>22,419,611</u>	<u>643,017</u>	<u>0</u>	<u>23,062,628</u>
Accumulated Depreciation	<u>(15,069,050)</u>	<u>(479,967)</u>	<u>0</u>	<u>(15,549,017)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$7,350,561</u>	<u>\$163,050</u>	<u>\$0</u>	<u>\$7,513,611</u>

Depreciation expense was charged to governmental activities as follows:

Public works	\$414,121
Public safety	16,077
General government	35,840
Culture and recreation	<u>13,929</u>
Total	<u>\$479,967</u>

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 5: Capital Assets: (Continued)

A summary of the changes in business-type activities capital assets are as follows:

<u>Description</u>	<u>Balance as of January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of December 31</u>
Capital Assets:				
Buildings and building improvements	\$3,136,473	\$9,100	\$0	\$3,145,573
Sewer system	4,684,527	0	0	4,684,527
Machinery and equipment	<u>2,140,030</u>	<u>11,280</u>	<u>0</u>	<u>2,151,310</u>
Total Capital Assets	9,961,030	20,380	0	9,981,410
Accumulated Depreciation	<u>(3,929,355)</u>	<u>(175,277)</u>	<u>0</u>	<u>(4,104,632)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$6,031,675</u>	<u>(\$154,897)</u>	<u>\$0</u>	<u>\$5,876,778</u>

Note 6: Long-Term Debt:

The Township's long-term debt activity for the year ended December 31, 2014 is summarized as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31</u>	<u>Due in One Year</u>
Governmental Activities:					
Series 2001 GON	<u>\$280,744</u>	<u>\$0</u>	<u>(\$27,622)</u>	<u>\$253,122</u>	<u>\$26,617</u>
Business-type Activities:					
Series 2011 GON	\$4,549,311	\$0	(\$185,557)	\$4,363,754	\$192,608
Series 2013 GON	<u>119,144</u>	<u>0</u>	<u>(23,709)</u>	<u>95,435</u>	<u>24,191</u>
Total Business-type Activities	<u>\$4,668,455</u>	<u>\$0</u>	<u>(\$209,266)</u>	<u>\$4,459,189</u>	<u>\$216,799</u>

At December 31, 2014 long-term debt consists of the following:

Governmental Activities Debt:

Series 2001 General Obligation Notes	\$253,122
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Original issue amount of \$2,000,000 of which the Township is responsible for 26% or \$520,000, 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.*

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 6: Debt and Debt Service: (Continued)

Business-Type Activities Debt:

Series of 2011 General Obligation Notes \$4,363,754

Original issue of \$4,965,000 for the construction and completion of sewer expansion projects; due in monthly installments of \$29,446 with interest at 3.75%, maturing in 2031. This debt is certified as self-liquidating.

Series of 2013 General Obligation Notes \$95,435

Original issue of \$123,000 for the repair and reconstruction of the sand filter building; due in monthly installments of \$2,158 with interest at 1.99%, maturing in 2018.

Annual debt service requirements for Governmental Activities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2015	\$26,617	\$10,817	\$37,434
2016	30,423	10,414	40,837
2017	31,947	8,890	40,837
2018	33,549	7,289	40,838
2019	35,230	5,607	40,837
2020-2022	<u>95,356</u>	<u>6,100</u>	<u>101,456</u>
Total	<u>\$253,122</u>	<u>\$49,117</u>	<u>\$302,239</u>

Annual debt service requirements for Business-type Activities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2015	\$216,799	\$162,446	\$379,245
2016	224,636	154,609	379,245
2017	232,771	146,474	379,245
2018	236,885	138,045	374,940
2019	223,727	129,626	353,353
2020-2024	1,253,369	513,395	1,766,764
2025-2029	1,511,409	255,355	1,766,764
2030-2031	<u>559,593</u>	<u>18,889</u>	<u>578,482</u>
Total	<u>\$4,459,189</u>	<u>\$1,518,839</u>	<u>\$5,978,028</u>

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 7: Defined Benefit Pension Plan:

Reporting Entity

Township of Tobyhanna Non-Uniformed Employees' Pension Plan (hereinafter referred to as "the Plan") is a single employer defined benefit plan. The Plan is governed by the Township's Board of Supervisors. The Township Supervisors may amend plan provisions and are responsible for the management of plan assets. The Plan is included in the Township's basic financial statements as a Pension Trust. Stand-alone financial statements are not publicly available.

Basis of Accounting

The Plan's financial statements are prepared using the modified cash basis of accounting. Plan member contributions, if any, are recognized in the period in which the contributions are received. Employer contributions to the plan are recognized when received. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value.

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 is January 1, 2013).

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
As at December 31, 2014

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Note 7: Defined Benefit Pension Plan (Continued):

Summary of Plan Benefits

Eligibility

All full-time non-uniformed employees join the Plan upon employment.

Normal Retirement

A participant is eligible for normal retirement after attainment of age 62 and completion of ten years of service, but no later than age 70.

The normal retirement benefit is payable monthly during the participant's lifetime, with payments ceasing upon death.

The amount of the monthly pension is equal to 1.0% of average monthly pay times years of service (maximum 20 years).

Average monthly pay is based upon the last 36 months of employment. Pay is total pay, except for unused sick time payments.

Late Retirement

If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

Vesting

A participant's benefits vest according to the following table. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 10 Years	0%
10	50%
11	60%
12	70%
13	80%
14	90%
15 or More Years	100%

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 7: Defined Benefit Pension Plan (Continued):

Accrued Pension

The benefit accrued at any date other than the normal retirement date is determined according to the normal retirement benefit formula, based upon pay and service to date.

Contributions

Participant contributions are credited with 6% interest. Currently, no participant contributions are required.

Plan Membership

Membership of the Plan consisted of the following at December 31, 2014:

Active plan members	12
Retirees and beneficiaries currently receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>17</u>

Funded Status and Funding Progress

As of January 1, 2013, the date of the most recent actuarial valuation, the funded status of the plan was as follows:

Actuarial Value of Assets (a)	\$845,953
Actuarial Accrued Liability (AAL) Entry Age (b)	<u>659,186</u>
Unfunded (Assets in Excess of) AAL (UAAL) (b-a)	<u>(\$186,767)</u>
Funded Ratio (a/b)	<u>128.3%</u>
Covered Payroll (c)	<u>\$603,403</u>
UAAL as a Percentage of Covered Payroll ((b-a)/c)	<u>(31.0%)</u>

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 7: Defined Benefit Pension Plans (Continued):

Funded Status and Funding Progress (Continued)

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>
2010	\$48,907	\$48,907	100.0%
2011	\$66,515	\$66,515	100.0%
2012	\$44,358	\$44,358	100.0%
2013	\$48,474	\$48,474	100.0%
2014	\$52,598	\$52,598	100.0%

Actuarial Methods and Significant Assumptions

Additional information as of the latest actuarial valuation date follows:

Actuarial Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Annual Funding Adjustment equal to 10% of Negative Unfunded AAL
Asset Valuation Method	Fair value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases	5.00%

Investments

The Plan places no limit on the amount that may be invested with any one organization.

At December 31, 2014, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent (5%) or more of net assets available for benefits (\$1,216,566 x .05 = \$60,828):

<u>Investments</u>	<u>Fair Market Value</u>
Ivy Asset Strategy C	\$99,443
Templeton Global Bond Fund C	\$67,984
Transamerica SM MD CP Value C	\$146,074
Vanguard Intermediate Term Bond	\$61,054

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

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Note 8: Commitments and Contingencies:

The Township is a party to various legal proceedings that generally occur in the course of governmental operations. As a result of reporting on the modified accrual basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the any proceedings cannot be predicted, due to the insurance coverage maintained by the Township and the State statute relating to judgments, it is believed that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Township.

Note 9: Risk Management:

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The Township manages these various risks of loss as follows:

<u>Risk of Loss Type of Loss</u>	<u>Method Managed</u>	<u>Retained</u>
Torts, errors, and omissions	Purchased commercial Insurance	Deductibles
Workers compensation, health and life	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	Deductibles

Management believes such coverage is sufficient to preclude any material uninsured losses to the Township. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 10: Subsequent Events:

Management has evaluated subsequent events through June 8, 2015, the date the financial statements were available to be issued.

TOWNSHIP OF TOBYHANNA
Notes to Financial Statements
As at December 31, 2014

Page 23

Note 11: Interfund Transfers:

Transfers between various Township funds for the year ended December 31, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$326,640
Library Fund	55,573	0
Fire Fund	52,067	0
Capital Contingency Reserve	24,000	0
Capital Reserve Fund	<u>195,000</u>	<u>0</u>
Total	<u>\$326,640</u>	<u>\$326,640</u>

Generally, the purpose of transfers in (out) of the funds is to provide cash needed to pay expenditures of the fund.

During 2014, the Township discovered that a formula error had been made relating to the payment of Monroe County Tax Claim Bureau delinquent real estate tax collection distributions to the Fire Fund and Clymer Library dating back to 2006. These amounts were transferred from the General Fund to the Fire Fund and Library Fund during 2014.

Note 12: Excess of Expenditures over Appropriations:

Library Fund expenditures exceeded appropriations (budget) by \$60,775. These additional costs were covered by revenues in excess of budget.

TOWNSHIP OF TOBYHANNA

Supplementary Information

Township of Tobyhanna
Schedule of Revenues and Expenditures - General Fund
Budget and Actual - Cash Basis
For the Year Ended December 31, 2014

Schedule 1
Page 1

	Original Budget (Unaudited)	Revised Budget (Unaudited)	Actual	Variance
Revenues:				
Taxes:				
Real estate	\$2,729,176	\$2,729,176	\$2,729,009	(\$167)
Real estate transfer	225,000	275,000	276,818	1,818
Earned income	565,000	689,000	716,801	27,801
Local service tax	<u>120,000</u>	<u>130,000</u>	<u>132,546</u>	<u>2,546</u>
Total Taxes	<u>3,639,176</u>	<u>3,823,176</u>	<u>3,855,174</u>	<u>31,998</u>
Licenses and Permits:				
Permits	2,300	2,300	4,895	2,595
Cable television licenses	<u>215,000</u>	<u>239,000</u>	<u>239,154</u>	<u>154</u>
Total Licenses and Permits	<u>217,300</u>	<u>241,300</u>	<u>244,049</u>	<u>2,749</u>
Fines and Forfeitures	<u>52,500</u>	<u>52,500</u>	<u>52,263</u>	<u>(237)</u>
Interest, Rents, and Royalties:				
Interest income	1,250	1,250	4,956	3,706
Rent	<u>6,250</u>	<u>6,250</u>	<u>5,512</u>	<u>(738)</u>
Total Interest, Rents, and Royalties	<u>7,500</u>	<u>7,500</u>	<u>10,468</u>	<u>2,968</u>
Intergovernmental Revenue:				
State public utility tax	5,022	5,022	5,305	283
Alcoholic beverage taxes	2,850	2,850	2,750	(100)
General municipal pension system state aid	132,001	132,001	150,705	18,704
Foreign fire insurance premium tax	100,000	100,000	102,558	2,558
State payments in lieu of tax	5,402	5,402	5,319	(83)
All other state capital and operating grants	9,000	9,000	5,711	(3,289)
All other federal capital and operating grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Intergovernmental revenue	<u>254,275</u>	<u>254,275</u>	<u>272,348</u>	<u>18,073</u>
Charges for Services:				
General government	83,850	83,850	81,463	(2,387)
Public safety	151,800	176,800	195,938	19,138
All other charges for sanitation services	<u>500</u>	<u>500</u>	<u>1,492</u>	<u>992</u>
Total Charges for Services	<u>\$236,150</u>	<u>\$261,150</u>	<u>\$278,893</u>	<u>\$17,743</u>

Township of Tobyhanna
Schedule of Revenues and Expenditures - General Fund
Budget and Actual - Cash Basis
For the Year Ended December 31, 2014

Schedule 1
Page 2

	Original Budget (Unaudited)	Revised Budget (Unaudited)	Actual	Variance
Unclassified Operating Revenues:				
Contributions and donations from private sectors	\$600	\$9,100	\$9,450	\$350
All other unclassified operating revenue	<u>200</u>	<u>200</u>	<u>2,271</u>	<u>2,071</u>
Total Unclassified Operating Revenues	<u>800</u>	<u>9,300</u>	<u>11,721</u>	<u>2,421</u>
Total Revenues	<u>4,407,701</u>	<u>4,649,201</u>	<u>4,724,916</u>	<u>75,715</u>
Expenditures:				
General Government:				
Legislative and governing body	26,706	29,331	29,267	(64)
Executive - Manager	115,748	120,648	119,507	(1,141)
Financial services	112,105	111,005	105,927	(5,078)
Tax collection	47,589	47,589	45,377	(2,212)
Legal fees	40,000	24,161	12,092	(12,069)
IT - Networking services	33,500	34,850	34,195	(655)
Engineering fees	125,900	153,300	118,751	(34,549)
General government building and plant	102,050	102,045	87,109	(14,936)
Other general governmental administration	<u>51,652</u>	<u>52,377</u>	<u>45,273</u>	<u>(7,104)</u>
Total General Government	<u>655,250</u>	<u>675,306</u>	<u>597,498</u>	<u>(77,808)</u>
Public Safety:				
Police	1,845,702	1,845,702	1,786,873	(58,829)
Fire	249,272	249,272	220,492	(28,780)
Ambulance	45,000	65,000	58,328	(6,672)
Code enforcement	118,662	134,962	124,538	(10,424)
Planning and zoning	87,649	93,099	85,279	(7,820)
Emergency management and communications	<u>6,000</u>	<u>6,000</u>	<u>4,930</u>	<u>(1,070)</u>
Total Public Safety	<u>2,352,285</u>	<u>2,394,035</u>	<u>2,280,440</u>	<u>(113,595)</u>
Public Works - Highways and Streets:				
General services - Administration	508,283	472,083	429,541	(42,542)
Winter maintenance	15,950	15,950	15,662	(288)
Traffic control	20,000	20,000	13,327	(6,673)
Repairs of tools and machinery	4,000	14,000	13,259	(741)
Highway construction and rebuilding projects	<u>350,000</u>	<u>350,000</u>	<u>505,494</u>	<u>155,494</u>
Total Public Works - Highways and Streets	<u>\$898,233</u>	<u>\$872,033</u>	<u>\$977,283</u>	<u>\$105,250</u>

Township of Tobyhanna
Schedule of Revenues and Expenditures - General Fund
Budget and Actual - Cash Basis
For the Year Ended December 31, 2014

Schedule 1
Page 3

	<u>Original Budget (Unaudited)</u>	<u>Revised Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance</u>
Culture and Recreation:				
Parks	<u>\$51,412</u>	<u>\$61,417</u>	<u>\$58,475</u>	<u>(\$2,942)</u>
Community Development:				
Economic Development	<u>9,000</u>	<u>9,000</u>	<u>0</u>	<u>(9,000)</u>
Debt Service:				
Principal	<u>0</u>	<u>0</u>	<u>27,622</u>	<u>27,622</u>
Interest	<u>0</u>	<u>0</u>	<u>13,215</u>	<u>13,215</u>
Total Debt Service	<u>0</u>	<u>0</u>	<u>40,837</u>	<u>40,837</u>
Employer Paid Benefits and Withholdings:				
Other group insurance benefits	<u>175,409</u>	<u>172,059</u>	<u>163,135</u>	<u>(8,924)</u>
Worker compensation insurance	<u>31,850</u>	<u>31,850</u>	<u>26,722</u>	<u>(5,128)</u>
Pension/retirement fund contributions	<u>32,001</u>	<u>32,001</u>	<u>52,598</u>	<u>20,597</u>
Total Employer Paid Benefits and Withholdings	<u>239,260</u>	<u>235,910</u>	<u>242,455</u>	<u>6,545</u>
Insurance	<u>70,000</u>	<u>70,000</u>	<u>68,631</u>	<u>(1,369)</u>
Total Expenditures	<u>4,275,440</u>	<u>4,317,701</u>	<u>4,265,619</u>	<u>(52,082)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>132,261</u>	<u>331,500</u>	<u>459,297</u>	<u>127,797</u>
Other Financing Sources (Uses):				
Refunds of prior year's expenditures	<u>0</u>	<u>0</u>	<u>15,239</u>	<u>15,239</u>
Fund balance used	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Refund of prior year revenue	<u>(7,500)</u>	<u>(112,500)</u>	<u>(2,145)</u>	<u>110,355</u>
Interfund operating transfers out	<u>(124,761)</u>	<u>(219,000)</u>	<u>(326,640)</u>	<u>(107,640)</u>
Total Other Financing Sources (Uses)	<u>(132,261)</u>	<u>(331,500)</u>	<u>(313,546)</u>	<u>17,954</u>
Change in Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$145,751</u>	<u>\$145,751</u>

Township of Tobyhanna
Combining Statements of Revenues, Expenditures and Changes
in Fund Balances - Cash Basis
Non-Major Special Revenue Funds
For the Year Ended December 31, 2014

Exhibit L

	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Highway Aid Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$135,801	\$149,391	\$0	285,192
Intergovernmental revenue	0	0	232,998	232,998
Interest, rents, and royalties	<u>246</u>	<u>18</u>	<u>436</u>	<u>700</u>
Total Revenues	<u>136,047</u>	<u>149,409</u>	<u>233,434</u>	<u>518,890</u>
Expenditures:				
Public safety	273,528	0	0	273,528
Public works - Highways and streets	0	0	175,217	175,217
Culture and recreation	<u>0</u>	<u>201,606</u>	<u>0</u>	<u>201,606</u>
Total Expenditures	<u>273,528</u>	<u>201,606</u>	<u>175,217</u>	<u>650,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,481)	(52,197)	58,217	(131,461)
Other Financing Sources:				
Interfund operating transfers	<u>52,067</u>	<u>55,573</u>	<u>0</u>	<u>107,640</u>
Change in Fund Balances	(85,414)	3,376	58,217	(23,821)
Fund Balances at Beginning of Year	<u>216,243</u>	<u>0</u>	<u>133,843</u>	<u>350,086</u>
Fund Balances at End of Year	<u>\$130,829</u>	<u>\$3,376</u>	<u>\$192,060</u>	<u>\$326,265</u>

Township of Tobyhanna
Combining Balance Sheets - Cash Basis
Major Capital Projects Funds
For the Year Ended December 31, 2014

Exhibit M

	Capital Contingency Improvements Fund	Capital Improvements Fund	Total
Assets:			
Cash and cash equivalents - Note 2	<u>\$325,101</u>	<u>\$645,477</u>	<u>\$970,578</u>
Fund Balances:			
Assigned	<u>\$325,101</u>	<u>\$645,477</u>	<u>\$970,578</u>

Township of Tobyhanna
Combining Statements of Revenues, Expenditures and Changes
in Fund Balances - Cash Basis
Major Capital Projects Funds
For the Year Ended December 31, 2014

Exhibit N

	Capital Contingency Improvements Fund	Capital Improvements Fund	<u>Total</u>
Revenues:			
Interest, rents, and royalties	\$432	\$643	\$1,075
Expenditures			
General government	0	77,465	77,465
Public safety	0	20,215	20,215
Public works - Highways and streets	<u>0</u>	<u>97,575</u>	<u>97,575</u>
Total Expenditures	<u>0</u>	<u>195,255</u>	<u>195,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	432	(194,612)	(194,180)
Other financing sources			
Interfund operating transfers	<u>24,000</u>	<u>195,000</u>	<u>219,000</u>
Change in Fund Balances	24,432	388	24,820
Fund Balances at Beginning of Year	<u>300,669</u>	<u>645,089</u>	<u>945,758</u>
Fund Balances at End of Year	<u>\$325,101</u>	<u>\$645,477</u>	<u>\$970,578</u>