

TOBYHANNA TOWNSHIP  
ECONOMIC DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

AS AT DECEMBER 31, 2019

TOBYHANNA TOWNSHIP ECONOMIC DEVELOPMENT AUTHORITY  
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As at December 31, 2019

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as at December 31, 2019

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Ended December 31, 2019

Exhibit B

Notes to Financial Statements



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tobyhanna Township Economic Development Authority  
Tobyhanna, PA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Tobyhanna Township Economic Development Authority, a component unit of Tobyhanna Township, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Tobyhanna Township Economic Development Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Tobyhanna Township Economic Development Authority, as of December 31, 2019 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script that reads "Riley and Company, Inc.".

Stroudsburg, PA  
May 6, 2020

TOBYHANNA TOWNSHIP ECONOMIC DEVELOPMENT AUTHORITY  
Governmental Fund Balance Sheet/Statement of Net Position  
As at December 31, 2019

Exhibit A

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	\$26,853	\$0	\$26,853
Capital assets, net of accumulated depreciation	<u>0</u>	<u>518,076</u>	<u>518,076</u>
Total Assets	<u>26,853</u>	<u>518,076</u>	<u>544,929</u>
Liabilities:			
Accounts payable	465	138,321	138,786
Accounts payable - Tobyhanna Township	0	58,403	58,403
Due to Tobyhanna Township	550,000	0	550,000
Accrued interest	<u>0</u>	<u>16,352</u>	<u>16,352</u>
Total Liabilities	<u>550,465</u>	<u>213,076</u>	<u>763,541</u>
Fund Balance/Net Position:			
Unassigned/Unrestricted	(523,612)	305,000	(218,612)
Net investment in capital assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance/Net Position	<u><u>(\$523,612)</u></u>	<u><u>\$305,000</u></u>	<u><u>(\$218,612)</u></u>

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

TOBYHANNA TOWNSHIP ECONOMIC DEVELOPMENT AUTHORITY  
Governmental Fund Statement of Revenues, Expenditures and  
Changes in Fund Balance/Statement of Activities  
For the Year Ended December 31, 2019

Exhibit B

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Financial administration	\$5,000	\$0	\$5,000
Legal	18,517	38,127	56,644
Other administration	503	0	503
IT and networking	2,795	0	2,795
Building and plant	8,866	0	8,866
Land purchase	523,035	(523,035)	0
Debt service	0	16,352	16,352
Depreciation	0	4,959	4,959
Total Expenditures/Expenses	<u>558,716</u>	<u>(463,597)</u>	<u>95,119</u>
Revenues:			
Interest	678	0	678
Rent	<u>5,624</u>	<u>0</u>	<u>5,624</u>
Total Revenues	<u>6,302</u>	<u>0</u>	<u>6,302</u>
Change in Fund Balance/Net Position	(552,414)	463,597	(88,817)
Fund Balance/Net Position at Beginning of Year	<u>28,802</u>	<u>(158,597)</u>	<u>(129,795)</u>
Fund Balance/Net Position at End of Year	<u><u>(\$523,612)</u></u>	<u><u>\$305,000</u></u>	<u><u>(\$218,612)</u></u>

The "Notes to Financial Statements" are an integral part of these  
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TOBYHANNA TOWNSHIP ECONOMIC DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
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Note 1: Summary of Significant Accounting Policies:

Description and Activities of Reporting Entity

Tobyhanna Township Economic Development Authority (the Authority) was incorporated on December 8, 2017 under the Pennsylvania Municipality Authorities Act of June 19, 2001 (P.L. 287. No. 22) by Township of Tobyhanna, Monroe County, Pennsylvania.

The Authority was created for the purpose of making business improvements and providing administrative services as well as to engage in economic development activities and business improvement activities, including but not limited to projects to retain or develop existing industries and business, and the development of new businesses and industries, the development and administration of business improvements and administration of services thereto, as defined in the Act, and other purposes, for which an authority may be formed or may exist under the laws of the Commonwealth. Further, the Authority shall have all powers conferred upon it by the Act and all other applicable laws of the Commonwealth. Tobyhanna Township has retained the right to approve any plan of the Authority.

2018 was the Authority's initial year of operations. It is expected that the Authority will be issuing Bonds for an infrastructure project in 2020 and beginning to collect proceeds of a Public Infrastructure Levy (PIL) during 2021.

Component Unit

The reporting entity has been defined in accordance with the criteria established in Statement 14 issued by Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether the Authority is considered to be a component of another governmental organization or whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency, and legal separation.

Based on the above criteria, the Authority is a component unit of the Township of Tobyhanna. The Board of Supervisors appoints the members to the Authority's governing board, is currently providing financial support to the Authority, and has retained the right to approve all debt transactions and the right to approve any development plans of the Authority.

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Notes to Financial Statements  
As at December 31, 2019

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

Basis of Presentation

The combined government-wide financial statements and fund financial statements (i.e., the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures and changes in fund balance) report information of the Authority on the accrual basis of accounting and the modified accrual basis of accounting, respectively.

The operations of the General Fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The Authority's resources are allocated to and accounted for in a General Fund only. If needed, individual funds would be established based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental fund types are used to account for the activities of the Authority. The measurement focus is based upon spending or financial flow and the determination of changes in fund balance (net current assets). The Authority uses the following governmental fund type:

The *General Fund* is established to account for resources devoted to financing the general operations of the Authority.

The statement of net position and statement of activities columns reflect results of operations using the accrual basis of accounting.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. In the fund financial statements, the "current financial resources" measurement focus is used. Revenues are recognized when they become both measurable and available as net current assets. 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.

The statement of net position and statement of activities columns represent operations on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.



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

Equity Classifications

Government-Wide Financial Statements:

Net Position is classified into three components - (1) net investment in capital assets, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

1. Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
2. Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

Currently, the Authority has only Unrestricted Net Position.

The Authority considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 portion of fund balance 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.

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

Fund Financial Statements (Continued)

The spendable portion of fund balance consists 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 Authority - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Authority removes the specified use requirement 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.

Assigned fund balance - This classification reflects the amounts constrained by the Authority's "intent" to be used for specific purposes but are neither restricted nor committed. The Authority has 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 Authority uses only the unassigned classification.

The Authority considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. In addition, committed amounts are spent, then assigned amounts, and, lastly, unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

The Authority did not adopt a budget for 2019 and is not required by law to do so. Accordingly, the Authority is not required to present budgetary comparison information.

Capital Assets

Under the modified cash basis of accounting, the Authority reports capital assets acquired or constructed by the Authority and reports related depreciation, where appropriate. The accounting treatment of capital assets depends on whether the assets are being 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.

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:

Buildings	40 years
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Fund Financial Statements

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

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Note 2: Cash and Cash Equivalents:

Deposit and Investment Policy

The Authority does not have a formally adopted deposit and investment policy that limits allowable deposits or investments and addresses the specific types of risk to which they are exposed.

Custodial Credit Risk to Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for minimizing credit risk for bank balances exceeding 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. At December 31, 2019, the Authority had no deposits in excess of FDIC coverage.

Credit Risk

The Authority 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the 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.

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Note 3: Capital Assets:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-Depreciable Capital Assets:				
Land	\$0	\$324,675	\$0	\$324,675
Depreciable Capital Assets:				
Buildings	<u>0</u>	<u>198,360</u>	<u>0</u>	<u>198,360</u>
Total Capital Assets	0	523,035	0	523,035
Accumulated Depreciation	<u>0</u>	<u>(4,959)</u>	<u>0</u>	<u>(4,959)</u>
Total Capital Assets Net of Accumulated Depreciation	<u><u>\$0</u></u>	<u><u>\$518,076</u></u>	<u><u>\$0</u></u>	<u><u>\$518,076</u></u>

Note 4: Accounts Payable:

Accounts payable includes \$116,589 of legal fees that are not required to be paid until bonds are issued in late 2020.

Note 5: Accounts Payable - Tobyhanna Township:

During 2018, Tobyhanna Township paid certain costs that had been incurred on behalf of the Authority. Accordingly, the Authority has recorded an account payable to the Township. The amounts paid were for professional services. The amounts have not been paid back to the Township as of December 31, 2019.

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Note 6: Due to Tobyhanna Township:

General Obligation Demand Note – Series of 2019

The Authority issued \$550,000 General Obligation Demand Note – Series of 2019 payable to Tobyhanna Township on January 9, 2019. The proceeds were issued for (1) the purchase of certain properties located on Stillwater Drive, Pocono Pines, Township of Tobyhanna; and (2) payment of Authority expenses. Note is secured by and payable from (1) proceeds of the sale of the properties described above; (2) revenues generated from the Public Improvement Levy; and (3) the general operating funds of the Authority. Principal payments are due in full within 90 days of delivery of a written demand for payment by lender. Interest is payable on this note at 3%.

Note 7: Risk Management:

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

The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors, and omissions	Purchased commercial insurance	Limited

The Authority is covered under Township of Tobyhanna's insurance policies. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

Note 8: Subsequent Events:

Management has evaluated subsequent events through May 6, 2020, the date the financial statements were available to be issued.

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. In the weeks following this declaration, COVID 19 has spread throughout the world. As of May 6, 2020, the effects of this pandemic on the near-term revenues and expenses of the Authority and its overall financial position have not been determined.