

TOWNSHIP OF TOBYHANNA
FINANCIAL STATEMENTS
DECEMBER 31, 2020

TOWNSHIP OF TOBYHANNA
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DECEMBER 31, 2020

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Zelenkofske Axlerod LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Township of Tobyhanna
Pocono Pines, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified-cash basis financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the Township of Tobyhanna, as of and for the year ended December 31, 2020, and the related notes to the 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 an opinion 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 opinion.



Zelenkofske Axelrod LLC

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Tobyhanna as of December 31, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the modified-cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We audited the Township's December 31, 2019 financial statements, in which we expressed unmodified opinions on the basic financial statements of the governmental activities and the major fund in our report dated June 03, 2020. The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2019, from which such summarized information was derived.

Emphasis of Matter

During 2020, the Township adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the adoption of this Statement, the Pension Trust fund is now included as a component unit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 31, the schedule of changes in net pension liability and related ratios on page 32, and the schedule of employer's contributions on page 33 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any



Zelenkofske Axlerod LLC

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assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining other nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining other nonmajor governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining other nonmajor governmental funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania

July 23, 2021

TOWNSHIP OF TOBYHANNA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2020

| | Governmental Activities | Business-Type Activities | Total Reporting Entity | 2019 Memorandum Totals | Component Unit (Modified Accrual Basis) |
|--|----------------------------|-----------------------------|------------------------------|------------------------------|--|
| Assets | | | | | |
| Cash and cash equivalents | \$ 8,069,665 | \$ 478,035 | \$ 8,547,700 | \$ 7,719,338 | \$ 25,106 |
| Restricted cash and cash equivalents | 634,701 | 184,469 | 819,170 | 731,435 | - |
| Investments | - | - | - | 253,640 | - |
| Other Receivables | 635,000 | - | 635,000 | 585,000 | - |
| Total Current Assets | <u>9,339,366</u> | <u>662,504</u> | <u>10,001,870</u> | <u>9,289,413</u> | <u>25,106</u> |
| Property and Equipment | | | | | |
| Land | 2,290,922 | 172,813 | 2,463,735 | 2,463,735 | 324,675 |
| Roads and Bridges | 22,689,356 | - | 22,689,356 | 22,065,705 | - |
| Machinery and Equipment | 2,186,850 | - | 2,186,850 | 2,070,709 | - |
| Sewer System | - | 3,133,454 | 3,133,454 | 3,133,454 | - |
| Buildings and Improvements | 3,521,756 | - | 3,521,756 | 3,521,756 | 198,360 |
| Less Accumulated Depreciation | <u>(19,221,797)</u> | <u>(344,680)</u> | <u>(19,566,477)</u> | <u>(18,858,736)</u> | <u>(9,918)</u> |
| Total Property and Equipment | <u>11,467,087</u> | <u>2,961,587</u> | <u>14,428,674</u> | <u>14,396,623</u> | <u>513,117</u> |
| Total Assets | <u>20,806,453</u> | <u>3,624,091</u> | <u>24,430,544</u> | <u>23,686,036</u> | <u>538,223</u> |
| Liabilities and Net Position | | | | | |
| Liabilities | | | | | |
| Customer Security Deposits - Payable from Restricted Cash | 563,350 | 177,500 | 740,850 | 687,242 | - |
| Other Liabilities | - | - | - | - | 790,490 |
| Total Liabilities | <u>563,350</u> | <u>177,500</u> | <u>740,850</u> | <u>687,242</u> | <u>790,490</u> |
| Net Position | | | | | |
| Restricted | 426,083 | - | 426,083 | - | - |
| Net investment in capital assets | 11,467,087 | 2,961,587 | 14,428,674 | 14,396,623 | - |
| Unrestricted | 8,776,016 | 485,004 | 9,261,020 | 8,602,171 | (252,267) |
| Total Net Position | <u>20,243,103</u> | <u>3,446,591</u> | <u>23,689,694</u> | <u>22,998,794</u> | <u>(252,267)</u> |
| Total Liabilities and Net Position | <u>\$ 20,806,453</u> | <u>\$ 3,624,091</u> | <u>\$ 24,430,544</u> | <u>\$ 23,686,036</u> | <u>\$ 538,223</u> |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

| Functions/Programs | Expenses | Program Revenues | | Net Revenue (Expense) and Changes in Net Position | | | 2019 Memorandum Totals | Component Unit (Modified Accrual Basis) |
|-----------------------------------|------------------|---|--|---|-----------------------------|----------------------|------------------------------|--|
| | | Fees, Fines, Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Totals | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 872,067 | \$ 185,308 | \$ 321,472 | \$ (365,287) | \$ - | \$ (365,287) | \$ (555,390) | \$ - |
| Public safety | 2,480,810 | 272,532 | - | (2,208,278) | - | (2,208,278) | (2,139,743) | - |
| Public Works | 1,171,203 | - | 331,191 | (840,012) | - | (840,012) | (953,477) | - |
| Culture and recreation | 321,724 | - | - | (321,724) | - | (321,724) | (435,299) | - |
| Community Development | 214,637 | - | - | (214,637) | - | (214,637) | (473,955) | - |
| Other | 119,536 | - | - | (119,536) | - | (119,536) | (100,565) | - |
| Total Governmental Activities | 5,179,977 | 457,840 | 652,663 | (4,069,474) | - | (4,069,474) | (4,658,429) | - |
| Business-Type Activities | | | | | | | | |
| Wastewater/Sewage | 1,150,523 | 965,914 | - | - | (184,609) | (184,609) | 245,218 | - |
| Total Reporting Entity | <u>6,330,500</u> | <u>1,423,754</u> | <u>652,663</u> | <u>(4,069,474)</u> | <u>(184,609)</u> | <u>(4,254,083)</u> | <u>(4,413,211)</u> | - |
| Component unit: | | | | | | | | |
| Tobyhanna Township | | | | | | | | |
| Economic Development Authority | <u>\$ 55,464</u> | <u>\$ -</u> | <u>\$ -</u> | - | - | - | - | \$ (55,464) |
| General Revenues | | | | | | | | |
| Taxes | | | | 4,829,833 | 4,277 | 4,834,110 | 4,644,553 | - |
| Interest and Rents | | | | 66,416 | - | 66,416 | 155,636 | 3,329 |
| Other | | | | 44,457 | - | 44,457 | 45,397 | - |
| Total General Revenues | | | | <u>4,940,706</u> | <u>4,277</u> | <u>4,944,983</u> | <u>4,845,586</u> | <u>3,329</u> |
| Change in Net Position | | | | 871,232 | (180,332) | 690,900 | 432,375 | (52,135) |
| Net Position at Beginning of Year | | | | <u>19,371,871</u> | <u>3,626,923</u> | <u>22,998,794</u> | <u>22,566,419</u> | <u>(200,132)</u> |
| Net Position at End of Year | | | | <u>\$ 20,243,103</u> | <u>\$ 3,446,591</u> | <u>\$ 23,689,694</u> | <u>\$ 22,998,794</u> | <u>\$ (252,267)</u> |

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

TOWNSHIP OF TOBYHANNA
BALANCE SHEET - MODIFIED-CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | General Fund | Capital Projects Fund | Public Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds | 2019 Memorandum Totals |
|--|----------------------------|----------------------------|----------------------------|-----------------------------------|--------------------------------|------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 5,747,001 | \$ 1,058,065 | \$ 909,867 | \$ 354,732 | \$ 8,069,665 | \$ 7,122,513 |
| Restricted cash and cash equivalents | 634,701 | - | - | - | 634,701 | 548,093 |
| Investments | - | - | - | - | - | 253,640 |
| Other receivables | 1,000 | 600,000 | - | 34,000 | 635,000 | 585,000 |
| Due from other funds | 34,000 | - | - | - | 34,000 | 34,000 |
| Total Assets | <u>6,416,702</u> | <u>1,658,065</u> | <u>909,867</u> | <u>388,732</u> | <u>9,373,366</u> | <u>8,543,246</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Due to other funds | - | - | - | 34,000 | 34,000 | 34,000 |
| Customer security deposits - payable from restricted cash | 563,350 | - | - | - | 563,350 | 509,742 |
| Total Liabilities | <u>563,350</u> | <u>-</u> | <u>-</u> | <u>34,000</u> | <u>597,350</u> | <u>543,742</u> |
| Fund Balances | | | | | | |
| Restricted | 71,351 | - | - | 354,732 | 426,083 | 330,347 |
| Assigned | - | 1,658,065 | 909,867 | - | 2,567,932 | 2,874,075 |
| Unassigned | 5,782,001 | - | - | - | 5,782,001 | 4,795,082 |
| Total Fund Balances | <u>5,853,352</u> | <u>1,658,065</u> | <u>909,867</u> | <u>354,732</u> | <u>8,776,016</u> | <u>7,999,504</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,416,702</u> | <u>\$ 1,658,065</u> | <u>\$ 909,867</u> | <u>\$ 388,732</u> | <u>\$ 9,373,366</u> | <u>\$ 8,543,246</u> |

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

TOWNSHIP OF TOBYHANNA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | |
|---|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 8,776,016 |
| Capital Assets, Net of Accumulated Depreciation, are Reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet | <u>11,467,087</u> |
| Net Position of Governmental Activities | <u><u>\$ 20,243,103</u></u> |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED-CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

| | General Fund | Capital Projects Fund | Public Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds | 2019 Memorandum Totals |
|--|---------------------|--------------------------|----------------------------|-----------------------------------|--------------------------------|------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 4,541,463 | \$ - | \$ - | \$ 288,370 | \$ 4,829,833 | \$ 4,636,884 |
| Licenses, permits and fees | 234,848 | - | - | - | 234,848 | 250,482 |
| Fines and forfeits | 37,684 | - | - | - | 37,684 | 47,114 |
| Interest | 48,264 | 7,803 | 6,568 | 3,781 | 66,416 | 155,636 |
| Intergovernmental | 179,232 | - | 142,240 | 331,191 | 652,663 | 532,759 |
| Charges for services | 185,308 | - | - | - | 185,308 | 178,566 |
| Refunds of prior year expenses | 30,401 | - | - | - | 30,401 | 13,586 |
| Other revenues | 14,056 | - | - | - | 14,056 | 31,811 |
| Total Revenues | 5,271,256 | 7,803 | 148,808 | 623,342 | 6,051,209 | 5,846,838 |
| Expenditures | | | | | | |
| General government | 817,456 | 37,481 | - | - | 854,937 | 880,322 |
| Public safety | 2,417,321 | 5,752 | 14,183 | 25,196 | 2,462,452 | 2,418,741 |
| Public works, highways and streets | 710,068 | 175,571 | - | 426,333 | 1,311,972 | 1,666,788 |
| Culture and recreation | 148,605 | 914 | 14,216 | 147,428 | 311,163 | 421,790 |
| Community development | - | - | 214,637 | - | 214,637 | 473,955 |
| Employer paid benefits and withholdings | 64,931 | - | - | - | 64,931 | 60,414 |
| Insurance | 54,377 | - | - | - | 54,377 | 40,063 |
| Refunds of prior year revenues | 228 | - | - | - | 228 | 88 |
| Total Expenditures | 4,212,986 | 219,718 | 243,036 | 598,957 | 5,274,697 | 5,962,161 |
| Excess (deficiency) of revenues over expenditures | 1,058,270 | (211,915) | (94,228) | 24,385 | 776,512 | (115,323) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | - | - | 466,212 |
| Transfers out | - | - | - | - | - | (466,212) |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - |
| Net change in fund balances | 1,058,270 | (211,915) | (94,228) | 24,385 | 776,512 | (115,323) |
| Fund Balance - Beginning of year | 4,795,082 | 1,869,980 | 1,004,095 | 330,347 | 7,999,504 | 8,114,827 |
| Fund Balance - End of year | \$ 5,853,352 | \$ 1,658,065 | \$ 909,867 | \$ 354,732 | \$ 8,776,016 | \$ 7,999,504 |

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

TOWNSHIP OF TOBYHANNA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2020

| | |
|--|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 776,512 |
| 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 | (725,072) |
| 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>819,792</u> |
| Change in Net Position | <u><u>\$ 871,232</u></u> |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2020

| | Nonmajor Sewer Fund | Sewer District #1 Fund | Total | 2019 Memorandum Only |
|--------------------------------------|---------------------------|------------------------------|---------------------|-------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 235,523 | \$ 242,512 | \$ 478,035 | \$ 596,825 |
| Restricted cash and cash equivalents | - | 184,469 | 184,469 | 183,342 |
| Total Current Assets | <u>235,523</u> | <u>426,981</u> | <u>662,504</u> | <u>780,167</u> |
| Property Plant and Equipment | | | | |
| Land | - | 172,813 | 172,813 | 172,813 |
| Sewer system | - | 3,133,454 | 3,133,454 | 3,133,454 |
| Less Accumulated Depreciation | - | (344,680) | (344,680) | (282,011) |
| Total Property Plant and Equipment | <u>-</u> | <u>2,961,587</u> | <u>2,961,587</u> | <u>3,024,256</u> |
| Total Assets | <u>235,523</u> | <u>3,388,568</u> | <u>3,624,091</u> | <u>3,804,423</u> |
| Liabilities and Net Position | | | | |
| Liabilities | | | | |
| Amounts held on behalf of others | <u>-</u> | <u>177,500</u> | <u>177,500</u> | <u>177,500</u> |
| Net Position | | | | |
| Net investment in capital assets | - | 2,961,587 | 2,961,587 | 3,024,256 |
| Unrestricted | <u>235,523</u> | <u>249,481</u> | <u>485,004</u> | <u>602,667</u> |
| Total Net Position | <u>\$ 235,523</u> | <u>\$ 3,211,068</u> | <u>\$ 3,446,591</u> | <u>\$ 3,626,923</u> |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

| | Nonmajor Sewer Fund | Sewer District #1 Fund | Total | 2019 Memorandum Only |
|--|---------------------------|------------------------------|----------------------------|----------------------------|
| Operating Revenues | | | | |
| Sewage usage fees | \$ 16,908 | \$ 949,006 | \$ 965,914 | \$ 1,427,425 |
| Other operating revenues | - | - | - | - |
| Total Operating Revenues | <u>16,908</u> | <u>949,006</u> | <u>965,914</u> | <u>1,427,425</u> |
| Operating Expenses | | | | |
| Wastewater/sewage treatment and collection | 537 | 1,087,317 | 1,087,854 | 1,119,538 |
| Depreciation | - | 62,669 | 62,669 | 62,669 |
| Total Operating Expenses | <u>537</u> | <u>1,149,986</u> | <u>1,150,523</u> | <u>1,182,207</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Interest income | <u>1,392</u> | <u>2,885</u> | <u>4,277</u> | <u>7,669</u> |
| Total Non-Operating Revenues (Expenses) | <u>1,392</u> | <u>2,885</u> | <u>4,277</u> | <u>7,669</u> |
| Change in Net Position | 17,763 | (198,095) | (180,332) | 252,887 |
| Net Position at Beginning of Year | <u>217,760</u> | <u>3,409,163</u> | <u>3,626,923</u> | <u>3,374,036</u> |
| Net Position at End of Year | <u><u>\$ 235,523</u></u> | <u><u>\$ 3,211,068</u></u> | <u><u>\$ 3,446,591</u></u> | <u><u>\$ 3,626,923</u></u> |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2020

| | Component Unit Non-Uniform Pension Fund | 2019 Memorandum Only |
|------------------------------------|---|-------------------------|
| Assets | | |
| Investments at fair value | \$ 1,877,383 | \$ 1,621,333 |
| Total Assets | 1,877,383 | 1,621,333 |
| Net Position | | |
| Held in trust for pension benefits | \$ 1,877,383 | \$ 1,621,333 |

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

TOWNSHIP OF TOBYHANNA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2020

| | <u>Component Unit Non-Uniform Pension Fund</u> | <u>2019 Memorandum Only</u> |
|---|--|---------------------------------|
| Additions: | | |
| Contributions: | | |
| State aid | <u>\$ 61,949</u> | <u>\$ 58,818</u> |
| Total Contributions | <u>61,949</u> | <u>58,818</u> |
| Investment income: | | |
| Net increase in fair value of assets | <u>252,596</u> | <u>283,573</u> |
| Total Additions | <u>314,545</u> | <u>342,391</u> |
| Deductions: | | |
| Fiscal charges | 13,177 | 13,757 |
| Benefits paid to recipients | <u>45,318</u> | <u>45,553</u> |
| Total Expenses | <u>58,495</u> | <u>59,310</u> |
| Change in Net Position | 256,050 | 283,081 |
| Net position restricted for pension benefits: | | |
| Beginning of year | <u>1,621,333</u> | <u>1,338,252</u> |
| End of year | <u>\$ 1,877,383</u> | <u>\$ 1,621,333</u> |

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) and its component unit.

The Township has evaluated all related entities for possible inclusion in the financial reporting entity. The component unit discussed below are included in the Township's reporting entity because of the significant of financial and operational relationships with the Township. The component unit that has been included in the financial reporting entity as a discretely presented component unit is:

Tobyhanna Township Economic Development Authority

The Tobyhanna Township Economic Development Authority (Authority), an entity legally separate from the Township, is governed by a board appointed by the Township Board of Supervisors. The Authority, in collaboration with the Township, 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 development existing industries, and business and the development of new businesses and industries, the development and administration of business improvements and administration of services. As of December 31, 2020 the Authority owed the Township \$600,000. The Township loaned the Authority \$550,000 in 2018 and \$50,000 in 2020.

Fiduciary Component Unit

The Township's Non-Uniform Pension Plan was established to provide retirement benefits to eligible retirees of the Township. The plan is included in the financial reporting entity as a fiduciary fund because the Plan is (1) considered to be a legally separate entity, (2) the Township appoints a voting majority of the governing board, and (3) the Plan imposes a financial burden on the Borough as it is legally obligated to make contributions to the Plans.

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, proprietary fund, and governmental fund financial statements are prepared using the modified cash basis of accounting. Differences in the government-wide statements arise in the recognition of capital assets. 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 Township'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 Township's financial statements for the prior year, from which the information was summarized.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. Nonmajor 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 or the modified-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 are summarized using a separate set of self-balancing accounts which include its assets, liabilities, fund balance, revenues and expenditures.

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.

Government 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 assets or facilities, which are not financed by the Proprietary or General Funds.

Public Improvement Fund (Major Fund) accounts for financial resources to be used for certain public improvements for the betterment and growth of the Township, which are not financed by the Proprietary or General Funds.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds (Nonmajor Funds) 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.

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 Funds are the Enterprise Funds of the Township.

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 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, a component unit of the Township. This fund is used to account for the Township's retirement plan and reports investments at fair value.

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.

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 balance, 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.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 from billings or from services provided but payment has not yet been 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 pension trust fund is 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.

ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

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 or in PLGIT, which is a pooled fund that invests in the same investments that are approved as direct investment for the Township. 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 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. 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. The Township maintains a capitalization threshold of \$5,000 for all capital assets.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 |

Fund Financial Statements

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

NET POSITION 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 its 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.
- 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 Balance

In the fund financial statements, governmental funds report aggregate amounts for the 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.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Following restricted funds, 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. |
| 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.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures 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.

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 columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, if any, 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
DECEMBER 31, 2020

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.

Component Unit Basis of Accounting

The Tobyhanna Township Economic Development Authority is reported on the accrual basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basis financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

NOTE 2 CASH AND INVESTMENTS

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.

Component Unit

The Authority has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned. At December 31, 2020, the Authority had no deposits in excess of FDIC coverage.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 CASH AND INVESTMENTS (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 | \$ 7,302,752 |
| Uninsured and collateralized with securities held by the pledging financial institution | - |
| Uninsured and uncollateralized | <u>-</u> |
| Total | <u><u>7,302,752</u></u> |
| | |
| Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name | 7,302,752 |
| Add: Amount Insured Under FDIC | 532,299 |
| Plus: Deposits in Transit | - |
| Less: Outstanding Checks | <u>(88,288)</u> |
| Carrying Amount | 7,746,763 |
| Add: Pooled Deposits - Cash Equivalents | 1,619,907 |
| Add: Petty Cash | <u>200</u> |
| Total Cash and Cash Equivalents | <u><u>\$ 9,366,870</u></u> |

Investments

Interest rate risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer.

Fair Value Measurement – The Township categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are signification other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2020, all the Township's investments are in publicly traced mutual funds and are categorized as Level 1 investments.

TOWNSHIP OF TOBYHANNA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

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 1.94 mills (1.846 for general and fire purposes and 0.094 for Library) and was \$1,764,218,420 for 2020.

Total current real estate taxes collected were \$2,921,032, which represents the face amount less discounts plus penalties. Current regular tax collections for the year ended December 31, 2020 were approximately ninety three percent (85%) 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 CAPITAL ASSETS

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

| | Balance January 1, 2020 | Additions | Disposals | Balance December 31, 2020 |
|--|-------------------------------|------------------|-------------------|---------------------------------|
| Depreciable Capital Assets | | | | |
| Buildings and Building Improvements | \$ 3,521,756 | \$ - | \$ - | \$ 3,521,756 |
| Roads and Bridges | 22,065,705 | 623,651 | - | 22,689,356 |
| Machinery and Equipment | <u>2,070,709</u> | <u>196,141</u> | <u>80,000</u> | <u>2,186,850</u> |
| Total Depreciable Capital Assets | 27,658,170 | 819,792 | 80,000 | 28,397,962 |
| Non-Depreciable Capital Assets | | | | |
| Land | <u>2,290,922</u> | <u>-</u> | <u>-</u> | <u>2,290,922</u> |
| Total Capital Assets | <u>29,949,092</u> | <u>819,792</u> | <u>80,000</u> | <u>30,688,884</u> |
| Accumulated Depreciation | <u>(18,576,725)</u> | <u>(725,072)</u> | <u>80,000</u> | <u>(19,221,797)</u> |
| Total Capital Assets Net of Accumulated Depreciation | <u>\$ 11,372,367</u> | <u>\$ 94,720</u> | <u>\$ 160,000</u> | <u>\$ 11,467,087</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------|-------------------|
| Public Works | \$ 641,542 |
| Public Safety | 18,358 |
| General Government | 54,611 |
| Culture and Recreation | <u>10,561</u> |
| Total | <u>\$ 725,072</u> |

TOWNSHIP OF TOBYHANNA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

| | Balance January 1, 2020 | Additions | Disposals | Balance December 31, 2020 |
|--|-------------------------------|--------------------|-------------|---------------------------------|
| Depreciable Capital Assets | | | | |
| Sewer System | \$ 3,133,454 | \$ - | \$ - | \$ 3,133,454 |
| Total Depreciable Capital Assets | 3,133,454 | - | - | 3,133,454 |
| Non-Depreciable Capital Assets | | | | |
| Land | 172,813 | - | - | 172,813 |
| Total Capital Assets | 3,306,267 | - | - | 3,306,267 |
| Accumulated Depreciation | (282,011) | (62,669) | - | (344,680) |
| Total Capital Assets Net of Accumulated Depreciation | <u>\$ 3,024,256</u> | <u>\$ (62,669)</u> | <u>\$ -</u> | <u>\$ 2,961,587</u> |

NOTE 5 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, 2020).

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
DECEMBER 31, 2020

NOTE 5 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 1.1% 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.

Early Retirement

A participant is eligible for early retirement after attainment of age 60 and completion of 20 years of service.

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 4 Years | 0% |
| 5 | 50% |
| 6 | 60% |
| 7 | 70% |
| 8 | 80% |
| 9 | 90% |
| 10 or More Years | 100% |

The vesting provisions of the Plan prior to January 1, 2017 shall continue to apply to participants who do not have an hour of service on or after that date.

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.

TOWNSHIP OF TOBYHANNA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020:

| | |
|--|----|
| Inactive Members of Beneficiaries Currently Receiving Benefits | 7 |
| Inactive Members Entitled to but not yet Receiving Benefits | 5 |
| Active Members | 11 |
| | 23 |

Net Pension Liability

The net pension liability was measured as of December 31, 2020 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

| | |
|--|--------------------------------------|
| Inflation | 3.00% |
| Salary Increases | 5.00% (average, including inflation) |
| Investment Rate of Return | 6.75% (including inflation) |
| Postretirement Cost of Living Increase | 0.00% |

Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and continent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity | 55.00% | 5.50% - 7.50% |
| International Equity | 9.00% | 4.50% - 6.50% |
| Fixed Income | 26.00% | 1.00% - 3.00% |
| Real Estate | 4.00% | 4.50% - 6.50% |
| Cash | 6.00% | 0.00% - 1.00% |

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost-plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability (Asset)

| | <u>Total Pension Liability</u> | <u>Fiduciary Net Position</u> | <u>Net Pension Liability (Asset)</u> |
|---------------------------------|------------------------------------|-----------------------------------|--|
| Balances at 12/31/2019 | <u>\$ 1,284,977</u> | <u>\$ 1,621,333</u> | <u>\$ (336,356)</u> |
| Service Cost | 36,654 | - | 36,654 |
| Interest Cost | 87,645 | - | 87,645 |
| Changes of Benefit Terms | - | - | - |
| Changes for Experience | - | - | - |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 61,949 | (61,949) |
| Net Investment Income | - | 243,971 | (243,971) |
| Benefit Payments, Including | | | |
| Refunds of Member Contributions | (46,370) | (46,370) | - |
| Administrative Expenses | <u>-</u> | <u>(3,500)</u> | <u>3,500</u> |
| Net Changes | <u>77,929</u> | <u>256,050</u> | <u>(178,121)</u> |
| Balances at 12/31/2020 | <u>\$ 1,362,906</u> | <u>\$ 1,877,383</u> | <u>\$ (514,477)</u> |

Note: This schedule prepared on the accrual basis of accounting.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Plan, calculated using the discount rate of 6.75%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease (5.75%)</u> | <u>Current Discount Rate (6.75%)</u> | <u>1% Increase (7.75%)</u> |
|--------------------------------------|------------------------------------|--|------------------------------------|
| Plan's Net Pension Liability (Asset) | <u>\$(361,495)</u> | <u>\$ (514,477)</u> | <u>\$(643,789)</u> |

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2019

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Remaining Amortization Period: NA

Asset Valuation Method: Smoothed value with a corridor of 80% to 120% of market value.

Inflation: 3.00%

Salary Increases: 5.00%

Investment Rate of Return: 6.75%

Retirement Age: Normal Retirement Age

Mortality: PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

Changes in benefit terms: None since 1/1/2019.

Investments

Investments are reported at fair value (quoted market prices).

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

There were no changes in investment policies during 2020.

NOTE 6 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 cash 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.

TOWNSHIP OF TOBYHANNA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 7 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 | Participation in a cooperative group providing insurance to member organizations | None |
| Health | Participation in a cooperative group providing insurance to member organizations | Claims paid after withdrawal in excess of account balance |
| 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 8 INTERFUND TRANSFERS AND INTERFUND BALANCES

Interfund balances at December 31, 2020 are as follows:

| <u>Fund</u> | <u>Due To</u> | <u>Due From</u> |
|--------------|------------------|------------------|
| General Fund | \$ - | \$ 34,000 |
| Library Fund | 34,000 | - |
| | <u>\$ 34,000</u> | <u>\$ 34,000</u> |

The amount due to the General Fund from the Library Fund is to payback the advance given to the Clymer Library.

TOWNSHIP OF TOBYHANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 JOINT VENTURE

In November 1996, Tobyhanna Township entered into an Intermunicipal Agreement with Tunkhannock Township, Coolbaugh Township, and Mount Pocono Borough, establishing the Pocono Mountain Regional Police Commission (PMRPC). PMRPC was established to create a regional force to provide quality and efficient police protection. Each municipality is responsible for a portion of the annual assessment, as determined by PMRPC. The proportionate shares are determined by PMRPC based on the annual cost of providing police services. The total contributions paid for police services by Tobyhanna Township in 2020 were \$1,904,412.

Annually each municipality is responsible for a portion of Pocono Mountain Regional Police Pension Plan's minimum municipal obligation (MMO). Tobyhanna Township paid \$86,339 for its share of the 2020 MMO. The state reimbursed approximately half of this cost. As of December 31, 2020, the Plan had a net pension asset of \$2,603,437.

Per the Intermunicipal Agreement, PMRPC's financial statements are audited annually. The audited financial statements are available for review at the Pocono Mountain Regional Police Department office, located in Pocono Summit, PA.

NOTE 10 RISK AND UNCERTANTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District's operations and financial results are uncertain at this time.

NOTE 11 SUBSEQUENT EVENTS

Township management has evaluated events and transactions subsequent to December 31, 2020 through July 23, 2021, the date these financial statements were available to be issued. No events were identified as subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF TOBYHANNA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---|------------------|--------------------|---------------------|------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 4,239,598 | \$ 4,257,648 | \$ 4,541,463 | \$ 283,815 |
| Licenses, permits and fees | 215,000 | 235,000 | 234,848 | (152) |
| Fines and forfeits | 48,500 | 48,500 | 37,684 | (10,816) |
| Interest earnings | 76,300 | 76,300 | 48,264 | (28,036) |
| Intergovernmental | 161,800 | 161,800 | 179,232 | 17,432 |
| Charges for services | 196,100 | 211,100 | 185,308 | (25,792) |
| Refunds of prior year's expenditures | 42,000 | 42,000 | 30,401 | (11,599) |
| Other revenues | 29,500 | 33,323 | 14,056 | (19,267) |
| Total Revenues | <u>5,008,798</u> | <u>5,065,671</u> | <u>5,271,256</u> | <u>205,585</u> |
| Expenditures | | | | |
| General government and administration | 981,965 | 1,016,585 | 817,456 | 199,129 |
| Public safety and protective inspection | 2,506,932 | 2,559,808 | 2,417,321 | 142,487 |
| Highways, roads and streets | 1,126,605 | 1,130,590 | 710,068 | 420,522 |
| Parks and recreations | 256,691 | 245,233 | 148,605 | 96,628 |
| Employee benefits and taxes | 46,955 | 47,521 | 64,931 | (17,410) |
| Insurance | 65,000 | 64,650 | 54,377 | 10,273 |
| Refunds of prior year's revenues | 1,500 | 1,500 | 228 | 1,272 |
| Total Expenditures | <u>4,985,648</u> | <u>5,065,887</u> | <u>4,212,986</u> | <u>852,901</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(23,150)</u> | <u>(23,150)</u> | <u>-</u> | <u>23,150</u> |
| Total Other Financing Sources (Uses) | <u>(23,150)</u> | <u>(23,150)</u> | <u>-</u> | <u>23,150</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ (23,366)</u> | 1,058,270 | <u>\$ 1,081,636</u> |
| Fund Balance at Beginning of Year | | | <u>4,795,082</u> | |
| Fund Balance at End of Year | | | <u>\$ 5,853,352</u> | |

TOWNSHIP OF TOBYHANNA
SCHEDULE OF CHANGES IN THE NET NON-UNIFORM
PENSION PLAN-LIABILITY AND RELATED RATIOS
DECEMBER 31, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | | |
| Service cost | \$ 36,654 | \$ 34,909 | \$ 56,339 | \$ 53,656 | \$ 40,352 | \$ 38,430 |
| Interest | 87,645 | 82,754 | 79,147 | 72,216 | 65,842 | 59,761 |
| Differences between expected and actual experience | - | (77,509) | - | (103,697) | - | - |
| Changes of benefit terms | - | - | - | 57,869 | - | - |
| Changes of assumptions | - | 59,294 | - | 69,447 | - | - |
| Benefit payments | (46,370) | (47,520) | (37,281) | (14,464) | (13,247) | (13,247) |
| NET CHANGE IN TOTAL PENSION LIABILITY | 77,929 | 51,928 | 98,205 | 135,027 | 92,947 | 84,944 |
| Total pension liability, beginning | 1,284,977 | 1,233,049 | 1,134,844 | 999,817 | 906,870 | 821,926 |
| TOTAL PENSION LIABILITY, ENDING (a) | \$ 1,362,906 | \$ 1,284,977 | \$ 1,233,049 | \$ 1,134,844 | \$ 999,817 | \$ 906,870 |
| PLAN FIDUCIARY NET POSITION | | | | | | |
| Contributions | | | | | | |
| Employer | \$ 61,949 | \$ 58,818 | \$ 31,303 | \$ 29,005 | \$ 26,575 | \$ 33,381 |
| State aid | - | - | - | - | - | - |
| Member | - | - | - | - | - | - |
| Net investment income (loss) | 243,971 | 274,635 | (121,470) | 174,103 | 80,137 | (39,150) |
| Benefit payments, including refunds of member contributions | (46,370) | (47,520) | (37,281) | (14,464) | (13,247) | (13,247) |
| Administrative expense | (3,500) | (4,819) | (4,205) | (6,860) | (1,880) | (5,320) |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 256,050 | 281,114 | (131,653) | 181,784 | 91,585 | (24,336) |
| Plan fiduciary net position, beginning | 1,621,333 | 1,340,219 | 1,471,872 | 1,290,088 | 1,198,503 | 1,222,839 |
| PLAN FIDUCIARY NET POSITION, ENDING (b) | \$ 1,877,383 | \$ 1,621,333 | \$ 1,340,219 | \$ 1,471,872 | \$ 1,290,088 | \$ 1,198,503 |
| NET PENSION LIABILITY (ASSET), ENDING (a)-(b) | \$ (514,477) | \$ (336,356) | \$ (107,170) | \$ (337,028) | \$ (290,271) | \$ (291,633) |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY | 137.7% | 126.2% | 108.7% | 129.7% | 129.0% | 132.2% |
| COVERED PAYROLL | \$ 601,782 | \$ 519,918 | \$ 607,769 | \$ 680,661 | \$ 588,430 | \$ 646,152 |
| NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED- PAYROLL | -85.5% | -64.7% | -17.6% | -49.5% | -49.3% | -45.1% |

Note: This schedule prepared on the accrual basis of accounting.

Note: Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

TOWNSHIP OF TOBYHANNA
SCHEDULE OF NON-UNIFORM
PENSION PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| ACTUARIALLY DETERMINED CONTRIBUTION | \$ 44,135 | \$ 44,671 | \$ 31,303 | \$ 19,535 | \$ 23,899 | \$ 33,381 |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | 61,949 | 58,818 | 31,303 | 29,005 | 26,575 | 33,381 |
| CONTRIBUTION (EXCESS) DEFICIENCY | \$ (17,814) | \$ (14,147) | \$ - | \$ (9,470) | \$ (2,676) | \$ - |
| COVERED PAYROLL | <u>\$ 601,782</u> | <u>\$ 519,918</u> | <u>\$ 607,769</u> | <u>\$ 680,661</u> | <u>\$ 588,430</u> | <u>\$ 646,152</u> |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-PAYROLL | <u>10.3%</u> | <u>11.3%</u> | <u>5.2%</u> | <u>4.3%</u> | <u>4.5%</u> | <u>5.2%</u> |

NOTES TO SCHEDULE

Valuation date:

January 1, 2019

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | N/A years |
| Asset valuation method | Smoothed value with a corridor of 80% to 120% of market value |
| Inflation | 3.00% |
| Salary increases | 5.00% |
| Investment rate of return | 6.75% |
| Retirement age | Normal Retirement Age |
| Mortality | PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement. |

Note: Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF TOBYHANNA
 COMBINING BALANCE SHEETS - CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

| | Fire Fund | Library Fund | Highway Aid Fund | Total Nonmajor Governmental Funds |
|---|-------------------|------------------|---------------------|--------------------------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 320,950 | \$ 7,874 | \$ 25,908 | \$ 354,732 |
| Loan to Clymer Library | - | 34,000 | - | 34,000 |
| Total Assets | 320,950 | 41,874 | 25,908 | 388,732 |
| Liabilities | | | | |
| Due to other funds | - | 34,000 | - | 34,000 |
| Total Liabilities | - | 34,000 | - | 34,000 |
| Fund Balances | | | | |
| Restricted | 320,950 | 7,874 | 25,908 | 354,732 |
| Total Liabilities and Fund Balance | \$ 320,950 | \$ 41,874 | \$ 25,908 | \$ 388,732 |

TOWNSHIP OF TOBYHANNA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2020

| | Fire Fund | Library Fund | Highway Aid Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|--------------------------|------------------------|-------------------------|--------------------------------------|
| Revenues | | | | |
| Taxes | \$ 134,518 | \$ 153,852 | \$ - | \$ 288,370 |
| Intergovernmental Revenue | - | - | 331,191 | 331,191 |
| Interest, Rents and Royalties | 1,624 | 50 | 2,107 | 3,781 |
| Total Revenues | <u>136,142</u> | <u>153,902</u> | <u>333,298</u> | <u>623,342</u> |
| Expenditures | | | | |
| Public Safety | 25,196 | - | - | 25,196 |
| Public Works - Highways and Streets | - | - | 426,333 | 426,333 |
| Culture and Recreation | - | 147,428 | - | 147,428 |
| Total Expenditures | <u>25,196</u> | <u>147,428</u> | <u>426,333</u> | <u>598,957</u> |
| Change in Fund Balances | 110,946 | 6,474 | (93,035) | 24,385 |
| Fund Balances at Beginning of Year | <u>210,004</u> | <u>1,400</u> | <u>118,943</u> | <u>330,347</u> |
| Fund Balances at End of Year | <u><u>\$ 320,950</u></u> | <u><u>\$ 7,874</u></u> | <u><u>\$ 25,908</u></u> | <u><u>\$ 354,732</u></u> |