



FINANCIAL STATEMENTS AND AUDITORS REPORT

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020**

TOWNSHIP OF COOLBAUGH

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Coolbaugh Township, Pennsylvania

We have audited the accompanying modified cash and cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coolbaugh Township, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash and cash basis of accounting described in Note 1; 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.

Auditors' 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 auditors' 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 respective modified cash and cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coolbaugh Township, Pennsylvania as of December 31, 2020, and the respective changes in the modified and cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash and cash basis of accounting as described in Note 1.

Basis of Accounting

We draw your attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash and cash basis of accounting, which are comprehensive bases of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Coolbaugh Township, Pennsylvania's basic financial statements. The management's discussion and analysis and budgetary comparison schedules on pages 3-10 and 38-40, respectively, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The combining schedules on pages 41-42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules 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 schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Frey & Co. CPAs, LLC

Frey & Co. CPAs, LLC
Walnutport, Pennsylvania
August 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

The discussion and analysis of Township of Coolbaugh's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

Township of Coolbaugh was founded in 1794. The Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

FINANCIAL HIGHLIGHTS

Fund Level

At the close of the year, the Township reported combined ending fund balances in Governmental Funds of \$4,724,839, an increase of \$605,540 from the previous year. The increase was largely a result of higher-than-expected savings due to the COVID-19 pandemic along with a position vacancy, as well as an increase in tax revenue, grant funding, permit applications, and a new ordinance for short term rentals. The total General Fund balance amounted to \$3,942,286 an increase of \$325,886.

Government-Wide

Government-wide net position of the Township at the close of the year was \$19,179,093. General revenues accounted for \$7,625,408 in revenue or approximately 81% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,839,735 or approximately 19% of total revenues of \$9,465,143. The Township had \$8,361,010 in expenses; only \$1,839,735 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$7,625,264 were adequate to provide for these programs. Expenses, after program revenue, was \$6,533,757 Total assets were \$20,973,282 of which \$3,710,195 represents unrestricted cash. Fixed assets, net of accumulated depreciation was \$16,225,284.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Township to provide programs and activities, the view of the Township as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Position and the Statement of Activities largely answers this question. These statements include all assets and liabilities using the modified cash or cash basis of accounting similar to the accounting used by most private-sector companies. Which means, the financial information is reported on the cash basis and it also include outstanding debt and fixed assets. These two statements report the Township's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facilities condition, required public works and public safety activities, and other factors.

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Township's largest component of its net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding, which was \$14,432,889 at the end of the year. As the Township utilizes those assets to provide services to its citizens, they are not available for future spending.

The component of our Net Position that pertains to the Governmental Activities has increased from a year ago by \$1,159,499 primarily as a result of positive operational net position offset by depreciation. However, the component of our Net Position that pertains to our Business-Type Activities decreased by \$67,848 a result of negative operational net activity.

Statement of Net Position and the Statement of Activities

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

Table 1 provides a summary of the Township's Net Position:

	Net Position	
	2020	2019
Assets		
Current and Other Assets	\$ 4,747,998	\$ 4,139,016
Capital Assets, net	16,225,284	16,118,884
	<u>20,973,282</u>	<u>20,257,900</u>
Liabilities		
Current Liabilities	\$ 385,976	\$ 377,468
Long-Term Liabilities	1,408,213	1,792,990
	<u>1,794,189</u>	<u>2,170,458</u>
Net Position		
Invested in Capital Assets, net of related debt	\$ 14,432,889	\$ 13,948,579
Restricted	782,553	502,899
Unrestricted	3,963,651	3,635,964
	<u>\$ 19,179,093</u>	<u>\$ 18,087,442</u>

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

Unrestricted Net Position is the part of Net Position that can be used to finance day-to-day activities without constraints established by grants or legal requirements.

Statement of Net Position and the Statement of Activities

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

Table 2

Statement of Activities		
	2020	2019
Program Revenues		
Charges for Services	\$ 650,921	\$ 588,318
Operating Grants and Contributions	887,107	1,283,391
Capital Grants and Contributions	301,707	-
General Revenues		
Taxes	7,550,228	7,140,735
Gain on sale of Fixed Assets	-	62,300
Investment Earnings	75,180	46,436
Total Revenues	<u>9,465,143</u>	<u>9,121,180</u>
Program Expenses		
General Government	750,483	793,116
Public Safety	3,795,243	3,899,692
Public Works	1,004,843	1,458,254
Cultural and Recreation	594,167	599,317
Other	833,578	795,497
Interest on Long-Term Debt	26,647	32,708
Unallocated Depreciation	901,184	828,053
Enterprise Fund	467,347	390,161
Total Expense	<u>8,373,492</u>	<u>8,796,798</u>
Increase in Net Position	1,091,651	324,382
Net Position - Beginning	<u>18,087,442</u>	<u>17,763,060</u>
Net Position - Ending	<u>\$ 19,179,093</u>	<u>\$ 18,087,442</u>

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

Governmental Activities

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

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

Table 3

Net Cost of Services		
	2020	2019
General government	\$ (349,730)	\$ (510,264)
Public safety	(3,682,308)	(3,747,184)
Public works	39,341	(364,926)
Cultural and Recreation	(593,917)	(598,592)
Other	(718,802)	(612,157)
Interest on Long-Term Debt	(26,647)	(32,708)
Unallocated depreciation	(901,184)	(828,053)
Enterprise	(300,510)	(231,205)
	<u>\$ (6,533,757)</u>	<u>\$ (6,925,089)</u>

Defining the Classifications of Expenditure:

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

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 81%. The community, as a whole, provides the primary support for the Township of Coolbaugh. The real estate taxes for the Township are collected from township residents. The tax on real estate, as levied by the Board, was 3.417 mills (\$3.417 per \$1,000 of assessed valuation) for fiscal 2020. Assessed valuations of property are determined by Monroe County and their collectors are responsible for collection.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

THE TOWNSHIP'S FUNDS

The following are the Township's governmental funds:

As indicated above, these funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$9,298,162 and expenditures of \$8,447,622. Other financing sources and uses include transfers between the funds which net to \$245,000. The net change in fund balance for the year was an increase of \$605,540.

General Fund (Major Fund)

The General fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund.

The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of The Commonwealth of Pennsylvania.

Capital Projects Funds (Non-major Fund)

The Capital Projects Funds accounts for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

Special Revenue Fund (Non-major Fund)

The Special Revenue Funds accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Township accounts for the library tax, fire tax and liquid fuels tax in this fund.

Debt Service Fund (Non-major Fund)

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

The following are the Township's other funds:

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

The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity.

- Pension Trust - The Pension Trust Fund is used to account for the Township sponsored retirement pension plans.
- The Escrow Fund – Accounts for escrow funds deposited by the Township by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. As the escrow agency funds are custodial in nature, none of the monies received from or expended on behalf of the developers are recorded in the revenues or expenditures of the Township.

GENERAL FUND BUDGETING HIGHLIGHTS

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

Overall the Township had a favorable variance of \$538,141 for actual results in comparison to the budget for the General Fund. The excess revenues were a result of higher than expected Earned Income Tax (approximately \$128,000), Real Estate Transfer Tax (approximately \$154,000) and a Recycling Grant (approximately \$273,000).

The decrease in expenditures was a result from lower than expected winter maintenance costs (approximately \$175,000), Building Maintenance and Utilities costs (approximately \$138,000), and a vacant Executive position (approximately \$55,200).

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

CAPITAL ASSETS

The Township's capital assets as of December 31, 2020, were \$16,225,284 (net of accumulated depreciation), an increase of \$106,400 from 2019. This includes land, buildings and improvements, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, sewer systems and traffic signals.

Current Year Major Additions

Machinery and equipment

Sign truck	\$ 49,712
Public works dump trucks	\$ 190,445
Public works leaf truck	\$ 364,212
Public works equipment	\$ 32,766
Zoning vehicle	\$ 21,864

Buildings and Improvements

Public works garage addition	\$ 15,349
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Infrastructure

Road paving	\$444,374
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The Finance Department maintains a detailed listing of all capital assets and depreciation schedules.

DEBT SERVICE

As of December 31, 2020, the Township's long-term debt was \$1,792,395. Of that total, \$1,112,422 or 62% represents sewer debt.

Governmental Debt

Series 2016 General Obligation Bonds – Governmental Type Debt

Original issue of \$923,500 to refinance existing debt of Pocono Mountain Public Library, Inc.; principal is due annually on June 1st and interest is due semi-annually on June and December 1st, at rates ranging from 1.58% to 2.50%, maturing in 2023.

Series 2001 General Obligation Notes– Governmental Type Debt

Original issue of \$2,000,000 of which the Township is responsible for 26% or \$520,000 originally, for the construction of a regional police building; due in monthly installments of \$3,156 with interest at 2.5% maturing 2022. The Township does not retain any pro-rata share of the constructed asset as ownership resides with the regional police department.

TOWNSHIP OF COOLBAUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

Business-Type debt:

Series 2009 Guaranteed Sewer Revenue Bonds

Original issue of \$1,831,383 for the construction and completion of the sewer treatment facility; and to repay the Township's General Obligation Notes Series 2007. The debt is payable in monthly installments of \$5,890, including interest of 1%, maturing in 2039.

Series 2008A General Obligation Notes

Original issue of \$172,967 for the construction and completion of the sewer treatment facility; The debt is payable in monthly installments of \$912, including interest of 2%. The Note is through the "Penn Works" program, maturing in 2028.

ECONOMIC FACTORS

The Township services an area of 88.3 square miles and a community of approximately 20,564 residents. The Township is located in the northwestern part of Monroe County. Three main road arteries, Route 380, Route 611 and Route 196, run through Coolbaugh Township, making the Township a desirable and convenient place to reside.

As of December 31, 2020, there were 104 connections to the sewer system.

CURRENT FINANCIAL ISSUES AND CONCERNS

The Township of Coolbaugh continues to be financially sound. The Township of Coolbaugh has committed itself to being fiscally responsible over the years and appropriately addressing Township needs. The Township plans to continue its sound fiscal management to meet the challenges of the future. Coolbaugh Township is set to be receiving federal grant funding equating to roughly two million dollars over the next 2 years, due to The American Rescue Plan. The Township will look into recovering loss revenue due to COVID-19, addressing negative economic impact within the municipality, as well as water and sewer infrastructure.



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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF COOLBAUGH

STATEMENTS OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	2020 Total
ASSETS			
Current Assets			
Cash and cash equivalents			
Unrestricted	\$ 3,688,830	\$ 21,365	\$ 3,710,195
Restricted	523,749	-	523,749
Notes Receivables	146,500	-	146,500
Total Current Assets	<u>4,359,079</u>	<u>21,365</u>	<u>4,380,444</u>
Non-current Assets			
Capital assets			
Land	1,142,637	8,140	1,150,777
Capital assets, net	<u>10,829,099</u>	<u>4,245,408</u>	<u>15,074,507</u>
Total Capital Assets, Net	11,971,736	4,253,548	16,225,284
Notes Receivable	<u>367,554</u>	-	<u>367,554</u>
TOTAL ASSETS	<u><u>\$ 16,698,369</u></u>	<u><u>\$ 4,274,913</u></u>	<u><u>\$ 20,973,282</u></u>
LIABILITIES			
Current Liabilities			
Payroll Liabilities	\$ 1,794	\$ -	\$ 1,794
Bonds payable, current	284,800	-	284,800
Notes payable, current	36,904	62,478	99,382
Total Current Liabilities	<u>323,498</u>	<u>62,478</u>	<u>385,976</u>
Noncurrent Liabilities			
Bonds payable, less current	339,320	-	339,320
Notes payable, less current	<u>18,949</u>	<u>1,049,944</u>	<u>1,068,893</u>
Total Noncurrent Liabilities	358,269	1,049,944	1,408,213
TOTAL LIABILITIES	<u>681,767</u>	<u>1,112,422</u>	<u>1,794,189</u>
NET POSITION			
Net investment of capital assets	11,291,763	3,141,126	14,432,889
Restricted	782,553	-	782,553
Unrestricted	<u>3,942,286</u>	<u>21,365</u>	<u>3,963,651</u>
	<u><u>\$ 16,016,602</u></u>	<u><u>\$ 3,162,491</u></u>	<u><u>\$ 19,179,093</u></u>

TOWNSHIP OF COOLBAUGH

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Actives	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 750,483	\$ 391,709	\$ 9,044	-	\$ (349,730)	\$ -	\$ (349,730)
Public safety	3,795,243	-	112,935	-	(3,682,308)	-	(3,682,308)
Public works	1,004,843	70,902	671,575	301,707	39,341	-	39,341
Culture and Recreation	594,167	250	-	-	(593,917)	-	(593,917)
Other	833,578	21,223	93,553	-	(718,802)	-	(718,802)
Interest on long-term debt	14,165	-	-	-	(14,165)	(12,482)	(26,647)
Unallocated depreciation	901,184	-	-	-	(901,184)	-	(901,184)
TOTAL GOVERNMENT ACTIVITIES	7,893,663	484,084	887,107	301,707	(6,220,765)	(12,482)	(6,233,247)
BUSINESS-TYPE ACTIVITIES							
Sewer fund	467,347	166,837	-	-	-	(300,510)	(300,510)
TOTAL TOWNSHIP ACTIVITIES	\$ 8,361,010	\$ 650,921	\$ 887,107	\$ 301,707	(6,220,765)	(312,992)	(6,533,757)
GENERAL REVENUES							
Real estate tax					\$ 4,927,908	\$ -	\$ 4,927,908
Real estate transfer tax					584,454	-	584,454
Emergency and municipal services tax					364,632	-	364,632
Earned income tax					1,673,234	-	1,673,234
Interest income					75,036	144	75,180
TOTAL GENERAL REVENUES					7,625,264	144	7,625,408
INTERFUND TRANSFERS, net					(245,000)	245,000	-
CHANGE IN NET POSITION					1,159,499	(67,848)	1,091,651
NET POSITION BEGINNING					14,857,103	3,230,339	18,087,442
NET POSITION ENDING					\$ 16,016,602	\$ 3,162,491	\$ 19,179,093

TOWNSHIP OF COOLBAUGH

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCES TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES

AS OF DECEMBER 31, 2020

TOTAL GOVERNMENTAL FUND BALANCES (CASH BASIS) \$ 4,724,839

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

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

Capital assets	29,788,040
Accumulated depreciation	(17,816,304)

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

Long-term liabilities at year end consist of:

Bonds payable	(624,120)
Note payable	(55,853)

NET POSITION OF GOVERNMENTAL ACTIVITIES (MODIFIED CASH BASIS) \$ 16,016,602

TOWNSHIP OF COOLBAUGH

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (CASH BASIS)	\$ 605,540
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Amounts reported for governmental activities in the statement of activities are different due to:

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

Depreciation	(901,184)
Capital outlay	1,138,824

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

Bonds payable	280,380
Notes payable	35,939

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (MODIFIED-CASH BASIS)	<hr/> <u>\$ 1,159,499</u>
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FUND FINANCIAL STATEMENTS

TOWNSHIP OF COOLBAUGH

COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	General Fund	Other Governmental Funds	Total Government Funds
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 3,452,901	\$ 235,929	\$ 3,688,830
Restricted		523,749	523,749
Due from General Fund		22,875	22,875
Notes receivable	514,054		514,054
TOTAL ASSETS	\$ 3,966,955	\$ 782,553	\$ 4,749,508
LIABILITIES AND FUND BALANCE			
Liabilities:			
Current Liabilities	\$ 1,794	\$ -	\$ 1,794
Due to Other Governmental Funds	22,875	-	22,875
TOTAL LIABILITIES	24,669	-	24,669
Fund balances:			
Restricted			
Highway and Streets	-	168,353	168,353
Library	-	7,609	7,609
Fire Protection	-	370,662	370,662
Assigned	-	235,929	235,929
Unassigned	3,942,286	-	3,942,286
	<u>3,942,286</u>	<u>782,553</u>	<u>4,724,839</u>
TOTAL LIABILITIES AND NET POSITION	\$ 3,966,955	\$ 782,553	\$ 4,749,508

TOWNSHIP OF COOLBAUGH

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

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 6,167,232	\$ 1,382,996	\$ 7,550,228
Licenses and permits	188,987	-	188,987
Fines and forfeitures	119,166	-	119,166
Interest and Rents	69,833	5,203	75,036
Intergovernmental revenue	578,387	610,427	1,188,814
Charges for services	154,708	-	154,708
Other	21,223	-	21,223
TOTAL REVENUES	7,299,536	1,998,626	9,298,162
EXPENDITURES			
General government	758,752	-	758,752
Public safety	3,089,234	726,929	3,816,163
Public works	1,642,901	444,394	2,087,295
Culture and Recreation	66,226	547,649	613,875
Other	841,053	-	841,053
Debt Service:			
Principal	-	316,319	316,319
Interest	-	14,165	14,165
TOTAL EXPENDITURES	6,398,166	2,049,456	8,447,622
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	901,370	(50,830)	850,540
OTHER FINANCING (USES) SOURCES			
Proceeds from sale of fixed assets	-	-	-
Operating transfers in	-	330,484	330,484
Operating transfers out	(575,484)	-	(575,484)
TOTAL OTHER FINANCING (USES) SOURCES	(575,484)	330,484	(245,000)
NET CHANGE IN FUND BALANCES	325,886	279,654	605,540
FUND BALANCE, JANUARY 1	3,616,400	502,899	4,119,299
FUND BALANCE, DECEMBER 31	\$ 3,942,286	\$ 782,553	\$ 4,724,839

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

TOWNSHIP OF COOLBAUGH

STATEMENTS OF ASSETS, LIABILITES AND NET POSITION – MODIFIED CASH BASIS

ENTERPRISE FUNDS

DECEMBER 31, 2020

	<u>Public Sewer</u> <u>2020</u>
ASSETS	
Cash - unrestricted	\$ 21,365
TOTAL CURRENT ASSETS	<u>21,365</u>
Capital Assets:	
Land	8,140
Capital assets, net	<u>4,245,408</u>
TOTAL ASSETS	<u>\$ 4,274,913</u>
LIABILITIES AND RETAINED EARNINGS	
LIABILITIES	
Current liabilities	
Bonds and notes payables	\$ 62,478
Total current liabilities	<u>62,478</u>
Noncurrent liabilities	
Bonds and notes payables	<u>1,049,944</u>
Total noncurrent liabilities	<u>1,049,944</u>
TOTAL LIABILITIES	<u>1,112,422</u>
NET POSITION	
Investment in fixed assets	3,141,126
Unrestricted	<u>21,365</u>
TOTAL NET POSITION	<u>3,162,491</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,274,913</u>

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

TOWNSHIP OF COOLBAUGH

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION MODIFIED CASH BASIS - ENTERPRISE FUNDS YEAR ENDED DECEMBER 31, 2020

	<u>Public Sewer</u> <u>2020</u>
OPERATING REVENUES	
Charges for service	<u>\$ 166,837</u>
OPERATING EXPENSES	
Contracted services	105,517
Utilities	49,177
Other	2,380
Supplies	20,767
Repairs and Maintenance	102,400
Legal and Engineering	55,866
Depreciation	<u>131,240</u>
TOTAL OPERATING EXPENSES	<u>467,347</u>
OPERATING LOSS	<u>(300,510)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest income	144
Interest expense	<u>(12,482)</u>
TOTAL NONOPERATING EXPENSE	<u>(12,338)</u>
LOSS BEFORE OPERATING TRANSFERS	(312,848)
OPERATING TRANSFERS	
Operating transfers in	<u>245,000</u>
CHANGE IN NET POSITION	(67,848)
NET POSITION, JANUARY 1	<u>3,230,339</u>
NET POSITION, DECEMBER 31	<u><u>\$ 3,162,491</u></u>

TOWNSHIP OF COOLBAUGH

STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS

ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2020

	<u>Public Sewer</u> <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 166,837
Cash paid for professional services	(55,866)
Cash paid to suppliers	(280,241)
NET CASH USED IN OPERATING ACTIVITIES	<u>(169,270)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund transfers in	245,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>245,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Payments of borrowings	(61,591)
Interest paid on debt	(12,482)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(74,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of capital assets	-
Earnings on investments	144
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>144</u>
DECREASE IN CASH AND CASH EQUIVALENTS	1,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>19,564</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,365</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	\$ (300,510)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	<u>131,240</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (169,270)</u>

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

TOWNSHIP OF COOLBAUGH

STATEMENTS OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS

FIDUCIARY FUNDS

DECEMBER 31, 2020

	Pension Trust Fund	Escrow Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash - restricted	\$ -	\$ 663,146
Investments - restricted	1,825,279	-
TOTAL ASSETS	<u>1,825,279</u>	<u>663,146</u>
 LIABILITIES		
Escrow deposits	<u> -</u>	<u> 663,146</u>
TOTAL LIABILITIES	<u> -</u>	<u> 663,146</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>\$ 1,825,279</u>	 <u>\$ 0</u>

TOWNSHIP OF COOLBAUGH

STATEMENTS OF CHANGES IN NET POSITION - CASH BASIS

FIDUCIARY FUNDS

YEARS ENDED DECEMBER 31, 2020

	<u>Pension Trust</u>
	<u>2020</u>
ADDITIONS	
Contributions	
Township contributions	\$ 8,829
Employee contributions	16,836
State Aid	80,928
Escrow Contributions	
TOTAL CONTRIBUTIONS	<u>106,594</u>
Investment gain	
Interest, dividends, and net unrealized gain	<u>117,598</u>
TOTAL INVESTMENT GAIN	<u>117,598</u>
TOTAL ADDITIONS	224,191
DEDUCTIONS	
Administrative fees	384
Pension benefit payments	20,588
Escrow Deposits	
TOTAL DEDUCTIONS	<u>20,972</u>
CHANGE IN NET POSITION	203,220
NET POSITION, JANUARY 1	<u>1,622,059</u>
NET POSITION, DECEMBER 31	<u>\$ 1,825,279</u>

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Township of Coolbaugh, Monroe County, (the "Township"), which was founded in 1794, operates under the Second-Class Township code of the Commonwealth of Pennsylvania. The Township has an elected five-member Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

Principles Determining Scope of Reporting Entity

The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The Township has determined that no outside agency meets the above criteria; therefore, no other agency has been included in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight that would result in the Township being considered a component unit of the entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government wide financial statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for Fiduciary Funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to parties for goods or services.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, the Proprietary Fund and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for the Sewer Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. As a general rule, the effect of interfund activity has been eliminated from the governmentwide financial statements.

Fund Financial Statements

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

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

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following funds are used by the Township.

- **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 (Non-major Fund)** account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.
- **Special Revenue Funds (Non-major Fund)** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Included in these funds are State Liquid Fuels Highway Aid, Library funds and Fire funds.
- **Debt Service Fund (Non-major Fund)** accounts for resources accumulated for the purpose of funding general long-term debt obligations.

Proprietary Fund - The focus of the Proprietary Fund measurement is upon determination of net income and cash flows. The generally accepted accounting principles applicable are similar to those used by businesses in the private sector.

The Proprietary Fund includes the Township's Sewer Fund which distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues of the sewer fund and sewer capital fund are charges to customers for services.

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

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds – These are funds that are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

- Pension Trust - The Pension Trust Fund is used to account for the Township sponsored retirement pension plans.
- The Escrow Fund – Accounts for escrow funds deposited by the Township by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. As the escrow agency funds are custodial in nature, none of the monies received from or expended on behalf of the developers are recorded in the revenues or expenditures of the Township.

Budgets and Budgetary Accounting

The Township adopts annual budgets for all funds in accordance with the Second-Class Township Code. All budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles or the modified cash basis of accounting. All budget amounts included in the 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. Once adopted, the budget is not revised or amended.

Cash and Investments

The Township maintains all its cash in checking and savings accounts which are covered by federal depository insurance or by collateral pledged by the Township's custodial bank. The Second-Class Township Code authorizes the Township to invest its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository institution. 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.

The investment plan's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, contributions and related assets are recognized when received rather than when earned, except for investments, which are reported at market value, with unrealized gains and losses being recognized. Certain benefit payments and other expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles, which require the accrual basis of accounting.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

Capital Assets

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

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

Use of Estimates

The preparation of financial statements in conformity with modified cash and cash basis accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

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:

- Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- 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 (if any) columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted Fund Balance – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- Committed Fund Balance – Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of Supervisors
- Assigned Fund Balance – Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2020, the Board has not delegated the authority to assign fund balance.
- Unassigned Fund Balance - All amounts not included in other spendable classifications.

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

- 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.
- Unrestricted Net Position- This category represents the net position of the Township, which are not restricted for any projection or other purpose.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' column of the statement of net position. The Township's long-term debt consists of general obligation bonds and notes. In the fund financial statements, Governmental Funds report the face amount of debt issued as other financing sources and payment of principal and interest is reported as expenditures. Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Township, under the Pennsylvania Second Class Township Code Act of 1933, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Township adheres to state statutes and prudent business practice.

There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

Deposits

Custodial credit risk

The risk that in the event of a bank failure, the government's deposits may not be returned or the government will not be able to recover collateral securities in the possession of an outside party. The Township does not have a policy for custodial credit risk. As of December 31, 2020, the Township's carrying amount of deposits was \$4,897,090 and the bank balance was \$5,063,479. Of the bank balance, \$447,829 was covered by federal depository insurance; \$4,615,650 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Township's name. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72, as amended, the depositories may meet this collateralization by pooling appropriate securities to cover all public funds.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

Investments

The Township's Pension Trust Fund is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations. Separate accounts are commingled pools rather than individual securities. As a result, these accounts are not rated and the maturity dates have not been determined.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township does not have a formal investment policy that limits investment maturities.

Concentration of Credit Risk

It is the risk associated with lack of diversification of Township investment portfolios. 100% of the plan assets are invested in the Principal Funds Financial Services Group Annuity Contract.

As of December 31, 2020, the investment balances were as follows:

<u>FIDUCIARY FUNDS</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Investment Accounts		
Mutual Funds - Domestic Equity	\$ 134,768	\$ 134,768
Mutual Funds - International Equity	26,242	26,242
Mutual Funds - Balanced Equity	508,670	508,670
Mutual Funds - Fixed Equity	437,639	437,639
Mutual Funds - Other	82,699	82,699
Total	<u>1,190,018</u>	<u>1,190,018</u>
Guaranteed Interest Accounts	<u>635,261</u>	<u>635,261</u>
Total Balance	<u>\$ 1,825,279</u>	<u>\$ 1,825,279</u>

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 3 ESCROW CASH DEPOSIT AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it by developers. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2020, \$663,146 represents the balance of these monies held in escrow in the Escrow Fiduciary Fund.

NOTE 4 NOTES RECEIVABLE

On April 23, 2019, the Township granted Coolbaugh Township Volunteer Fire Company a non-interest-bearing loan for the principal amount of \$514,054. Principal payments of \$73,436 are due annually on May 25, maturing in 2027. Collateral for the loan will be the title and interest in the radios and related equipment acquired from Motorola Solutions as part of the P25 radio equipment upgrade. During 2020, Coolbaugh Township Volunteer Fire Company did not make the required payment and asked the township to forgive the loan. As of August 20, 2021 the loan has not been forgiven or repaid.

NOTE 5 PROPERTY TAXES

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after June 30. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

The Township recognizes tax revenue when collected. Assessed valuation is taxed at a 3.417 millage (2.455 for general, 0.577 for Fire and 0.385 electoral for Library).

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in the capital assets activities:

	Balance, Beginning 1/1/2020	Additions	Disposals	Balance, Ending 12/31/2020
GOVERNMENTAL ACTIVITIES				
Capital Assets not being depreciated				
Land	\$ 1,142,637	-	-	\$ 1,142,637
Capital Assets being depreciated				
Land improvements	936,667	4,359	-	941,026
Buildings and improvements	2,563,755	22,824	-	2,586,579
Roads and bridges	19,613,136	444,374	-	20,057,510
Machinery and equipment	4,393,021	667,267	-	5,060,288
TOTAL CAPITAL ASSETS BEING DEPRECIATED	27,506,579	1,138,824	-	28,645,403
Accumulated Depreciation				
Land improvements	(786,140)	(17,005)	-	(803,145)
Buildings and improvements	(1,037,396)	(58,469)	-	(1,095,865)
Roads and bridges	(11,690,563)	(633,138)	-	(12,323,701)
Machinery and equipment	(3,401,021)	(192,572)	-	(3,593,593)
TOTAL ACCUMULATED DEPRECIATION	(16,915,120)	(901,184)	-	(17,816,304)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,591,459	237,640	-	10,829,099
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net				
	\$ 11,734,096	\$ 237,640	\$ -	\$ 11,971,736

Depreciation expense was charged to the following functions in the statement of activities:

GOVERNMENTAL ACTIVITIES	
Unallocated	<u>\$ 901,184</u>

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Balance, Beginning 1/1/2020	Additions	Disposals	Balance, Ending 12/31/2020
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being depreciated				
Land	\$ 8,140	-	-	\$ 8,140
Capital Assets being depreciated				
Land improvements	13,659	-	-	13,659
Sewer system	6,377,246	-	-	6,377,246
Machinery and equipment	25,697	-	-	25,697
Total Capital Assets	6,416,602	-	-	6,416,602
TOTAL CAPITAL ASSETS BEING DEPRECIATED				
Accumulated Depreciation				
Land improvements	(13,659)	-	-	(13,659)
Sewer system	(2,022,712)	(128,000)	-	(2,150,712)
Machinery and equipment	(3,583)	(3,240)	-	(6,823)
TOTAL ACCUMULATED DEPRECIATION	(2,039,954)	(131,240)	-	(2,171,194)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	4,376,648	(131,240)	-	4,245,408
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 4,384,788	\$ (131,240)	\$ -	\$ 4,253,548

Depreciation expense was charged to the following functions in the statement of activities:

BUSINESS-TYPE ACTIVITIES	
Sewer	<u>\$ 131,240</u>

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 7 BONDS AND NOTES PAYABLE

Series 2016 General Obligation Bonds – Governmental Type Debt

Original issue of \$923,500 to refinance existing debt of Pocono Mountain Public Library, Inc.; principal is due annually on June 1st and interest is due semi-annually on June and December 1st, at rates ranging from 1.58% to 2.50%, maturing in 2023. Collateral for the bond is tax revenues.

Series 2001 General Obligation Notes – Governmental Type Debt

Original issues of \$2,000,000 of which the Township is responsible for 26% or \$520,000 originally, for the construction of a regional police building; due in monthly installments of \$3,156 with interest at 2.5% maturing 2022. The Township does not retain any pro-rata share of the constructed asset as ownership resides with the regional police department.

Series 2009 Guaranteed Sewer Revenue Bonds – Business Type Debt

Original issue of \$1,831,383 for the construction and completion of the sewer treatment facility; and to repay the Township's General Obligation Notes Series 2007. The debt is payable in monthly installments of \$5,890, including interest of 1%, maturing in 2039. Collateral for the bond is sewer revenues.

Series 2008A General Obligation Notes – Business Type Debt

Original issue of \$172,967 for the construction and completion of the sewer treatment facility; The debt is payable in monthly installments of \$ 912, including interest of 2%. The Note was through the "Penn Works" program, maturing in 2028. Collateral for the note is sewer revenues.

The following is a summary of the Township's long-term debt activity for the year:

	Balance, Beginning 1/1/2020	Additions	Repayments	Balance, Ending 12/31/2020	Due Within One Year
Governmental Activities					
Series of 2016 Bonds	\$ 904,500	\$ -	\$ (280,380)	\$ 624,120	\$ 284,800
Series of 2001 Notes	91,792	-	(35,939)	55,853	36,904
	<u>996,292</u>	-	<u>(316,319)</u>	<u>679,973</u>	<u>321,704</u>
Business-Type Activities					
Series of 2009 SR Bonds	1,085,218	-	(51,700)	1,033,518	52,396
Series of 2008 A Notes	88,795	-	(9,891)	78,904	10,082
	<u>1,174,013</u>	-	<u>(61,591)</u>	<u>1,112,422</u>	<u>62,478</u>
Total Government-Wide Debt	<u>\$ 2,170,305</u>	<u>\$ -</u>	<u>\$ (377,910)</u>	<u>\$ 1,792,395</u>	<u>\$ 384,182</u>

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 7 BONDS AND NOTES PAYABLE (CONTINUED)

Annual debt service requirements for Governmental Activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	321,704	8,583	330,287
2022	305,694	5,035	310,729
2023	52,575	601	53,176
Total	<u>\$ 679,973</u>	<u>\$ 14,219</u>	<u>\$ 694,192</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	62,478	11,596	74,074
2022	63,207	10,866	74,073
2023	63,947	10,127	74,074
2024	64,695	9,378	74,073
2025	65,454	8,620	74,074
2026 - 2030	308,240	32,138	340,378
2031 - 2035	295,395	17,052	312,447
2036 - 2040	189,006	2,703	191,709
Total	<u>\$ 1,112,422</u>	<u>\$ 102,480</u>	<u>\$ 1,214,902</u>

NOTE 8 LETTERS OF CREDIT

In 2017, the Township entered into a loan and security agreement for a standby-by letter of credit in the amount of \$671,150. The Letter of Credit was issued for the benefit of the Commonwealth of Pennsylvania, Department of Transportation to ensure completion of a left-hand turning lane on PA Route 196. The Letter of Credit had an expiration date of March 29, 2020 and was automatically extended until March 29, 2022 and has an annual fee of \$3,355.75 (.5%). As of December 31, 2020, the Township has not drawn on the letter of credit.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 9 DEFINED CONTRIBUTION PENSION PLANS

General

The Coolbaugh Township Non-Uniformed Pension Plan is a single employer defined contribution pension plan controlled by the provisions of The Principal Financial Group Prototype Basic Defined Contribution Plan Document used with an adoption agreement approved on October 26, 1991. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to The Principal Mutual Life Insurance Company.

Plan Membership

The plan has 19 active employees.

Eligibility Requirements

Normal Retirement -Attainment of age 65

Early Retirement -Attainment of age 55 with six years of vesting service

Vesting -100 percent after five years of vesting service

Retirement Benefit

An active member's benefit value becomes 100 percent vested upon meeting the early or normal retirement provisions and is available for distribution.

Survivor Benefit

An active member's benefit value becomes 100 percent vested upon death and is available to the surviving spouse or beneficiary.

Disability Benefit

An active member's benefit value becomes 100 percent vested upon meeting total and permanent disability provisions and is available for distribution.

Member's Contribution

Amount or Rate -Voluntary contributions allowed.

Funding Policy

Active members are not required to contribute to the plan. The municipality has chosen to contribute at a rate of ten percent (10%) of annual pay for each eligible plan member. The plan document provides for a discretionary funding provision. The specific funding percentage maybe found in the Township ordinance. The pension plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program, which must be used to reduce or eliminate the required municipal contribution.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 10 COMMITMENTS AND CONTINGENCIES

Contingencies

Grant Program Involvement - In the normal course of operations, the Township participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Township is a party to various legal proceedings that normally occur in the course of governmental operations. While the outcome of any proceedings cannot be predicted, due to the insurance coverage maintained by the Township and the Commonwealth's statute of relating to judgments, the Township feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Township.

NOTE 11 RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

NOTE 12 INTERFUND ACTIVITY

The Township uses unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. The amounts transferred for the year ended December 31, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 575,484
Other Governmental Funds	330,484	-
Sewer Fund	245,000	-
	<u>\$ 575,484</u>	<u>\$ 575,484</u>

In addition, tax revenues to be allocated to the library and fire funds were collected by the general fund and transferred to the appropriate funds in 2021. As of December 31, 2020 the general fund owed the other governmental funds \$22,875.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF COOLBAUGH

SCHEDULE OF BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
TAXES			
Real estate	\$ 3,707,227	\$ 3,544,912	\$ (162,315)
Real estate transfer	425,000	584,454	159,454
Local service tax	345,000	364,632	19,632
Earned income	1,545,000	1,673,234	128,234
	<u>6,022,227</u>	<u>6,167,232</u>	<u>145,005</u>
LICENSES ANDS PERMITS			
Cable television licenses	163,000	156,142	(6,858)
Permits	1,800	32,845	31,045
	<u>164,800</u>	<u>188,987</u>	<u>24,187</u>
FINES AND FORFEITURES			
Fines and code violations	36,000	119,166	83,166
INTEREST AND RENTS			
Interest on investments	25,000	20,022	(4,978)
Rents	52,800	49,811	(2,989)
	<u>77,800</u>	<u>69,833</u>	<u>(7,967)</u>
INTERGOVERNMENTAL REVENUE			
State public utility tax	6,400	6,994	594
Alcoholic beverage taxes	2,200	2,050	(150)
Foreign fire insurance premium tax	105,000	112,935	7,935
Pension fund state aid	85,000	93,553	8,553
Recycling	28,250	301,707	273,457
State payments in lieu to taxes	31,000	31,364	364
Other government grants	-	29,784	29,784
	<u>257,850</u>	<u>578,387</u>	<u>320,537</u>
CHARGES FOR SERVICES			
General government	68,000	83,556	15,556
Public works	41,250	70,902	29,652
Recreation	700	250	(450)
	<u>109,950</u>	<u>154,708</u>	<u>44,758</u>
OTHER			
Reimbursement of project funding	135,320	-	(135,320)
Insurance proceeds	-	13,478	13,478
Miscellaneous	-	7,745	7,745
Sales of fixed assets	93,000	-	(93,000)
	<u>228,320</u>	<u>21,223</u>	<u>(207,097)</u>
TOTAL REVENUES	<u>\$ 6,896,947</u>	<u>\$ 7,299,536</u>	<u>\$ 402,589</u>

TOWNSHIP OF COOLBAUGH

SCHEDULE OF BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
GENERAL GOVERNMENT			
Legislative and governing body	160,358	157,944	2,414
Executive	131,122	75,844	55,278
Financial services	76,037	97,163	(21,126)
Tax collection	44,300	41,937	2,363
Legal and solicitor	65,000	41,528	23,472
Other general government administration	59,927	59,895	32
Building maintenance and utilities	423,416	284,441	138,975
	<u>960,160</u>	<u>758,752</u>	<u>201,408</u>
PUBLIC SAFETY			
Police	2,279,895	2,281,594	(1,699)
Fire	380,000	332,326	47,674
Ambulance and rescue	145,000	120,600	24,400
Sewage enforcement	108,746	118,277	(9,531)
Zoning/Code enforcement	192,815	180,271	12,544
Emergency management	59,500	45,203	14,297
Planning and zoning commissions	18,750	10,963	7,787
	<u>3,184,706</u>	<u>3,089,234</u>	<u>95,472</u>
PUBLIC WORKS			
Highways, streets and general services	791,871	904,809	(112,938)
Composting and recycling	64,000	430,775	(366,775)
Winter maintenance	265,000	89,670	175,330
Traffic control	32,000	57,140	(25,140)
Storm sewers	6,500	-	6,500
Repairs of tools and machinery	92,000	63,026	28,974
Road and bridge construction	85,000	92,018	(7,018)
Road and bridge maintenance	15,000	5,463	9,537
	<u>1,351,371</u>	<u>1,642,901</u>	<u>(291,530)</u>
CULTURE AND RECREATION			
Community services	33,690	24,480	9,210
Parks	78,875	41,746	37,129
	<u>112,565</u>	<u>66,226</u>	<u>46,339</u>

TOWNSHIP OF COOLBAUGH

SCHEDULE OF BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
MISCELLANEOUS			
Pension contributions	206,986	193,943	13,043
Workers compensation	75,000	72,470	2,530
Unemployment compensation	8,000	3,775	4,225
Employee benefits	454,942	410,068	44,874
Insurance premiums	60,000	66,573	(6,573)
Social security	82,461	83,172	(711)
Other	7,800	11,052	(3,252)
	<u>895,189</u>	<u>841,053</u>	<u>54,136</u>
OPERATING TRANSFERS OUT			
Debt Principal	316,380	316,319	61
Debt Interest	14,076	14,165	(89)
Sewer Fund	282,500	245,000	37,500
	<u>612,956</u>	<u>575,484</u>	<u>37,472</u>
TOTAL EXPENDITURES AND OTHER FINANCNG USES	<u>\$ 7,116,947</u>	<u>\$ 6,973,650</u>	<u>\$ 143,297</u>

COMBINING SCHEDULES

TOWNSHIP OF COOLBAUGH

COMBINING STATEMENT OF ASSETS AND FUND BALANCES - NON-MAJOR FUNDS - CASH BASIS YEAR ENDED DECEMBER 31, 2020

	<u>Fire Company</u>	<u>Library</u>	<u>Highway Aid</u>	<u>Debt Services</u>	<u>Emergency Services</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS							
Cash - unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 221,402	\$ 14,527	\$ 235,929
Cash - restricted	355,374	22	168,353	-	-	-	523,749
Due From - General Fund	15,288	7,587					22,875
TOTAL ASSETS	\$ 370,662	\$ 7,609	\$ 168,353	\$ -	\$ 221,402	\$ 14,527	\$ 782,553
FUND BALANCE							
Restricted							
Highway and Streets	\$ -	\$ -	\$ 168,353	\$ -	\$ -	\$ -	\$ 168,353
Library	-	7,609	-	-	-	-	7,609
Fire Protection	370,662	-	-	-	-	-	370,662
Assigned	-	-	-	-	221,402	14,527	235,929
	\$ 370,662	\$ 7,609	\$ 168,353	\$ -	\$ 221,402	\$ 14,527	\$ 782,553

TOWNSHIP OF COOLBAUGH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR FUNDS - CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Fire Company	Library	Highway Aid	Debt Services	Emergency Services	Capital Projects	Total
REVENUES							
Taxes	\$ 827,760	\$ 555,236	\$ -	\$ -	\$ -	\$ -	\$ 1,382,996
Interest income	2,410	21	1,403	-	1,292	77	5,203
Intergovernmental revenue	-	-	610,427	-	-	-	610,427
Transfers in	-	-	-	-	-	-	-
TOTAL REVENUES	830,170	555,257	611,830	-	1,292	77	1,998,626
EXPENDITURES							
Public works	-	-	444,394	-	-	-	444,394
Public safety	726,929	-	-	-	-	-	726,929
Culture and recreation	-	547,649	-	-	-	-	547,649
Debt service							
Principal	-	-	-	316,319	-	-	316,319
Interest	-	-	-	14,165	-	-	14,165
TOTAL EXPENDITURES	726,929	547,649	444,394	330,484	-	-	2,049,456
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	103,241	7,608	167,436	(330,484)	1,292	77	(50,830)
OTHER FINANCING SOURCES							
Operating transfers in	-	-	-	330,484	-	-	330,484
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	103,241	7,608	167,436	-	1,292	77	279,654
FUND BALANCE, JANUARY 1	267,421	1	917	-	220,110	14,450	502,899
FUND BALANCE, DECEMBER 31	\$ 370,662	\$ 7,609	\$ 168,353	\$ -	\$ 221,402	\$ 14,527	\$ 782,553