

**POCONO TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

POCONO TOWNSHIP  
FOR THE YEAR ENDED DECEMBER 31, 2020  
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# Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners  
Pocono Township  
Tannersville, Pennsylvania

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

The Pocono Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1. This includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109  
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237  
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929  
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401  
210 Tollgate Hill Road, Greensburg, PA 15601



# *Zelenkofske Axlerod LLC*

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To the Members of the Board of Commissioners  
Pocono Township  
Page 2

## **Adoption of Governmental Accounting Standards Board Pronouncements**

In 2020 the Township adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, *Fiduciary Activities*, and Statement No. 98, *The Annual Comprehensive Financial Report*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Management's Discussion and Analysis (MD&A) on pages 3 through 13, budgetary comparison information on page 41 and pension and OPEB plan information on pages 42 through 46 are 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 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the Pocono Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pocono Township's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pocono Township's internal control over financial reporting and compliance.

## **Basis of Accounting**

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

*Zelenkofske Axlerod LLC*

ZELENKOSKE AXELROD LLC

Jamison, Pennsylvania  
December 1, 2021

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

This discussion and analysis of the financial performance of Pocono Township, a First-Class Township in Monroe County, Pennsylvania, provides an overall assessment of the Township's financial activities and financial performance for the fiscal year ended December 31, 2020.

**2020 FINANCIAL HIGHLIGHTS**

- For year ending 2020, the Township's total net position was \$10,096,660. This figure is comprised of all the revenue from both governmental and business-type activities, less expenses.
- In 2020, the property tax millage rate was set at 2.109 mills and the total real estate tax revenue collected was \$2,880,333, a 7% drop from 2019. This loss of real estate tax revenue was directly related to successful tax assessment appeals brought by Pocono Township taxpayers and the County's subsequent reduction of the Township's total assessed value.
- COVID-19 impacted Township revenues tied to employment. The Township's Earned Income Tax (EIT) revenue dropped by 3.66% and Local Services Tax (LST) dropped by 21.39% compared to 2019 figures.
- Due to the statewide COVID-19 shutdown, the Township also incurred a loss in revenue from police services, fines, and forfeits.
- The Township received Monroe County Cares Grant funds to offset COVID-19 expenditures directly related to protective equipment for first responders and other related equipment necessary to continue providing services to the community during the pandemic.
- The Township's sewer system, which is a business-type activity independent from the Township's General Fund, was not affected by COVID-19. The revenue collected was as expected.
- The Township continues to replace aging equipment. In 2020, the Township purchased three dump trucks for the Public Works department and one patrol car for the Police Department.
- The Township's total net position increased by \$274,258 driven by sewer system operations.
- The Township's General Fund balance at the end of 2020 was \$4,318,744, an increase of \$324,134 from 2019. The increase is due in part to insurance reimbursements, increased building permit activity and responsible management of Township expenditures.
- The Township received \$175,000 in Flood Mitigation grant funds to offset the expense of the White Oak Culvert replacement project in 2020. The Township spent \$215,334 to complete the project.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

***Using the Modified Accrual Basis of Accounting Report***

This annual report consists of a series of financial statements and accompanying notes. These statements are organized so the reader can understand Pocono Township as an entire operating entity and provide an increasingly detailed look at specific financial activities.

The Statement of Net Position - Modified Accrual Basis, Statement of Activities - Modified Accrual Basis and the fund financial statements provide information for the reader to determine how services were funded in the short-term and what resources remain for future spending. The fund financial statements also present the Township's most significant funds in their own columns with all other non-major funds summarized into one column. In the case of Pocono Township, the General Fund; the Sewer Design and Construction Fund; and the Capital Reserve Operating Fund are reported as major funds.

In the Statement of Net Position - Modified Accrual Basis and the Statement of Net Activities - Modified Accrual Basis, the Township reports the financial information relating to governmental and business-type activities. Governmental activities comprise the Township's operations, including general government, public works, public safety, and recreation. Business-type activities include the user fees and expenses for the Township's portion of the sewer system.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serve as an introduction and overview of the basic financial statements of the Township of Pocono. The Township's basic financial statements are comprised of:

- *Government-wide financial statements*, which provide short-term information about the Township's overall financial condition.
- *Fund financial statements*, which provide a more detailed look at major individual portions, or funds, of the Township.
- *Notes to the financial statements*, which explain some of the information contained in the financial statements and provide more detailed data.
- *Other supplementary information*, which further explains and supports the information in the financial statements.

**Government-wide financial statements.** The government-wide financial statements report information about the Township using accounting methods like those used by a private-sector business. The two statements presented are:

- The statement of net position, which includes the Township's assets and liabilities, except for fiduciary and agency funds, with the difference between the two reported as net position. Over time, increases or decreases in net position are an indicator of whether the Township's financial position is improving or deteriorating.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

- The statement of activities presents revenues and expenses and their effect on the change in the Township's net position during the current year. These changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the Township are reflected in two distinct categories:

- *Governmental activities* are primarily supported by taxes and state or federal grants. The governmental activities include the Township's basic services such as general government, public safety, public works, and parks.
- A second category used by some entities is *business-type activities*. Business-type activities are supported by user fees and charges, which are intended to recover all or a significant portion of their costs. The Township operates a wastewater system which falls into this category.

**Fund Financial Statements.** The fund financial statements provide detailed information about the Township's funds. Funds are accounting devices for groupings of activities that enable the Township to maintain control over resources that have been segregated for restricted purposes or objectives. Some funds are required by state law. Other funds are established to control and manage resources designated for a specific purpose. All the funds of Pocono Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** The governmental funds are used to account for the financial activity of the Township. The government-wide statements focus on a short-term view of the inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the calendar year.

- Governmental funds are useful in evaluating the Township's short-term financing requirements to help the readers of the financial statements better understand the relationships and differences between the long-term view of the government-wide financial statements from the short-term view of the fund financial statements. Reconciliations are presented between the fund financial statements and the government-wide statements.
- The Township maintains four (4) individual governmental funds. Financial information is presented separately for the general fund, the sewer design and construction fund, the capital reserve operating fund, and the liquid fuels fund.

**Proprietary Funds.** The proprietary funds consist of an *Enterprise Fund*. The *Enterprise Fund* is used to report the same function presented as *business-type activities* in the government-wide financial statements. The Township uses Enterprise funds to account for its sewer operations.

**Fiduciary Funds.** The fiduciary funds are funds for which the Township is the trustee or fiduciary. The Township is the trustee, or fiduciary, for the police employees' pension plan and the developers' escrow accounts. It is also responsible for other assets that are collected and held for others until the funds are allocated to the organizations, government agencies or private parties to which they belong. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These fiduciary activities are reported in a separate statement of fiduciary net position and changes in fiduciary net position. They are not reflected in the government-wide financial statements because the assets are not available to support the Township's operations.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

**Defining the Classifications of Expenditures.**

*General governmental activities* include the activities of the Board of Commissioners, financial administration, legal counsel, insurance, and physical plant.

*Public safety activities* include police protection, code enforcement, fire protection, and planning.

*Public works activities* include general services; servicing of streets and storm sewers; snow and ice removal; and sewer system design and construction

*Cultural and recreation activities* include parks operations and maintenance.

*Other activities* include employer payroll taxes, employee benefits and general insurance expense.

*Principal and interest* include the transactions associated with the payment of interest and other charges relating to the debt of the Township.

*Wastewater collection and treatment* includes operation and maintenance of sewer lines within the Township and the Township's share of operation expenses for the regional sewer plant.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents additional information in two separate sections: required supplementary information and supplementary information.

**Required supplementary information.** Certain information regarding pension plan funding progress for the Township and OPEB liability information, in addition to budgeted and actual revenues and expenditures for the Township's general fund is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

**Governmental Activities**

To aid in understanding the Statement of Net Activities - Modified Accrual beginning on page 14, some additional explanation is given. The format is significantly different from a typical statement of revenues, expenses, and changes in fund balance. Expenses are listed in the first column, with revenues from the program reported to the right. The result is a net (expense)/revenue. This type of format highlights the cost of services provided by the township to the taxpayers. It also identifies how much each governmental activity draws from the general revenues or if it is self-financing through fees, grants, or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**Long-Term Debt**

During 2020, the Township repaid \$1,059,556 of principal toward its long-term sewer construction debt. As of December 31, 2020, the Township had \$13,778,503 in long-term debt outstanding.

The Township implemented a leasing policy to acquire heavy equipment and service vehicles. The purpose of the policy is to better manage cash flow and ensure funds are available for critical capital projects, while maintaining a robust fleet of vehicles and equipment to serve the needs of the community. Pocono Township's total lease obligation as of December 31, 2020 was \$431,040.



POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

**TOWNSHIP-WIDE FINANCIAL ANALYSIS**

The Township's total net position from governmental activities decreased by \$774,897, or 10.85%, from the previous year due to net capital expenditures of \$1,063,932.

**Net Position**

Statements of Net Position  
December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Cash and cash equivalents	\$5,057,689	\$3,418,742	\$3,393,966	\$2,049,683	\$ 8,451,655	\$ 5,468,425
Investments	1,048,850	3,627,874	50,660	50,660	1,099,510	3,678,534
Taxes receivable	168,645	49,536	-	-	168,645	49,536
Accounts and other receivables	194,717	117,032	229,150	424,215	423,867	541,247
Prepaid expenses	91,573	220,138	89,595	166,907	181,168	387,045
<b>TOTAL ASSETS</b>	<b><u>\$6,561,474</u></b>	<b><u>\$7,433,322</u></b>	<b><u>\$3,763,371</u></b>	<b><u>\$2,691,465</u></b>	<b><u>\$10,324,845</u></b>	<b><u>\$10,124,787</u></b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 145,908	\$ 262,194	\$ 34,193	\$ 11,442	\$ 180,101	\$ 273,636
Unearned revenue	700	-	-	-	700	-
Accrued salaries, benefits and related taxes	47,384	28,749	-	-	47,384	28,749
<b>TOTAL LIABILITIES</b>	<b><u>193,992</u></b>	<b><u>290,943</u></b>	<b><u>34,193</u></b>	<b><u>11,442</u></b>	<b><u>228,185</u></b>	<b><u>302,385</u></b>
<b>NET POSITION</b>						
Restricted	\$1,458,536	\$1,493,635	\$ -	\$ -	\$ 1,458,536	\$ 1,493,635
Unrestricted	4,908,946	5,648,744	3,729,178	2,680,023	8,638,124	8,328,767
<b>TOTAL NET POSITION</b>	<b><u>\$6,367,482</u></b>	<b><u>\$7,142,379</u></b>	<b><u>\$3,729,178</u></b>	<b><u>\$2,680,023</u></b>	<b><u>\$10,096,660</u></b>	<b><u>\$ 9,822,402</u></b>

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

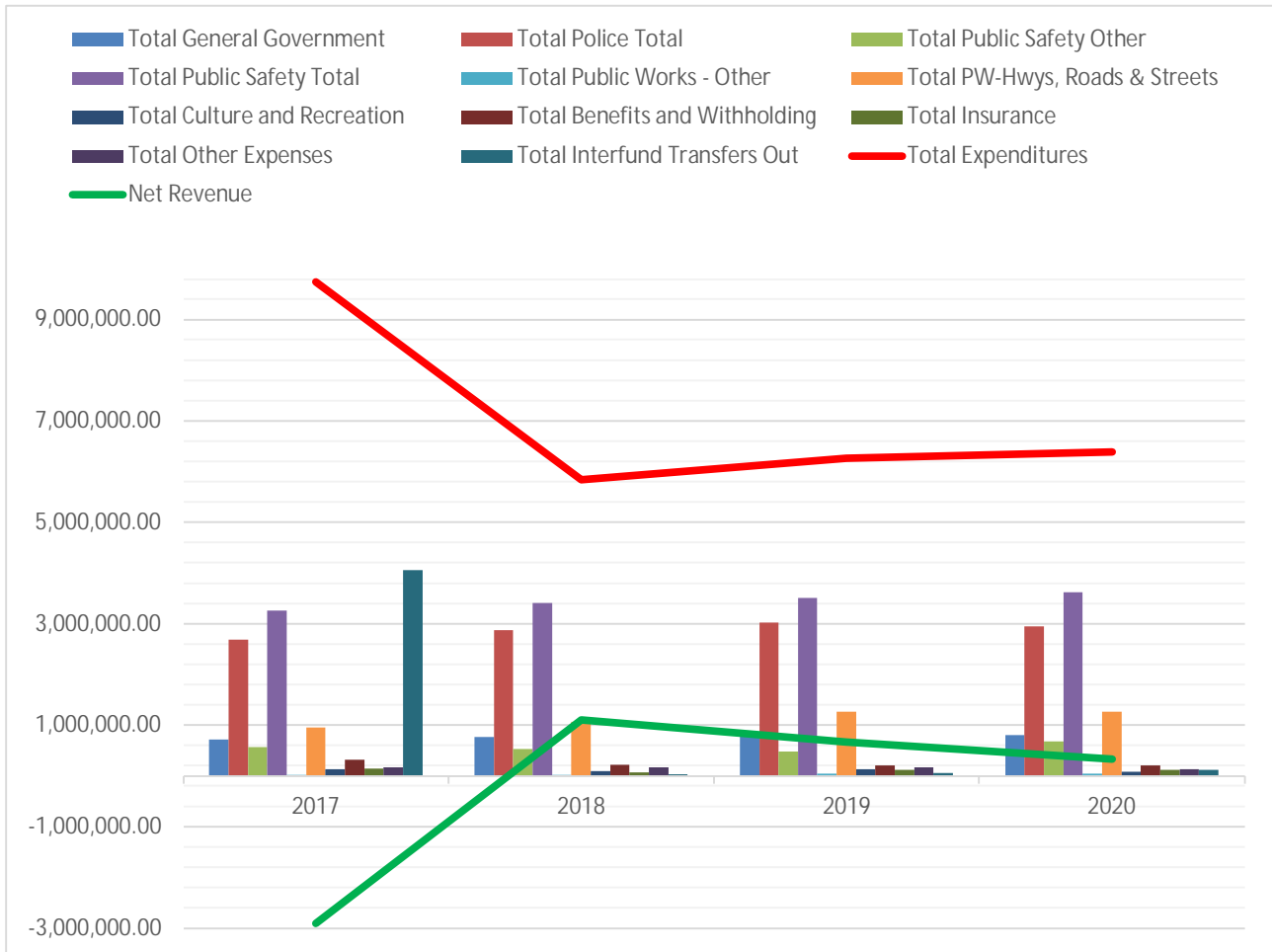
**Changes in Net Position**

Statements of Changes in Net Position  
Years Ended December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program Revenues						
Charges for services	\$ 566,654	\$ 415,124	\$ 3,825,403	\$ 3,772,653	\$ 4,392,057	\$ 4,187,777
Operating grants and contributions	472,038	484,435	-	-	472,038	484,435
Capital grants and contributions	222,015	100,000	-	-	222,015	100,000
General Revenues						
Taxes	5,229,431	5,824,824	-	-	5,229,431	5,824,824
Cable television franchise fees	187,090	153,773	-	-	187,090	153,773
Investment earnings	64,469	136,553	19,140	33,388	83,609	169,941
Grants, subsidies and contributions	363,950	330,484	-	-	363,950	330,484
Proceeds from sale of assets	1,379	2,412	-	-	1,379	2,412
Proceeds from capital lease	428,242	-	-	-	428,242	-
Transfers	-	(810,000)	-	810,000	-	-
Miscellaneous	331,690	167,024	-	-	331,690	167,024
<b>TOTAL REVENUES</b>	<b>\$ 7,866,958</b>	<b>\$ 6,804,629</b>	<b>\$ 3,844,543</b>	<b>\$ 4,616,041</b>	<b>\$ 11,711,501</b>	<b>\$ 11,420,670</b>
<b>EXPENDITURES</b>						
General government	\$ 1,391,331	\$ 1,325,525	\$ -	\$ -	\$ 1,391,331	\$ 1,325,525
Public safety	4,127,784	3,623,654	-	-	4,127,784	3,623,654
Highways and streets	2,871,945	3,075,062	-	-	2,871,945	3,075,062
Health and sanitation	100,316	175,201	-	-	100,316	175,201
Sewer operations	-	-	2,795,388	4,146,717	2,795,388	4,146,717
Culture and recreation	150,479	173,359	-	-	150,479	173,359
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,641,855</b>	<b>\$ 8,372,801</b>	<b>\$ 2,795,388</b>	<b>\$ 4,146,717</b>	<b>\$ 11,437,243</b>	<b>\$ 12,519,518</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (774,897)</b>	<b>\$ (1,568,172)</b>	<b>\$ 1,049,155</b>	<b>\$ 469,324</b>	<b>\$ 274,258</b>	<b>\$ (1,098,848)</b>

POCONO TOWNSHIP  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 YEAR ENDED DECEMBER 31, 2020

## EXPENDITURE TRENDS GENERAL FUND

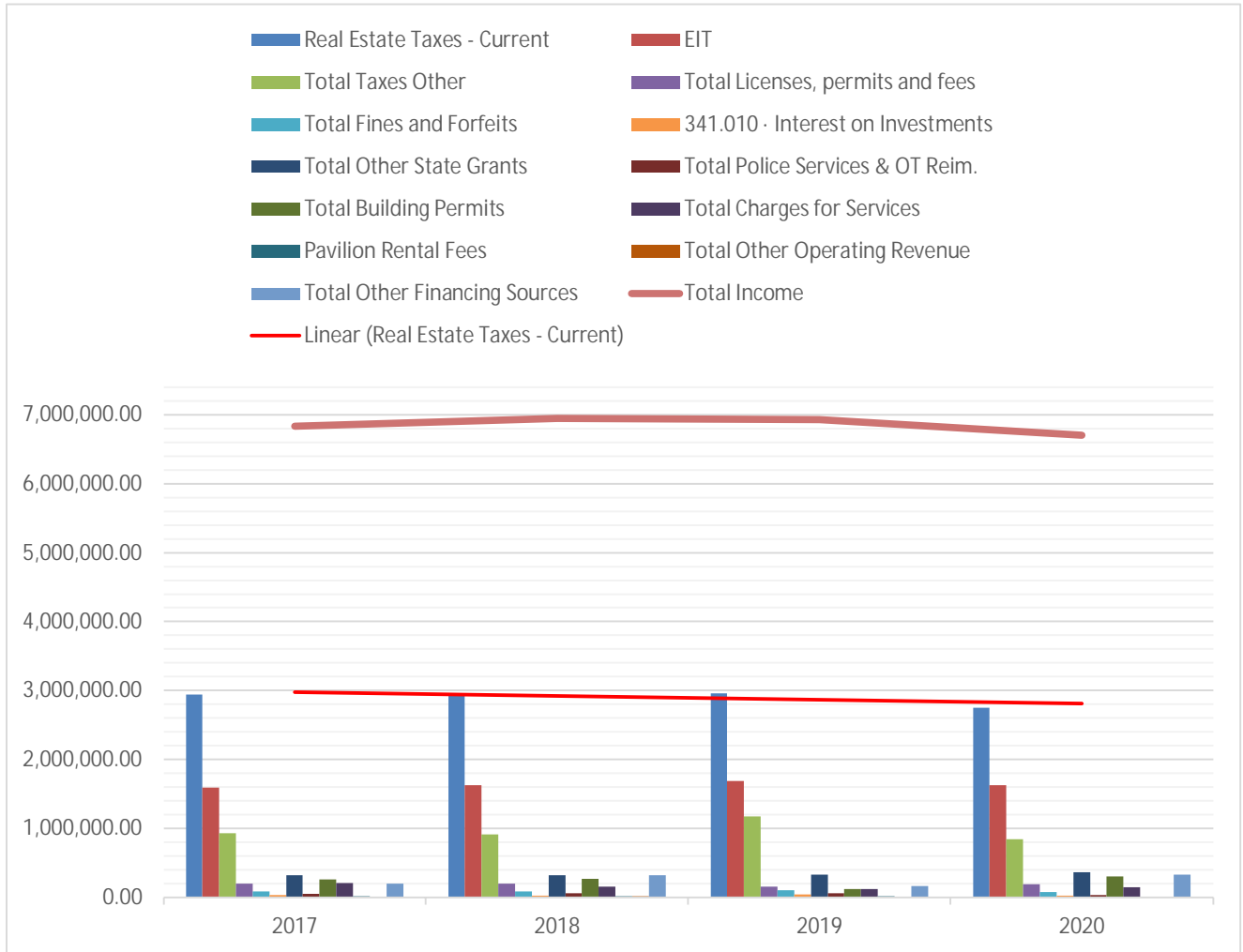


\*2017 expenditures include a \$3M transfer to the capital reserve account which affects total expenditures and net revenue.

As a governmental entity, Pocono Township’s principal function is to provide essential services to its residents; therefore, the Township’s total expenditures are largely driven by personnel costs. The chart above shows how expenditures increase steadily year-over-year, driven by contractual obligations with both the Police Department and Public Works. From an operational perspective, the Township has experienced an increase in the cost of materials and has begun to shift to utilizing SAS platforms to conduct much of its work. A steady increase in expenditures corresponds with a decline in net revenue at the end of the year. This net revenue is utilized to fund Township capital projects, heavy equipment purchases, police fleet vehicle replacement and to build the Township’s reserves to ensure there is sufficient cash on hand to manage unexpected contingencies.

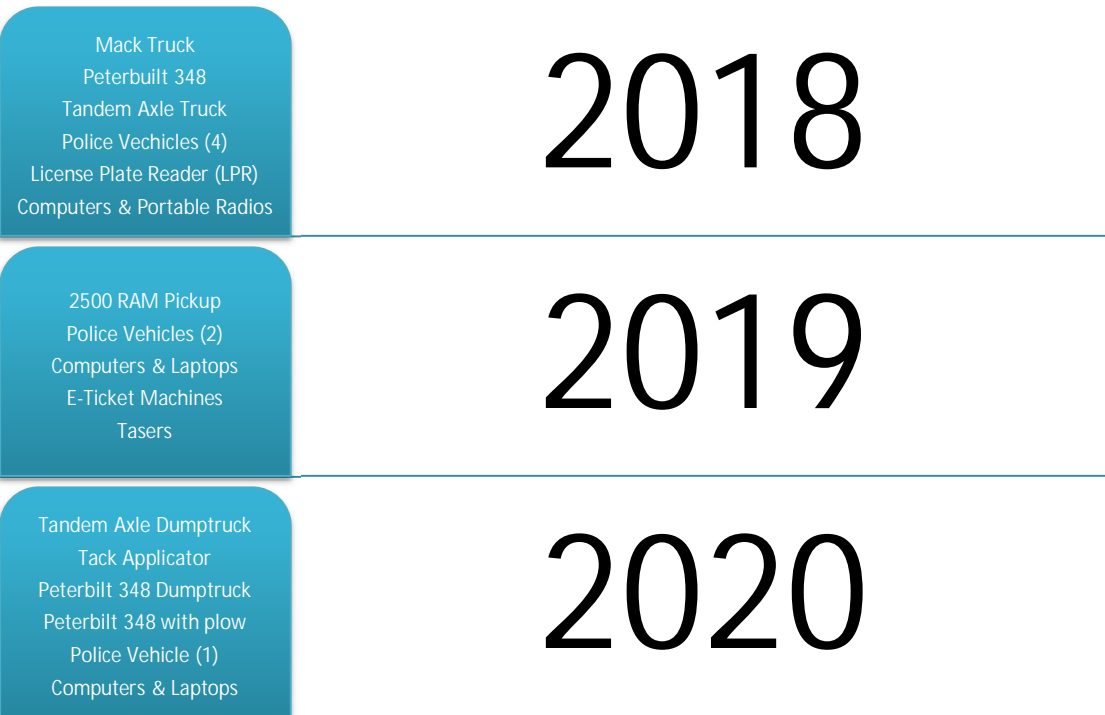
POCONO TOWNSHIP  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 YEAR ENDED DECEMBER 31, 2020

## REVENUE TRENDS GENERAL



Total Income has remained relatively steady; however, as the chart above shows, in 2020 the Township experienced a significant drop in real estate tax revenue due to the county-wide reassessment and subsequent successful assessment appeals from Township taxpayers. In addition to the real estate tax revenue loss, the COVID-19 lockdown negatively affected Earned Income Tax (EIT) and Local Services Tax (LST) revenues, as both are directly affected by employment. In addition, transfer taxes decreased due to diminished real estate sales within the Township. The Township received grant funds to offset the purchase of personal protective equipment (PPE) and other extraordinary expenditures that were necessary to protect police, public works, and administrative personnel. Procedures and safety measures implemented by management allowed Township operations to continue during COVID-19 and reduced exposure to residents who needed Township services.

## Capital Equipment Purchases



The chart above shows capital purchases from 2018 through 2020 and reflects Pocono Township's policy of lease-to-own heavy and/or high-cost equipment. This allows for improved management of cash flow that would otherwise deplete capital funds considerably each year, limiting the scope and size of projects that benefit residents. This policy, combined with state grant funds received, have allowed the improvement of various township landmarks including TLC Park; the repair of long-standing stormwater issues including White Oak culvert; and the paving of nearly eight miles of Township roads each year.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

**ECONOMIC OUTLOOK & KEY FACTORS FOR THE 2021 BUDGET**

2020 presented many challenges for Pocono Township, including losses in revenue due to the County reassessment and COVID-19. Following the 2019 County reassessment, the Pocono Township Board of Commissioners set a new revenue-neutral real estate tax rate for the FY 2020 budget using the new assessment numbers. For the FY 2021 Township budget, the Board of Commissioners have implemented a small real estate tax increase to offset losses from successful assessment appeals granted by the County for Township taxpayers. In addition, the Township has established a separate, independent millage rate to fund the Pocono Township Volunteer Fire Department, removing the Fire Department from the Township's General Fund budget.

The 2021 Township millage rate is set at 2.16 mills and the fire tax at 0.201 mills, with an overall net increase of 0.252 mills. The increased millage will cover the revenue loss caused by the County tax exonerations and increases in the Township's contractual obligations.

Below are key factors that will affect the 2021 budget:

- Remaining uncertainty over COVID-19 and its fiscal impact.
- The receipt and use of federal American Rescue Plan Act (ARPA) funds, which are restricted to offset the negative impact of COVID-19 in Pocono Township. Management is carefully analyzing and advising the Board of Commissioners regarding the best way to maximize the use of these funds while remaining compliant with federal guidelines.
- The hiring of new police officers and corresponding additional expenditures.
- The continued leasing of public works equipment to maintain a consistent equipment rotation schedule and ensure the efficacy of services provided to residents. The Township's equipment leases typically have a five-year term with a one-dollar buyout. Management believes that shifting from outright purchase of heavy equipment to lease-purchase arrangements will provide flexibility, maintain cashflow and increase the effectiveness of capital reserve funds.
- The Board of Commissioners continue to evaluate ways to expand the park and recreation opportunities for both residents and visitors. Planned enhancements to TLC Park will provide increased recreational opportunities for residents with the improvement of its equipment, grounds, and the use of grant funds to build new structures.
- Unanticipated repairs to the Township municipal complex and its aging infrastructure.
- The Board of Commissioners is exploring options to improve the current township complex and potential expansion following the purchase of 114 Alger Avenue.
- 2021 is the first full year of the Township's amusement tax revenue collection, which will establish a baseline for the FY 2022 budget. Implementation of the tax ensures visitors to Pocono Township help offset the cost of providing services to the community. The Amusement Tax Ordinance was passed, effective October 1, 2019.
- Sewer revenue was not affected by COVID-19. Revenue has remained consistent, and the Sewer Fund remains healthy. The Board of Commissioners will evaluate refinancing options to pay down and refinance the Township's sewer debt, taking advantage of historically low interest rates.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2020

- The Board of Commissioners continue to explore options for managing costs and preserving revenue for the Township, as the cost and demand for services rise for residents, businesses, and visitors.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Pocono Township's finances. Questions concerning any information provided in this report or requests for additional information may be addressed through a Right-to-Know request submitted to the Pocono Township Right to Know Officer at 112 Township Drive, Tannersville, PA 18372.

POCONO TOWNSHIP  
STATEMENT OF NET POSITION-MODIFIED ACCRUAL BASIS  
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total Reporting Entity
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,995,173	\$ 3,393,966	\$ 7,389,139
Restricted cash and cash equivalents	1,062,516	-	1,062,516
Investments	1,048,850	50,660	1,099,510
Taxes receivable	168,645	-	168,645
Accounts and other receivables	194,717	229,150	423,867
Prepaid expenses	91,573	89,595	181,168
<b>TOTAL ASSETS</b>	<b>\$ 6,561,474</b>	<b>\$ 3,763,371</b>	<b>\$ 10,324,845</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 145,908	\$ 34,193	\$ 180,101
Unearned revenue	700	-	700
Accrued salaries, benefits and related taxes	47,384	-	47,384
<b>TOTAL LIABILITIES</b>	<b>193,992</b>	<b>34,193</b>	<b>228,185</b>
<b>NET POSITION</b>			
Restricted	1,458,536	-	1,458,536
Unrestricted	4,908,946	3,729,178	8,638,124
<b>TOTAL NET POSITION</b>	<b>6,367,482</b>	<b>3,729,178</b>	<b>10,096,660</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,561,474</b>	<b>\$ 3,763,371</b>	<b>\$ 10,324,845</b>

See accompanying notes to the basic financial statements.



POCONO TOWNSHIP  
STATEMENT OF ACTIVITIES-MODIFIED ACCRUAL BASIS  
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,391,331	\$ 10,318	\$ -	\$ -	\$ (1,381,013)	\$ -	\$ (1,381,013)
Public safety	4,127,784	516,197	-	-	(3,611,587)	-	(3,611,587)
Highways and streets	2,871,945	12,628	472,038	175,000	(2,212,279)	-	(2,212,279)
Health and sanitation	100,316	16,795	-	47,015	(36,506)	-	(36,506)
Culture and recreation	150,479	10,716	-	-	(139,763)	-	(139,763)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,641,855</b>	<b>566,654</b>	<b>472,038</b>	<b>222,015</b>	<b>(7,381,148)</b>	<b>-</b>	<b>(7,381,148)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer operations	2,795,388	3,825,403	-	-	-	1,030,015	1,030,015
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 11,437,243</b>	<b>\$ 4,392,057</b>	<b>\$ 472,038</b>	<b>\$ 222,015</b>	<b>(7,381,148)</b>	<b>1,030,015</b>	<b>(6,351,133)</b>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes					2,880,333	-	2,880,333
Earned income tax					1,625,092	-	1,625,092
Local services, realty transfer and other taxes					724,006	-	724,006
Cable television and franchise fees					187,090	-	187,090
Investment earnings					64,469	19,140	83,609
Grants, subsidies and contributions					363,950	-	363,950
Capital lease proceeds					428,242	-	428,242
Proceeds from sale of assets					1,379	-	1,379
Miscellaneous					331,690	-	331,690
<b>TOTAL GENERAL REVENUES</b>					<b>6,606,251</b>	<b>19,140</b>	<b>6,625,391</b>
<b>CHANGE IN NET POSITION</b>					<b>(774,897)</b>	<b>1,049,155</b>	<b>274,258</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>					<b>7,142,379</b>	<b>2,680,023</b>	<b>9,822,402</b>
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 6,367,482</b>	<b>\$ 3,729,178</b>	<b>\$ 10,096,660</b>

See accompanying notes to the financial statements.

POCONO TOWNSHIP  
BALANCE SHEET-MODIFIED ACCRUAL BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

	General Fund	Sewer Design and Construction Fund	Capital Reserve Operating Fund	Nonmajor Liquid Fuels Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,995,173	\$ -	\$ -	\$ -	\$ 3,995,173
Restricted cash and cash equivalents	-	400,440	661,714	362	1,062,516
Investments	-	1,048,850	-	-	1,048,850
Taxes receivable	168,645	-	-	-	168,645
Accounts and other receivables	185,833	8,884	-	-	194,717
Prepaid expenses	91,573	-	-	-	91,573
<b>TOTAL ASSETS</b>	<b>\$ 4,441,224</b>	<b>\$ 1,458,174</b>	<b>\$ 661,714</b>	<b>\$ 362</b>	<b>\$ 6,561,474</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 74,396	\$ -	\$ 71,512	\$ -	\$ 145,908
Unearned revenue	700	-	-	-	700
Accrued salaries, benefits and related taxes	47,384	-	-	-	47,384
<b>TOTAL LIABILITIES</b>	<b>122,480</b>	<b>-</b>	<b>71,512</b>	<b>-</b>	<b>193,992</b>
<b>FUND BALANCES</b>					
Restricted					
Sewer design and construction	-	1,458,174	-	-	1,458,174
Highways and streets	-	-	-	362	362
Unassigned	4,318,744	-	590,202	-	4,908,946
<b>TOTAL FUND BALANCES</b>	<b>4,318,744</b>	<b>1,458,174</b>	<b>590,202</b>	<b>362</b>	<b>6,367,482</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,441,224</b>	<b>\$ 1,458,174</b>	<b>\$ 661,714</b>	<b>\$ 362</b>	<b>\$ 6,561,474</b>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-MODIFIED ACCRUAL BASIS  
YEAR ENDED DECEMBER 31, 2020

	General Fund	Sewer Design and Construction Fund	Capital Reserve Operating Fund	Nonmajor Liquid Fuels Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 5,229,431	\$ -	\$ -	\$ -	\$ 5,229,431
Licenses, permits and fees	187,090	-	-	-	187,090
Fines and forfeits	75,813	-	-	-	75,813
Interest	27,310	26,266	10,000	893	64,469
Intergovernmental	363,950	-	222,015	472,038	1,058,003
Charges for services	490,841	-	-	-	490,841
Refunds of prior year expenses	319,727	-	-	-	319,727
Other revenues	11,963	-	-	-	11,963
<b>TOTAL REVENUES</b>	<b>6,706,125</b>	<b>26,266</b>	<b>232,015</b>	<b>472,931</b>	<b>7,437,337</b>
<b>EXPENDITURES</b>					
General government	1,255,239	-	133,085	-	1,388,324
Public safety and protective inspection	3,624,974	-	502,810	-	4,127,784
Public works, highways and streets	1,257,928	-	981,477	473,000	2,712,405
Health and sanitation	39,020	61,296	-	-	100,316
Culture and recreation	84,478	-	66,001	-	150,479
Debt Service	-	-	159,540	-	159,540
Refunds of prior year revenues	2,593	-	-	-	2,593
Miscellaneous	414	-	-	-	414
<b>TOTAL EXPENDITURES</b>	<b>6,264,646</b>	<b>61,296</b>	<b>1,842,913</b>	<b>473,000</b>	<b>8,641,855</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>441,479</b>	<b>(35,030)</b>	<b>(1,610,898)</b>	<b>(69)</b>	<b>(1,204,518)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	118,724	-	118,724
Transfers out	(118,724)	-	-	-	(118,724)
Capital lease proceeds	-	-	428,242	-	428,242
Proceeds from sale of surplus assets	1,379	-	-	-	1,379
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(117,345)</b>	<b>-</b>	<b>546,966</b>	<b>-</b>	<b>429,621</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>324,134</b>	<b>(35,030)</b>	<b>(1,063,932)</b>	<b>(69)</b>	<b>(774,897)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>3,994,610</b>	<b>1,493,204</b>	<b>1,654,134</b>	<b>431</b>	<b>7,142,379</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 4,318,744</b>	<b>\$ 1,458,174</b>	<b>\$ 590,202</b>	<b>\$ 362</b>	<b>\$ 6,367,482</b>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP  
STATEMENT OF NET POSITION-MODIFIED ACCRUAL BASIS  
PROPRIETARY FUND  
DECEMBER 31, 2020

	Sewer Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,393,966
Investments	50,660
Accounts receivable	229,150
Prepaid expenses	89,595
<b>TOTAL ASSETS</b>	<b>\$ 3,763,371</b>
 <b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 34,193
 <b>NET POSITION</b>	
Unrestricted	3,729,178
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,763,371</b>

See accompanying notes to the basic financial statements.

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

	Sewer Operating Fund
OPERATING REVENUES	
Sewage usage fees	\$ 3,787,307
Connection fees	<u>38,096</u>
TOTAL OPERATING REVENUES	<u>3,825,403</u>
OPERATING EXPENSES	
Sewer treatment operations	<u>1,419,503</u>
OPERATING INCOME	2,405,900
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	19,140
Debt service interest	(316,329)
Debt service principal	<u>(1,059,556)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,356,745)</u>
CHANGE IN NET POSITION	1,049,155
NET POSITION AT BEGINNING OF YEAR	<u>2,680,023</u>
NET POSITION AT END OF YEAR	<u><u>\$ 3,729,178</u></u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP  
STATEMENT OF CASH FLOWS-MODIFIED ACCRUAL BASIS  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2020

	<u>Sewer Operating Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 4,020,468
Payments to suppliers and vendors	<u>(1,319,440)</u>
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,701,028</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Debt service principal	(1,059,556)
Debt service interest	<u>(316,329)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,375,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>19,140</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,344,283
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>2,049,683</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 3,393,966</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,405,900
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in	
Accounts receivable	195,065
Prepaid expenses	77,312
Accounts payable	<u>22,751</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,701,028</u></u>

See accompanying notes to basic financial statements.

POCONO TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION-MODIFIED ACCRUAL BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2020

	<u>Component Unit</u>		<u>Totals</u>
	<u>Police Pension Fund</u>	<u>Escrow Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 165,384	\$ 496,960	\$ 662,344
Investments at fair value	7,961,553	-	7,961,553
<b>TOTAL ASSETS</b>	<b><u>\$ 8,126,937</u></b>	<b><u>\$ 496,960</u></b>	<b><u>\$ 8,623,897</u></b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Escrow funds	\$ -	\$ 496,960	\$ 496,960
<b>NET POSITION</b>			
Held in trust for pension benefits	8,126,937	-	8,126,937
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 8,126,937</u></b>	<b><u>\$ 496,960</u></b>	<b><u>\$ 8,623,897</u></b>

See accompanying notes to basic financial statements.

POCONO TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-MODIFIED ACCRUAL BASIS  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2020

	Component Unit Police Pension Fund	Escrow Funds
<b>ADDITIONS</b>		
Contributions		
General municipal pension state aid	\$ 221,241	\$ -
Employees	81,959	-
TOTAL CONTRIBUTIONS	303,200	-
Investment income		
Net increase in fair value of assets	1,000,465	-
Interest, dividend and capital gain income	153,273	-
TOTAL INVESTMENT INCOME	1,153,738	-
Investment expenses	(34,404)	-
INVESTMENT INCOME, NET	1,119,334	-
Developer deposits	-	65,788
TOTAL ADDITIONS	1,422,534	65,788
<b>DEDUCTIONS</b>		
Developer expenses		-
Future developer expenses		41,442
Benefits	209,857	-
TOTAL DEDUCTIONS	209,857	65,788
CHANGE IN NET POSITION	1,212,677	-
NET POSITION AT BEGINNING OF YEAR	6,914,260	-
NET POSITION AT END OF YEAR	\$ 8,126,937	\$ -

See accompanying notes to basic financial statements.



POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Government

Pocono Township is a First Class Township of Monroe County, Pennsylvania. Pocono Township's citizens elected in November of 2013 to change the Township from a second class township to a first class township beginning January 1, 2014. Subsequently the Commissioners of Monroe County, Pennsylvania appointed five commissioners to Pocono Township's Board with terms beginning on January 1, 2014. Upon expiration of the initial terms, commissioners will be elected by the Township's citizens. The Township's services provided include public safety, maintenance of its highways, roads and streets, planning and zoning, parks and recreation, and general governmental administrative services.

Basis of Accounting

The Government-wide, governmental-type funds', business-type funds, and fiduciary fund's financial statements are presented using the modified accrual basis of accounting, which is an other comprehensive basis of accounting (OCBOA) as applied to governmental units. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment has matured and will be payable shortly after year-end.

The basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

As a result of the use of the modified accrual basis of accounting, certain assets (including capital assets) and their related revenues, and certain liabilities (including long-term debt, pensions, and OPEB) and their related expenditures that would be recognized under accounting principles generally accepted in the United States of America are not recorded in these financial statements.

If the Township had utilized the basis of accounting recognized as generally accepted in the United States of America, the government-wide financials would be presented on the accrual basis of accounting.

The following is a summary of the more significant policies of the Township.

Reporting Entity

The Board of Commissioners ("the Board") is the basic level of government which has financial accountability and control over all activities related to municipal functions in the Township. The Board receives funding from local, state and federal sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the Government Accounting Standards Board since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary accountability for fiscal matters.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1                   SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township follows the criteria promulgated by GASB for purposes of determining the scope of its reporting entity as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, including whether:

- The organization is legally separate (can sue and be sued in their own name);
- The Township holds the corporate powers of the organization; The Township appoints a voting majority of the organization's board;
- The Township is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the Township;
- There is fiscal dependency by the organization on the Township.

Based on these criteria, the Township is not considered to have any component units.

Basis of Presentation

The Government-wide Financial Statements report information on all the non-fiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by mainly general purpose taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Expenses reported on the statement of activities are allocated to functions based on the budget classifications.

The proprietary fund distinguishes operating revenues and expenses from non-operating 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. Operating expenses for the proprietary fund include the cost of personal and contractual services and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Financial Statements – The accounts of the Township are organized on the basis of funds or account groups, each of which is considered a separate entity. Thus, the operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise it assets, liabilities, fund balance, revenues and expenditures. An emphasis is placed on a major fund within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual fund are at least ten percent (10%) of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenses of the individual fund are at least five percent (5%) of the corresponding total for all funds combined.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds – Governmental Funds are those funds through which most governmental functions of the Township are financed. The acquisition, use and balance of the Township’s expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Township’s Governmental Funds:

Major funds:

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

Sewer Design and Construction Fund – Accounts for specific revenues and expenditures relating to establishing sewer service along Route 611 in Pocono Township and for the Township’s share of the regional sewer project.

Capital Reserve Operating Fund – Represents funds that the Township has moved into this separate capital projects fund to provide funding for future capital improvements.

Nonmajor Funds:

State Liquid Fuels Fund – This fund is used to account for funding from the Pennsylvania Municipal Liquid Fuels Program which funds a range of projects to support municipalities’ construction, reconstruction, maintenance and repair of public roads or streets.

Proprietary Funds – Proprietary Funds are used to account for business-type operations conducted by the Township. 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 Operating Fund are charges to customers for sales and services. Operating expenses of the Sewer Fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sewer Operating Fund – Accounts for the revenues and expenditures relating to operating and maintaining sewer service along Route 611 in Pocono Township and for the Township’s share of the regional sewer project’s operating expenses.

Fiduciary Funds – The Fiduciary Funds are used to account for assets held by the Township as trustee for and on behalf of individuals or organizations who have designated the Township as trustee of the assets. The Fiduciary Fund consist of the Townships escrow funds which it is holding on behalf of others. The Township excludes these activities from the government-wide financial statements because those assets cannot be used to finance operations.

Escrow Fund – Accounts for funds held by the Township which belong to other parties which have been deposited by the Township for various purposes including payment of professional fees required for development projects and other such purposes.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Component Unit

The Township's Police Pension Plan ("Plan") were established to provide retirement benefits to eligible retirees of the Township. The Plan is included in the financial reporting entity as a blended component unit 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 Township as it is legally obligated to make contributions to the Plan.

Measurement Focus

The Government-wide financial statements utilize the "economic resources" measurement focus, within the limitations of the modified accrual basis of accounting.

The fund financial statements utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.

Budgets and Budgetary Accounting

The Township annually adopts its general operating budget in accordance with the Commonwealth of Pennsylvania First Class Township Code of May 27, 1949 (P.L. 1955, No. 569 as amended). The budget is advertised as required and filed with the Pennsylvania Department of Community and Economic Development as prescribed by the Department.

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less, and that have no withdrawal restrictions, are considered cash equivalents.

Investments

The pension plan deposits and investments are currently governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73, entitled to the Probate, Estates, and Fiduciaries Code, Section 7302, Fiduciaries Investments, act of June 30, 1972. This act allows the trustees of the plan to invest in securities which a prudent person of discretion and intelligence, who is seeking a reasonable income and preservation of capital, would buy.

This discretionary authority, known as the "Prudent Person Rule", permits the selection of a variety of investments, allowing for diversity in the degree of risk and liquidity. Finally, there were no deposit or investment transactions during the year that were in violation of this state statute or the policy of the plan. The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 72, *Fair Value Measurement and Application*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

The Township's long-term debt arising from modified accrual basis transactions to be repaid from governmental resources are not reported as liabilities in the government-wide statements. Long-term debt arising from the modified accrual basis transactions of governmental funds are not reported as liabilities in the fund financial statements or the government-wide financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

Real Property Taxes

The Township levies real property taxes on January 1 of each year based upon the assessed valuation as of January 1, as determined by the County of Monroe. Property taxes are due upon receipt with a discount of 2% allowed through April 30, face amount due from May 1 through June 30 and a penalty of 10% levied for all payments received after June 30. All unpaid real property taxes are lienied with the Monroe County Tax Claim on January 1 following the year levied.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is 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.

Fund Balance and GASB Statement No. 54

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent.

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

- Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Assigned Fund Balance – Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. The Commissioners have not delegated that authority as of December 31, 2019.
- Unassigned Fund Balance – Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Transactions Between Funds

Short-term amounts owed between funds, if any, are classified as interfund receivables/payables. Legally authorized transfers are treated as operating transfers and are included in the results of operations of the funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

The Township's cash and cash investments consist of deposits with financial institutions.

NOTE 2           CASH AND CASH INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Pocono Township's investments recorded in governmental and business-type activities are certificates of deposits held at financial institutions. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$9,346,184 of the Township's bank balance of \$10,096,184 was exposed to custodial credit risk.

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.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 CASH AND CASH INVESTMENTS (Continued)

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 Pension Plans 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 the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2020, all of the Plan’s investments are in publicly traded mutual funds and are categorized as Level 1 investments.

NOTE 3 REAL ESTATE TAXES

Based upon taxable assessed valuation provided by the County (\$1,484,039,590 in 2020), the Township bills and collects its own property taxes through an elected tax collector. The Township’s tax rate for all purposes for 2020 was 2.109 mills.

Pocono Township participated in Tax Increment Financing Projects (“TIF’s”). The TIF’s are administered by the Monroe County Industrial Development Authority.

The TIF project (Camelback) consists of 25 acres located in Pocono Township. The Tax Increment Project was developed in accordance with the “Pennsylvania Tax Increment Financing Act of 1990”, as amended, for a term of twenty (20) years commencing December 31, 2013, and a maximum borrowing amount not to exceed \$15,000,000.

As a TIF participant, the Township contributes 100% of the additional or new real estate taxes generated from all new building construction within the TIF districts. All tax revenue generated on the assessed valuation of the TIF base (prior to new construction) will remain with the Township. The allocation of real estate taxes to the TIF district is based upon the millage rate for Pocono Township at the time of the TIF approvals, which was 17.35 mills for the Camelback project. Any millage rate increases above the rate are not included as part of the TIF project. Real estate tax revenues derived from millage exceeding these rates remains with Pocono Township. The amount remitted to the TIF program by the Township was \$132,792 for the year ended December 31, 2020.

POCONO TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

NOTE 4 LONG-TERM DEBT

PENNVEST Note Payable – Issued on May 4, 2011, to finance the construction of the Township’s sewer facilities. The loan is for \$8,300,000 with interest payments due monthly. The interest rate for the first five years is 1% and will increase to 1.51% for the remaining life of the loan. The loan is scheduled to mature on April 1, 2034. The outstanding balance as of December 31, 2020 was \$5,737,503.

Guaranteed Sewer Revenue Note, Series B of 2014 – Issued on November 19, 2014, to refund the principal balance of the \$4,500,000 original principal amount Guaranteed Sewer Revenue Bond, Series B of 2010, dated December 30, 2010, and pay related expenses. The loan is for \$4,351,000 with interest payments due semi-annually. The interest rate from the initial date through December 1, 2019, is 1.85%, and then shall be continuously variable to equal 66% of the “Wall Street Journal Prime Rate” not to exceed at any time an effective annual rate of 4.50% for the remaining life of the loan. The loan is scheduled to mature on April 1, 2034. The outstanding balance as of December 31, 2020 was \$3,574,000.

Guaranteed Sewer Revenue Note, Series of 2015 – During 2015, the Township borrowed \$4,350,000 from Univest Bank. The Guaranteed Sewer Revenue Note, Series of 2015, was issued for the purpose of the current refunding of the Township’s General Obligation Note, Series of 2010, and financing the costs and expenses of issuing the Note. The note will carry interest at an annual rate of 2.5% for the first ten years of the 20-year term, following which it will adjust every five years to a rate equal to 60% of the Purchaser’s then current Prime Rate, subject to a maximum rate of 4.75% per annum. The outstanding balance at December 31, 2020 was \$1,530,000.

Guaranteed Sewer Revenue Note Series 2018 – Issued on December 6, 2018, to refund the principal balance of the \$4,534,969 principal amount Guaranteed Sewer Revenue Note, Series A of 2014, and pay related expenses. The loan is for \$4,593,000 with Peoples Security Bank, with interest payments due semi-annually. The interest rate from the initial date through December 1, 2025, is 3.490%, and then shall be continuously variable to equal 65% of the “Wall Street Journal Prime Rate” not to exceed at any time an effective annual rate of 4.50% for the remaining life of the loan. The loan is scheduled to mature on June 1, 2036. The outstanding balance as of December 31, 2020 was \$2,937,000.

Annual debt service requirements to maturity for long-term debt are as follows:

Year	Principal	Interest	Total
2021	\$ 1,083,419	\$ 363,956	\$ 1,447,375
2022	1,086,370	423,985	1,510,355
2023	1,116,412	389,437	1,505,849
2024	1,146,546	353,808	1,500,354
2025	1,178,773	317,106	1,495,879
2026-2030	5,231,637	1,077,298	6,308,935
2031-2035	2,935,346	232,043	3,167,389
Total	<u>\$13,778,503</u>	<u>\$ 3,157,633</u>	<u>\$16,936,136</u>



POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 4 LONG-TERM DEBT (Continued)

Capital Leases

The Township from time to time enters into capital lease arrangements to finance public works vehicle purchases. Currently, the Township holds several vehicle purchase leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of minimum lease payments as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 159,541
2022	159,539
2023	74,001
2024	74,005
Amount representing interest	<u>(36,046)</u>
Present Value of Minimum Lease Payments	<u>\$ 431,040</u>

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities					
PennVest Loan	\$ 6,123,059	\$ -	\$ 385,556	\$ 5,737,503	\$ 391,419
General Sewer Revenue Bond Series B 2014	3,772,000	-	198,000	3,574,000	202,000
General Sewer Revenue Note Series 2015	1,695,000	-	165,000	1,530,000	168,000
General Sewer Revenue Note Series 2018	<u>3,248,000</u>	-	<u>311,000</u>	<u>2,937,000</u>	<u>322,000</u>
Total Business-Type Activities	<u>\$ 14,838,059</u>	<u>\$ -</u>	<u>\$ 1,059,556</u>	<u>\$ 13,778,503</u>	<u>\$ 1,083,419</u>
Governmental Activities					
Capital Leases	<u>\$ 149,160</u>	<u>\$ 428,242</u>	<u>\$ 146,362</u>	<u>\$ 431,040</u>	<u>\$ 142,215</u>

NOTE 5 INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances as of December 31, 2020.

Interfund transfers are executed as a result of certain funds funding the expenditures or expenses of other funds. The amounts transferred for the year ended December 31, 2020 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 118,724
Capital Reserve Fund	<u>118,724</u>	-
	<u>\$ 118,724</u>	<u>\$ 118,724</u>

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 6 POLICE PENSION PLAN

Plan Description

Plan Administration – The Pocono Township Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 145 adopted pursuant to Act 600. The plan is governed by the Pocono Township which may amend plan provisions, and which is responsible for the management of plan assets. The Pocono Township has delegated the authority to manage certain plan assets to US Bank.

The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 60 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 53 with at least 25 years of service.

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. The widow of a participant who has attained eligibility for retirement, or a participant who retired on pension, shall receive during the spouse's lifetime, fifty percent (50%) of pension the participant was receiving or would have been receiving had they been retired at the time of their death. If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18) (or who are attending college and have not yet attained age twenty-three(23)) shall be entitled to the same benefit described above. The widow of a participant who is killed-in-service shall receive, during the spouse's lifetime, a monthly benefit equal to one hundred percent (100%) of the average monthly compensation of the participant. If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of 18 (18) (or who are attending college and have not yet attained age twenty-three (23)) shall be entitled to the same benefit described above. In the event of a permanent service-related injury, the benefit shall be equal to 50% of the average monthly compensation of the participant. The benefit would be payable as if the date of disability had been their normal retirement date. This benefit is reduced by any benefits or payments received by such participant under the Social Security Administration for the same injury. Covered employees are required to contribute 5% of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. If employment is terminated for reasons other than death or retirement, the employee is entitled to a refund of member contributions plus interest at a rate of 3 percent on contributions made from date of employment to December 31, 1978 and not less than 5 percent on contributions made after December 31, 1978.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The benefit provisions of the Township's Police Pension Plan are established by Township ordinances.

Plan Membership – At December 31, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>20</u>
	<u>29</u>

POCONO TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

NOTE 6 POLICE PENSION PLAN (Continued)

Summary of Significant Accounting Policies

The plan's policy is to prepare its financial statements on the modified accrual basis accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The pension plan's assets are valued at fair market value.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Contributions

Contributions – Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 5% of the participant's pay.

In 2020, the MMO obligation for the plan was \$221,241. For the year 2020 contributions of \$221,241 were made by the Township and the Commonwealth.

Investments

Investment Policy – The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	
Large cap	37%
Medium cap	2%
Small cap	2%
International equity	23%
Fixed income	34%
Cash	2%
	<u>100%</u>

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 6 POLICE PENSION PLAN (Continued)

At December 31, 2020 the plan had the following investments:

	<u>Fair Market Value</u>
Fixed Income	\$ 2,765,724
U.S. Equities	3,352,859
International Equities	1,842,970
Total Investments	<u>\$ 7,961,553</u>

Concentrations – The plan did not hold investments in any one organization that represent 5% or more of the plan’s fiduciary net position.

Net Pension Liability (Asset) of the Township

Note: The net pension liability (asset) information is presented for disclosure purposes only. In accordance with the modified accrual basis of accounting, the net pension liability (asset) is not reported in these financial statements.

The components of the net pension liability (asset) of the Township at December 31, 2020, were as follows:

Total pension liability	\$ 7,886,290
Plan fiduciary net position	8,126,937
Net Pension Liability (Asset)	<u>\$ (240,647)</u>

Plan fiduciary net position as a percentage of total pension liability (asset)	<u>103.1%</u>
---	---------------

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increase	5.00%
Investment rate of return	6.75%
Inflation	2.17%

Mortality rates were based on the RP-2000 table projected to 2017 using Scale AA.

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 pension plan investment expense and inflation of 2.17%) 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 allocation percentage and by adding expected inflation.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 6 POLICE PENSION PLAN (Continued)

Best estimates of real rates of return for each major asset class that could possibly be included in the plan's target asset allocation as of December 31, 2020 (see Investment Policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Asset Class	Long-Term Expected Real Rate of Return
Domestic equity		International equity	6.92%
Large cap	6.19%	Fixed income	2.77%
Medium cap	7.37%	Real Estate	5.74%
Small cap	7.37%	Cash	0.11%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2019	\$ 7,091,205	\$ 6,914,260	\$ 176,945
Changes for the year			
Service cost	293,673	-	293,673
Interest	505,232	-	505,232
Changes in benefit terms	203,907	-	203,907
Differences Between Expected and Actual Experience	-	-	-
Contributions			
Employer	-	-	-
State aid	-	221,241	(221,241)
Member	-	81,959	(81,959)
Net investment income	-	1,119,334	(1,119,334)
Benefit payments	(207,727)	(207,727)	-
Administrative expense	-	(2,130)	2,130
Net Changes	<u>795,085</u>	<u>1,212,677</u>	<u>(417,592)</u>
Balances at 12/31/2020	<u>\$ 7,886,290</u>	<u>\$ 8,126,937</u>	<u>\$ (240,647)</u>

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 6 POLICE PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 6.75%, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ 799,873	\$ (240,647)	\$ (1,105,134)

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020, the Township recognized a pension expense of \$245,150. At December 31, 2020, the Township reported deferred outflows of resources of deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,003	\$ -
Change in Assumptions	9,469	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(751,836)
	\$ 21,472	\$ (751,836)

Amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2021	\$ (219,873)
2022	(135,832)
2023	(284,228)
2024	(136,887)
2025	(6,246)
Thereafter	52,702

POCONO TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

NOTE 7 NON-UNIFORMED EMPLOYEES' PENSION PLAN

The Township provided a defined contribution pension plan for eligible full-time non-uniformed employees of the Township. Members are not permitted to contribute to the plan. The Township contributes on behalf of each member who was a participant on the last day of the plan year an amount equal to 9% of the member's compensation. Township contributions to the plan were \$53,630 during the year ended December 31, 2020.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

Early Retirement Incentive – The Township maintains a postemployment benefit plan for its employees for coverage for medical insurance benefits to its qualified retirees and beneficiaries based on eligibility requirements set for each group of employees pursuant to the Government Accounting Standards Board Statement No. 75. The costs of retiree health care benefits are recognized as expenditures and a net other postemployment benefit liability based on an actuarial valuation dated January 1, 2019. For the year ended December 31, 2019, the Township's net OPEB obligation is \$1,459,115 and may continue to increase in each future year; however, in accordance with the modified accrual basis of accounting, the liability is not reported in these financial statements. The following are the Township's OPEB actuarial valuation results:

Active Participants	20
Retirees & Surviving Spouses	1
	21

Actuarial Cost Method – Actuarial costs can be developed using any one of six different methods. The results of the actuarial valuation are based on the Entry Age Normal Cost Method. This cost method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data and claims/premium information supplies.

Discount Rate – The discount rate is based upon the funding method that the sponsor employs. Since the Township uses the pay-as-you-go method of funding, benefits are expected to be paid out of the general fund of the Township, therefore, a discount rate of 3.75% is utilized, which is the 20 year AA municipal bond rate.

Pre-Retirement Mortality – None assumed.

Post-Retirement Mortality – RP-2000 with Blue Collar Adjustment.

Retirement – Retirement is assumed to occur at normal retirement eligibility, which is a minimum of age 65, while early retirement eligibility is the first day of the month coincident with or next following the attainment of age 55.

Disability – None assumed. Disability Retirement date is the date a participant is determined to have a Total and Permanent Disability as defined by the Plan.

Participation – 100% of retirees who are eligible to participate are assumed to do so.

Marital Status – 80% of all future retirees are assumed to be married with only 50% of those spouses.

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Township, as well as what the Township's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.75 percent) or 1 percentage point higher (4.75) than the current discount rate.

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB Liability	\$1,841,851	\$ 1,671,653	\$1,517,041

Healthcare Trend Rates are as follows:

Medical and prescription drug costs are assumed to decrease by 0.25% per year to an ultimate level of 5% per year. Dental costs are assumed to increase by 2% per year. Vision costs are assumed to increase by 1.5% per year.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	\$1,433,017	\$ 1,671,653	\$1,960,116

The following table shows the changes in Net OPEB liability recognized over 2020.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 1/1/2020	\$ 1,459,115	\$ -	\$ 1,459,115
Changes for the year			
Service cost	152,117	-	152,117
Interest	60,421	-	60,421
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions and Cost Method	-	-	-
Net Changes	212,538	-	212,538
Balance at 12/31/2020	\$ 1,671,653	\$ -	\$ 1,671,653



POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 9 SECTION 457 DEFERRED COMPENSATION PLAN

The Township provides a Section 457 deferred compensation plan. The plan is governed by the Commissioners of Pocono Township. The Township's Commissioners may amend plan provisions and are responsible for the management of plan assets. All full-time employees are eligible for participation in the plan on the first day of the month following the completion of six (6) months of employment. Employee and employer contributions are one-hundred percent (100%) vested. Pocono Township's police employees, through their collective bargaining agreement, are eligible for matching contributions equal to the lesser of eleven percent (11%) of deferrals or \$600 annually.

NOTE 10 ESCROW FUNDS AND LETTERS OF CREDIT

The Township holds escrow funds and letters of credit which will be released as the public improvements for which they are pledged are completed. The escrowed funds are reported as Fiduciary Funds; the letters of credit are not included in the accompanying financial statements.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Commitments

The Township entered into an intergovernmental cooperation agreement with Jackson Township under which the Pocono Jackson Joint Water Authority ("Authority") was established for the purpose of providing potable water to the residents of the Townships. Under the agreement, the Authority is the sole source of potable water for the Township. As a sponsoring member of the Authority, the Township may, from time to time, be required to provide funds to the Authority for capital projects or other needs.

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 12 RISKS AND UNCERTAINTIES

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

POCONO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 13      SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to December 31, 2020 through December 1, 2021, the date the financial statements were available to be issued.

In May 2021 the Township issued a Guaranteed Sewer Revenue Note, Series of 2021 in the amount of \$7,207,000 to refund the Guaranteed Sewer Revenue notes, Series B of 2014, Series of 2015, and Series of 2018.

In July 2021 the Township purchased property for \$188,826 out of the Capital Reserve Fund.

In August 2021, the Township received \$580,338 in American Recovery Fund and will receive that same amount in 2022. The money can be spent through December 31, 2026 in accordance with the requirements of the American Rescue Plan legislation. The Township is in the process of determining how the funds will be utilized.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,200,542	\$ 5,200,542	\$ 5,229,431	\$ 28,889
Licenses, permits and fees	200,100	200,100	187,090	(13,010)
Fines and forfeits	60,000	60,000	75,813	15,813
Interest earnings	28,000	28,000	27,310	(690)
Intergovernmental	302,041	302,041	363,950	61,909
Charges for services	262,650	262,650	490,841	228,191
Refunds of prior year's expenditures	150,000	150,000	319,727	169,727
Other revenues	7,446	7,446	11,963	4,517
TOTAL REVENUES	<u>6,210,779</u>	<u>6,210,779</u>	<u>6,706,125</u>	<u>495,346</u>
<b>EXPENDITURES</b>				
General government and administration	1,034,724	992,725	930,890	61,835
Public safety and protective inspection	3,878,014	3,888,013	3,624,974	263,039
Highways, roads and streets	1,351,072	1,389,209	1,257,928	131,281
Health and sanitation	51,500	51,500	39,020	12,480
Parks and recreations	125,133	118,996	84,478	34,518
Employee benefits and taxes	197,631	197,631	202,148	(4,517)
Insurance	123,930	123,930	122,201	1,729
Refunds of prior year's revenues	100	100	2,593	(2,493)
Miscellaneous	-	-	414	(414)
TOTAL EXPENDITURES	<u>6,762,104</u>	<u>6,762,104</u>	<u>6,264,646</u>	<u>497,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(118,724)	(118,724)	(118,724)	-
Transfers in	665,049	665,049	-	(665,049)
Proceeds from sale of surplus assets	5,000	5,000	1,379	(3,621)
TOTAL OTHER FINANCING SOURCES (USES)	<u>551,325</u>	<u>551,325</u>	<u>(117,345)</u>	<u>(668,670)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>324,134</u>	<u>\$ 324,134</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>3,994,610</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 4,318,744</u>	

POCONO TOWNSHIP  
SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN-  
LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 293,673	\$ 265,172	\$ 214,869	\$ 204,637	\$ 194,547	\$ 185,283
Interest	505,232	453,252	404,103	372,288	356,283	325,413
Differences between expected and actual experience	-	212,216	-	(267,965)	-	-
Changes of benefit terms	203,907	-	-	-	-	-
Changes of assumptions	-	-	-	15,521	-	-
Benefit payments	(207,727)	(153,786)	(152,931)	(78,719)	(64,015)	(61,223)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>795,085</b>	<b>776,854</b>	<b>466,041</b>	<b>245,762</b>	<b>486,815</b>	<b>449,473</b>
Total pension liability, beginning	7,091,205	6,314,351	5,848,310	5,602,548	5,115,733	4,666,260
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 7,886,290</b>	<b>\$ 7,091,205</b>	<b>\$ 6,314,351</b>	<b>\$ 5,848,310</b>	<b>\$ 5,602,548</b>	<b>\$ 5,115,733</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions						
Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State aid	221,241	200,000	200,000	182,373	145,320	150,578
Member	81,959	84,883	70,116	76,872	69,963	67,768
Net investment income (loss)	1,119,334	1,120,024	(343,409)	758,398	268,738	(4,077)
Benefit payments, including refunds of member contributions	(207,727)	(153,786)	(152,931)	(78,719)	(64,015)	(61,223)
Administrative expense	(2,130)	-	(13,970)	(2,228)	(850)	(6,255)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,212,677</b>	<b>1,251,121</b>	<b>(240,194)</b>	<b>936,696</b>	<b>419,156</b>	<b>146,791</b>
Plan fiduciary net position, beginning	6,914,260	5,663,139	5,903,333	4,966,637	4,547,481	4,400,690
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 8,126,937</b>	<b>\$ 6,914,260</b>	<b>\$ 5,663,139</b>	<b>\$ 5,903,333</b>	<b>\$ 4,966,637</b>	<b>\$ 4,547,481</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ (240,647)</b>	<b>\$ 176,945</b>	<b>\$ 651,212</b>	<b>\$ (55,023)</b>	<b>\$ 635,911</b>	<b>\$ 568,252</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>103.1%</b>	<b>97.5%</b>	<b>89.7%</b>	<b>100.9%</b>	<b>88.6%</b>	<b>88.9%</b>
<b>COVERED PAYROLL</b>	<b>\$ 1,555,497</b>	<b>\$ 1,465,053</b>	<b>\$ 1,541,333</b>	<b>\$ 1,381,567</b>	<b>\$ 1,137,720</b>	<b>\$ 1,101,102</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL</b>	<b>-15.5%</b>	<b>12.1%</b>	<b>42.2%</b>	<b>-4.0%</b>	<b>55.9%</b>	<b>51.6%</b>

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

POCONO TOWNSHIP  
SCHEDULE OF PENSION PLAN  
CONTRIBUTIONS  
LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 221,241	\$ 174,333	\$ 184,360	\$ 168,584	\$ 145,320	\$ 150,578
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>221,241</u>	<u>200,000</u>	<u>200,000</u>	<u>168,584</u>	<u>159,109</u>	<u>150,578</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ (25,667)	\$ (15,640)	\$ -	\$ (13,789)	\$ -
COVERED PAYROLL	<u>\$ 1,555,497</u>	<u>\$ 1,465,053</u>	<u>\$ 1,541,333</u>	<u>\$ 1,381,567</u>	<u>\$ 1,137,720</u>	<u>\$ 1,101,102</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-PAYROLL	<u>14.2%</u>	<u>13.7%</u>	<u>13.0%</u>	<u>12.2%</u>	<u>14.0%</u>	<u>13.7%</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	14 years
Asset valuation method	Smoothing
Salary increases	5.0% annual increase
Investment rate of return	6.75%
Retirement age	Normal retirement age
Mortality	RP-2000
Cost of living adjustments	None

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

POCONO TOWNSHIP  
 SCHEDULE OF POLICE PENSION PLAN  
 INVESTMENT RETURNS  
 LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	16.08%	19.55%	-5.77%	15.00%	5.81%	-0.09%

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

POCONO TOWNSHIP  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS

	2020	2019	2018	2017
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 152,117	\$ 144,873	\$ 121,447	\$ 115,664
Interest	60,421	52,739	62,852	56,191
Differences between expected and actual experience	-	(414,547)	-	-
Changes of assumptions	-	(62,857)	-	-
Benefit payments	-	-	-	-
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>212,538</b>	<b>(279,792)</b>	<b>184,299</b>	<b>171,855</b>
Total OPEB liability, beginning	1,459,115	1,738,907	1,554,608	1,382,753
<b>TOTAL OPEB LIABILITY, ENDING (a)</b>	<b>\$ 1,671,653</b>	<b>\$ 1,459,115</b>	<b>\$ 1,738,907</b>	<b>\$ 1,554,608</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions				
Employer	\$ -	\$ -	\$ -	\$ -
State aid	-	-	-	-
Member	-	-	-	-
Net investment income (loss)	-	-	-	-
Benefit payments, including refunds of member contributions	-	-	-	-
Administrative expense	-	-	-	-
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Plan fiduciary net position, beginning	-	-	-	-
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPEB LIABILITY, ENDING (a)-(b)</b>	<b>\$ 1,671,653</b>	<b>\$ 1,459,115</b>	<b>\$ 1,738,907</b>	<b>\$ 1,554,608</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>COVERED PAYROLL</b>	<b>\$ 1,900,159</b>	<b>\$ 1,809,676</b>	<b>\$ 1,504,738</b>	<b>\$ 1,433,084</b>
<b>NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>88.0%</b>	<b>80.6%</b>	<b>115.6%</b>	<b>108.5%</b>

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



POCONO TOWNSHIP  
POLICE EMPLOYEES AND RETIREES  
FEATURES OF THE PLAN

Eligibility

Minimum age of 55 with 25 years of service.

Retirement Benefits

Medical, prescription drug, dental, and vision coverage same as when active.  
Coverage ends when the retiree becomes eligible for Medicare.

Retiree Contributions

Retiree must have 50% of the premium.

Spousal Coverage

Yes, provided the spouse pays 100% of the premium.  
Coverage ends for the spouse when the retiree becomes eligible for Medicare.

Dependent Child Coverage

None

Survivor Benefits

None

Permanent Disability

If it is a service-related disability, the officer will receive 100% Township paid coverage until normal retirement age.  
At normal retirement age, the Township will pay 50% of the cost of coverage.  
Coverage ends when the retiree becomes eligible for Medicare.

Life Insurance

None

Actuarial Assumptions

Economic Assumptions:

Valuation Date:	January 1, 2019
Investment return	N/A
Salary increases	5% compounded annually

Healthcare Cost Trend Rate:

Medical and prescription drug costs are assumed to decrease by 0.25% per year to an ultimate level of 5% per year.  
Dental costs are assumed to increase by 2% per year.  
Vision costs are assumed to increase by 1.5% per year.

Demographic Assumptions:

Pre-Retirement Mortality	None assumed
Post-Retirement Mortality	RP 2014 at 2006 Blue Collar Generational Tables using Scale MP-2017
Termination	None assumed
Disability	None assumed
Retirement Age	Normal retirement, age 55 with 25 years of service
Participation	100% of eligible retirees and spouses
Marital Status	90% of retirees are assumed to have a spouse participating in coverage. Female spouses are assumed to be 3 years younger than male spouses.



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

Independent Auditor's Report

To the Members of the Board of Commissioners  
Pocono Township  
Tannersville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Pocono Township, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Pocono Township's basic financial statements, and have issued our report thereon dated December 1, 2021.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pocono Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pocono Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pocono Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses as Findings 2020-001 and 2020-002.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pocono Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
December 1, 2021

POCONO TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2020

2020-001 – Basis of Accounting

- Condition:** The Township currently reports its entire financial statements on the modified accrual basis of accounting. Governmental Accounting Standards require that the Government-Wide and Proprietary Financial statements to be reported on the accrual basis of accounting rather than the modified accrual basis of accounting.
- Criteria:** Government Accounting Standards Board Statements dictate the accounting principles that governmental entities must follow in order to present their financial statements in accordance with Generally Accepted Accounting Principles.
- Cause:** The Township keeps all its financials records on the modified accrual basis of accounting and reports it financial statements in that manner.
- Effect:** The Township receives a Qualified Opinion in the audit of its Financial Statements. The Financial Statements do not report the entire assets and liabilities of the Township as generally accepted accounting principles require. For example, the financial statements do not report capital assets, compensated absences liability, long-term debt, pension and other post-employment benefit liabilities. The Township is not reporting its true financial position and results of activities in its financial statements.

**Recommendation:**

We recommend the Township consider presenting its financial statements on the correct basis of accounting on the future. Certain financial amounts may be easy to ascertain such as long-term debt and pension liabilities. However, other amounts, such as capital assets, may require an extensive amount of work to develop.

2020-002 – Personnel Files

- Condition:** Our review of Personnel File Information in order to verify information used to develop amounts or disclosures in the financial statement noted the following;
1. Complete and accurate personnel files are not maintained by the Township Manager office, who is designated as the person responsible for Human Resources.
  2. The Police Department maintains the personnel file for the police officers.
  3. For three of the individuals tested, personnel information held by the Township did not match the information provided by the Township's actuary. The personnel information used by the actuary is the basis for determining amounts and disclosures in the financial statements and must be accurate.
- Criteria:** Prudent Human Resource policies require that the township maintain full and accurate human resource documentation on its past and present and employees. These files should be maintained by the Individual or Office that is designated to handle the Human Resource process for the Township.
- Cause:** Personnel information may have been misfiled over the years and some information is being located. In addition, the Police Department maintains its own Personnel Files.

POCONO TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2020

Effect: Amounts reported or disclosed in the financial statements may be inaccurate.

Recommendation:

We recommend that the Township Manager, as the designated Human Resource Director, maintain complete and accurate personnel information in their files in order to adequately maintain the employment records of the Township.

Status:

The personnel files have not been moved to the township manager office charged through the ordinance with Human Resource responsibilities. A separate set of personnel files for each employee are maintained in the manager's office and copies of all personnel related documents are being maintained in the files.

POCONO TOWNSHIP  
SCHEDULE OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2020

Finding 2019-001: Unresolved, repeated as 2020-001.

Finding 2019-002: Unresolved, repeated as 2020-002.