

**SMITHFIELD TOWNSHIP,  
MONROE COUNTY, PENNSYLVANIA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**KirkSumma & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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East Stroudsburg | Brodheadsville  
[www.kirksumma.com](http://www.kirksumma.com)

SMITHFIELD TOWNSHIP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Smithfield Township  
East Stroudsburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Smithfield Township, Monroe County, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Smithfield Township, Pennsylvania, as of December 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Kirk, Summa + Co. LLP*

East Stroudsburg, Pennsylvania  
September 17, 2021

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 DECEMBER 31, 2020

	<u>Governmental Activities</u>	<u>Component Unit Sewer Authority</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 3,215,838	\$ 746,313
PLGIT cash	163,114	495,628
Receivables (net of allowance for doubtful accounts):		
Taxes	69,409	-
Engineer and legal fees	11,964	-
Sewer user fees	-	944,173
Due from Smithfield Sewer Authority- current portion	450,000	-
Due from other funds	283	-
Due from other governments	34,013	184,797
Lease deposit receivable	-	650
Prepaid insurance	3,434	9,111
<b>Total Current Assets</b>	<u>3,948,055</u>	<u>2,380,672</u>
<b>Capital Assets:</b>		
Land	130,527	-
Construction in progress	167,844	-
Buildings and contents	6,192,858	-
Land improvements	1,260,750	-
Vehicles	979,994	-
Office equipment	38,236	-
Machinery and equipment	829,395	-
Infrastructure	2,430,804	-
Sewer Authority capital assets	-	17,324,034
	<u>12,030,408</u>	<u>17,324,034</u>
Less: accumulated depreciation	(4,246,379)	(8,700,539)
<b>Total Capital Assets, net</b>	<u>7,784,029</u>	<u>8,623,495</u>
<b>Other Assets:</b>		
Due from Smithfield Sewer Authority, net of current portion	925,000	-
Original issue discount, net	13,871	5,986
<b>Total Other Assets</b>	<u>938,871</u>	<u>5,986</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,670,955</u>	<u>\$ 11,010,153</u>

See accompanying notes to basic financial statements.

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION - continued  
 DECEMBER 31, 2020

	<u>Governmental Activities</u>	<u>Component Unit Sewer Authority</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 64,466	\$ 54,001
Payroll taxes payable	2,043	-
Due to other funds	283	-
Accrued wages	3,163	-
Escrow payable	23,243	-
Accrued interest	34,295	12,604
Deferred grant	81,000	-
Current portion of long-term debt	663,940	153,543
Due to Smithfield Township within one year	-	450,000
Unamortized bond premiums	26,868	25,336
<b>Total Current Liabilities</b>	<u>899,301</u>	<u>695,484</u>
<b>Long-term Liabilities:</b>		
Accrued compensated absences	4,561	-
Long-term debt, net of current portion:		
Lease payable	-	27,201
Due to Smithfield Township after one year	-	925,000
Due or payable after one year	2,747,194	2,207,626
<b>Total long-term debt</b>	<u>2,747,194</u>	<u>3,159,827</u>
<b>Total Long-term Liabilities</b>	<u>2,751,755</u>	<u>3,159,827</u>
<b>TOTAL LIABILITIES</b>	<u>3,651,056</u>	<u>3,855,311</u>
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	4,372,895	4,860,125
Restricted	141,080	-
Unrestricted	4,505,924	2,294,717
<b>TOTAL NET POSITION</b>	<u>9,019,899</u>	<u>7,154,842</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 12,670,955</u>	<u>\$ 11,010,153</u>

See accompanying notes to basic financial statements.

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2020

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities	Component Unit Sewer Authority
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental activities:</b>						
General government	\$ 587,671	\$ 65,753	59,940	\$ -	\$ (461,978)	\$ -
Public safety and protective inspection	271,237	38,782	48,565	-	(183,890)	-
Public works - other	131,876	101,035	195,365	-	164,524	-
Highways and streets	612,754	-	326,160	8,853	(277,741)	-
Water system	784	-	-	-	(784)	-
Parks and recreation	58,399	-	-	-	(58,399)	-
Conservation of natural resources	9,120	-	-	-	(9,120)	-
Payroll taxes	44,080	-	-	-	(44,080)	-
Other employer paid benefits	309,978	-	-	-	(309,978)	-
Interest (unallocated)	40,055	-	-	-	(40,055)	-
Depreciation (unallocated)	331,395	-	-	-	(331,395)	-
Insurance	54,533	-	-	-	(54,533)	-
<b>Total Governmental Activities</b>	<b>2,451,882</b>	<b>205,570</b>	<b>630,030</b>	<b>8,853</b>	<b>(1,607,429)</b>	<b>-</b>
<b>Business-type activities:</b>						
Component unit - Sewer Authority	1,212,405	1,256,057	197,386	-	-	241,038
<b>Total Government</b>	<b>\$ 3,664,287</b>	<b>\$ 1,461,627</b>	<b>\$ 827,416</b>	<b>\$ 8,853</b>	<b>-</b>	<b>-</b>
		<b>General Revenues:</b>				
					1,713,090	-
					154,327	-
					1,294	-
					57,501	7,547
					5,545	-
				<b>Total General Revenues</b>	<b>1,931,757</b>	<b>7,547</b>
				<b>Change in Net Position</b>	<b>324,328</b>	<b>248,585</b>
				<b>NET POSITION - BEGINNING OF YEAR</b>	<b>8,695,571</b>	<b>6,906,257</b>
				<b>NET POSITION - END OF YEAR</b>	<b>\$ 9,019,899</b>	<b>\$ 7,154,842</b>

See accompanying notes to basic financial statements.

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 BALANCE SHEETS  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash	3,195,511	\$ 183,441	\$ 3,378,952
Taxes receivable	54,141	-	54,141
Professional fee reimbursements receivable	11,964	-	11,964
Due from other govts	34,013	-	34,013
Due from other funds	283	-	283
<b>TOTL ASSETS</b>	<u>\$ 3,295,912</u>	<u>\$ 183,441</u>	<u>\$ 3,479,353</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 59,754	\$ 4,710	\$ 64,464
Payroll tax liabilities	2,043	-	2,043
Accrued wages	3,163	-	3,163
Deferred grant revenue	81,000	-	81,000
Escrow payable	23,243	-	23,243
Due to other funds	-	283	283
<b>TOTAL LIABILITIES</b>	<u>169,203</u>	<u>4,993</u>	<u>174,196</u>
<b><u>FUND BALANCES</u></b>			
Restricted	-	141,080	141,080
Assigned	-	37,368	37,368
Unassigned	3,126,709	-	3,126,709
<b>TOTAL FUND BALANCES</b>	<u>3,126,709</u>	<u>178,448</u>	<u>3,305,157</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,295,912</u>	<u>\$ 183,441</u>	<u>\$ 3,479,353</u>

See accompanying notes to basic financial statements.



SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2020

<b>Total fund balance - total governmental funds</b>	<b>\$ 3,305,157</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Real estate taxes receivable that are not reported as current financial resources because they are not deemed collectible within sixty days of the fiscal year end.	15,266
Prepaid insurance is not recorded on the governmental balance sheet because it is not completely expensed within the sixty days using the modified accrual basis of accounting.	3,434
Amounts due from the Smithfield Sewer Authority are not reported as current financial resources and are therefore not deemed collectible under the modified accrual basis of accounting.	1,375,000
Capital assets and land used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	12,030,408
Accumulated depreciation from capital assets used in governmental activities are not current financial resources and therefore is not reported in the governmental funds balance sheet.	(4,246,379)
Intangible other assets, net of accumulated amortization, used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	(12,997)
Accrued interest is not accrued in governmental-type funds.	(34,295)
Accrued compensated absences payable are not accrued in governmental-type funds.	(4,561)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due or payable within one year	(663,940)
Due or payable after one year	(2,747,194)
	<hr/>
<b>Net position of governmental activities</b>	<b>\$ 9,019,899</b>

See accompanying notes to basic financial statements.

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 1,724,962	\$ -	\$ 1,724,962
Licenses, permits and fees	154,328	-	154,328
Fines, forfeitures and penalties	1,294	-	1,294
Interest	20,487	1,877	22,364
Rental Income	35,138	-	35,138
Intergovernmental	312,723	326,160	638,883
Charges for services	205,571	-	205,571
Miscellaneous	3,491	2,054	5,545
<b>Total Revenues</b>	<u>2,457,994</u>	<u>330,091</u>	<u>2,788,085</u>
<b>Other Financing Sources</b>			
Debt proceeds	125,000	-	125,000
Interfund operating transfers in	216,770	98,452	315,222
Transfers from Authority for debt obligations	476,300	-	476,300
<b>Total Revenues and Other Financing Sources</b>	<u>3,276,064</u>	<u>428,543</u>	<u>3,704,607</u>
<b>Expenditures</b>			
General government	578,969	-	578,969
Public safety and protective inspection	291,245	-	291,245
Public works - other	327,987	-	327,987
Highways and streets	554,205	247,378	801,583
Water system	784	-	784
Parks and recreation	166,093	41,233	207,326
Conservation of natural resources	9,120	-	9,120
Debt service - principal	661,118	-	661,118
Debt service - interest	89,327	-	89,327
Payroll taxes	44,080	-	44,080
Pension	37,378	-	37,378
Insurance	56,630	-	56,630
Employee benefits	264,482	-	264,482
<b>Total Expenditures</b>	<u>3,081,418</u>	<u>288,611</u>	<u>3,370,029</u>
<b>Other Financing Uses</b>			
Interfund operating transfers out	98,452	216,770	315,222
<b>Total Expenditures and Other Financing Uses</b>	<u>3,179,870</u>	<u>505,381</u>	<u>3,685,251</u>
<b>NET CHANGE IN FUND BALANCES</b>	96,194	(76,838)	19,356
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,030,515</u>	<u>255,286</u>	<u>3,285,801</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,126,709</u>	<u>\$ 178,448</u>	<u>\$ 3,305,157</u>

See accompanying notes to basic financial statements.

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 19,356</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Accrual of real estate taxes receivable that are not accrued for the modified accrual basis of accounting.	(11,875)
Accrual of prepaid insurance is not recorded on the governmental funds statements because because it is not expendable within the sixty days required under the modified basis of accounting.	44
Government funds report capital outlay as expenditures. However, in the govt-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period	540,083
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(331,395)
Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as expenditure in governmental funds.	1,514
Change in accrued interest that is not accrued for the modified accrual basis of accounting	11,458
The amount of loan repayments from the Smithfield Sewer Authority recorded as revenues under the modified accrual basis of accounting.	(440,000)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences on the treatment of long-term debt and related items:	
Proceeds of long-term debt	(125,000)
Repayment of principal portion of long-term debt.	661,117
Expenditures are recognized in the governmental funds when paid, however, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This amount is the net effect of these differences:	
Compensated absences expense	<u>(974)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 324,328</u></b>

See accompanying notes to basic financial statements.

SMITHFIELD SEWER AUTHORITY  
 MONROE COUNTY, PENNSYLVANIA  
 A COMPONENT UNIT OF SMITHFIELD TOWNSHIP  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Cash Flows From Operating Activities</b>		
Cash received from customers		\$ 1,066,322
Cash payments for goods and services		<u>(590,980)</u>
	<b>Net Cash Flows Provided by Operating Activities</b>	<u>475,342</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Grant revenues		197,386
EDU allocation fee		<u>(151,337)</u>
	<b>Net Cash Flows (Used in) Non-Capital Financing Activities</b>	<u>46,049</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of capital assets		(395,460)
Proceeds of lease payable		33,149
Repayment of portion of loan from Smithfield Township		(597,039)
Payment of interest on long-term debt		<u>(66,251)</u>
	<b>Net Cash Flows (Used in) Capital and Related Financing Activities</b>	<u>(1,025,601)</u>
<b>Cash Flows Provided by Investing Activities:</b>		
Interest earned on cash balances		<u>7,547</u>
	<b>Net Cash Flows Provided by Investing Activities</b>	<u>7,547</u>
	<b>NET (DECREASE) IN CASH</b>	(496,663)
	<b>CASH - BEGINNING OF YEAR</b>	<u>1,738,604</u>
	<b>CASH - END OF YEAR</b>	<u><u>\$ 1,241,941</u></u>
<b>Reconciliation of income from operations to net cash provided</b>		
<b>by operating activities:</b>		
Operating income		\$ 261,240
<i>Adjustments to reconcile operating income to cash provided</i>		
<i>by operating activities:</i>		
<i>Items in operating income not affecting cash:</i>		
Depreciation		428,349
<b>Changes in current assets and liabilities:</b>		
(Increase) in accounts receivable		(188,868)
(Increase) in prepaid expenses		(868)
Decrease in unamortized bond discounts		3,780
(Decrease) in accounts payable		(4,223)
(Decrease) in accrued debt interest		(8,067)
(Decrease) in unamortized bond premiums		<u>(16,001)</u>
	<b>Total Adjustments</b>	<u>214,102</u>
	<b>Net Cash Flows Provided by Operating Activities</b>	<u><u>\$ 475,342</u></u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. General Statement

Smithfield Township was formed in 1742 and operates as a second-class township in Monroe County, Pennsylvania. It operates using a Board of Supervisors (three) as its governing body.

The Township has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011.

B. Financial Reporting Entity

The report includes all of the services provided by the Township to residents and businesses within its boundaries. Township services provided include general administrative services, public safety (fire), highways and streets, planning and zoning, and recreation and community services. The criteria for including organizations as component units within the Township's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include 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 the aforementioned criteria, the Township has one component unit – Smithfield Sewer Authority. The financial statements of Smithfield Sewer Authority can be reviewed at the Township's municipal building with prior scheduling with the Authority's management.

C. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities columns, has been removed from these statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

C. Basis of Presentation – continued

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment or (3) capital grants and contributions that are restricted to meeting the capital requirement. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid through the General Fund.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. 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 services expenditures, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

D. Measurement Focus and Basis of Accounting – continued

The revenues susceptible to accrual are taxes, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Budgetary Control

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.

F. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

G. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the governmental-type activities columns in the government-wide financial. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and plant	50 years
Machinery and equipment	5 years
Vehicles and transportation equipment	5 years
Infrastructure	15-50 years

SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

H. Compensated Absences

The Township's policy for accrual of compensated absences is to allow full-time employees to accrue a maximum of five days of vacation time, which must be used by March 31 of the subsequent year. The value of compensated absences at the end of the year is calculated by multiplying the number of accumulated hours by each employee's pay rate as of the end of the year.

I. Equity Classification Government-Wide

Equity is classified as net position and displayed in three components for government-wide presentation:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

J. Equity Classification – Governmental Fund Financial Statements

In the fund financial statements the Township reports fund balance classifications in accordance with the provisions of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following are a listing of fund balance categories:

Non-Spendable - Not in spendable form or legally or contractually required to remain intact.

Restricted - Externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – Only can be used for specific purposes pursuant to constraints by formal action of the highest level of decision-making authority. The Township's Committed Fund Balance is fund balance reporting required by the Township Supervisors, either because of a Township Policy or in the Township Policy Manual, or because of motions that passed at Board meetings.

Assigned – Constrained by intent to be or used for specific purpose. The Township's Assigned Fund Balance is fund balance reporting occurring by Township authority under the direction of the Township Business Manager.

Unassigned – Residual in classification for government's general fund and includes all spendable amounts not contained in the other classifications.

For the classification of Governmental Fund balances, the Township considers an expenditure to be made from the most restrictive first when more than one classification is available.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

K. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

L. Cash and Cash Equivalents

The Township considers all cash accounts and highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

M. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which were to become effective in the current year

GASB Statement No. 91, Conduit Debt Obligations – The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice with (1) commitments extended by issues, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this statement are effective for periods beginning after December 15, 2020 and were early implemented by the Borough as of January 1, 2020 with no effect on financial statements presentation or disclosure.

GASB Statement No. 92, Omnibus 2020 – The objective of this statement is to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of this statement are predominately effective for periods beginning after June 15, 2020 and were early implemented by the Borough as of January 1, 2020 with minimal effect on financial statement presentation or disclosure.

GASB Statement No. 93, Replacement of Interbank Offered Rates –The objective of this statement is to address accounting, presentation, and disclosure implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). The provisions of this statement are predominately effective for periods beginning after June 15, 2020 and were early implemented by the Borough as of January 1, 2020 with no effect on financial statement presentation or disclosure.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance – The objective of this statement is to provide temporary relief to government and other stakeholders in light of the COVID-19 pandemic, postponing the implementation date for several recent statements. The provisions of this statement were effective immediately and were implemented by the Borough as of January 1, 2020 with no effect on financial statement presentation or disclosure.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

N. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Debt issuance costs, except any portion related to prepaid insurance costs, are reported as debt service expenditures in the period incurred.

**NOTE 2 – BUDGET BASIS OF ACCOUNTING**

Smithfield Township prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Township's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

At December 31, 2020, the carrying amounts of the Township's deposits were \$3,215,838 and the bank balances were \$3,277,723. The Township's depositories are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. section 3836-1et seq.) and therefore the Township does not have any uncollateralized deposits as of December 31, 2020.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon the Pennsylvania Pledge Act 72 (72 P.S. section 3836-1et seq.). The act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

The table presented below is designed to disclose the level of custodial credit risk assumed by the Township based on how its deposits were insured or secured with collateral at December 31, 2020. The comparison relates to the primary government only. The categories and related deposits are defined as follows:

<b>Categories</b>	<b>Deposits held in financial institutions</b>
Category 1 – Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Township or by its agent in its name.	\$ 527,020
Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.	-
Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Township's name; or properly collateralized with no written and approved collateral agreement.	<u>2,750,703</u>
<b>TOTAL</b>	<u><u>\$ 3,277,723</u></u>

**SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020**

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**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

Investments

State laws authorize the Township to invest with the Pennsylvania Local Government Investment Trust (PLGIT), deposits in savings accounts or time deposits of institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), certificates of deposit purchased from institutions insured by the FDIC, and obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania.

The Township maintains investments with the PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share, and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. The Township treats their PLGIT as cash equivalents on the statement of net position and fund balance statements.

As of December 31, 2020, the Township had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PLGIT Money Market Funds	\$ 163,113
<b>Total Investments</b>	<b>\$ 163,113</b>

**NOTE 4 – FUND BALANCE CLASSIFICATIONS**

At December 31, 2020 the governmental-type funds reported restricted balance of \$141,080. The State Liquid Fuels fund reported restricted fund balance of \$141,080, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets. Assigned funds of \$37,368 are designated as assigned for expenditures related to that fund.

**NOTE 5 – PROPERTY TAXES**

Based upon taxable assessed valuation provided by the County (approximately \$689,766,211 in 2020), the Township bills and collects its own property taxes through an appointed tax collector. The Township's tax rate for all purposes for 2020 was 0.616 mills (\$0.616 per \$1,000 of assessed valuations). The schedule for property taxes levied for 2020 is as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

**NOTE 6 – CAPITAL ASSETS**

A summary of the changes in governmental-type activities fixed assets for the year ended December 31, 2020 is as follows:

	<u>Balance 1/1/20</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 12/31/20</u>
<b><u>Governmental Activities:</u></b>				
<i>Assets not being depreciated:</i>				
Land	\$ 130,527	\$ -	\$ -	\$ 130,527
Construction in process	18,916	148,928	-	167,844
<i>Assets being depreciated:</i>				
Buildings and improvements	6,192,858	-	-	6,192,858
Land improvements	1,260,750	-	-	1,260,750
Vehicles and transportation equipment	894,510	85,484	-	979,994
Office equipment	32,800	5,436	-	38,236
Machinery and equipment	718,190	111,205	-	829,395
Infrastructure	2,241,774	189,030	-	2,430,804
<b>Total Capital Assets</b>	<u>11,490,325</u>	<u>540,083</u>	-	<u>12,030,408</u>
<b>Less: accumulated Depreciation</b>	<u>3,914,984</u>	<u>331,395</u>	-	<u>4,246,379</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,575,341</u>	<u>\$ 208,688</u>	<u>\$ -</u>	<u>\$ 7,784,029</u>

Depreciation expense of \$331,395 in the governmental activities was charged to the general government and administration area expenses because the Township chooses not break down the expenses into functional areas.

**NOTE 7 – LONG-TERM DEBT AND LIABILITIES**

**General Obligation Bond**

**Series of 2015** - General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Township. General obligation bonds require the Township to compute, at the time property taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The Township is in compliance with this requirement. The Township signed a bond purchase agreement on March 24, 2015, to refinance the Series 2010 Bond Issue with the issuance of General Obligation Bonds, Series of 2015 dated April 30, 2015. The original amount of the Series 2015 Bond Issue was \$6,250,000. The Township has an agreement with Smithfield Sewer Authority for the Authority to reimburse the Township annually for both the principal and interest portions of the Authority's debt that was refinanced. The Authority's portion of the remaining \$3,290,000 Series 2015 Bond Issue is \$1,375,000 at December 31, 2020.

The Township's long-term bond debt activity for the year ended December 31, 2020 is summarized as follows:

	<u>Balance 1/1/20</u>	<u>Retirements/ Payments</u>	<u>Balance 12/31/20</u>	<u>Due Within One Year</u>
Series 2015 Bond Issue	<u>\$ 3,915,000</u>	<u>\$ 625,000</u>	<u>\$ 3,290,000</u>	<u>\$ 640,000</u>
<b>Total Governmental</b>	<u>\$ 3,915,000</u>	<u>\$ 625,000</u>	<u>\$ 3,290,000</u>	<u>\$ 640,000</u>

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 7 – LONG-TERM DEBT AND LIABILITIES - continued**

The following table lists the maturity repayment requirements and annual interest rates for General Obligation Bonds:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Annual Interest %</u>
2021	\$ 640,000	\$ 68,423	\$ 708,423	2.000%
2022	665,000	55,373	720,373	2.000%
2023	665,000	42,073	707,073	2.000%
2024	205,000	32,911	237,911	2.000%
2025	210,000	27,828	237,828	2.000%
2026-2029	905,000	52,503	957,503	2.000%-2.900%
Totals	<u>\$ 3,290,000</u>	<u>\$ 279,111</u>	<u>\$ 3,569,111</u>	

**Direct Borrowings and Direct Placements**

**Business Loan – First National Bank** – The Township finalized a loan on September 14, 2020 in the amount of \$125,000 for the purchase of a property at 274 Marshalls Creek, East Stroudsburg, PA. The loan has a term of 5-years, with a fixed interest rate of 2.49%. Payments of \$2,221 are paid monthly. Collateral on the loan is the full faith, credit, and taxing authority of the Township. Covenants on the loan include: books and records are maintained in accordance with GAAP, applied on a consistent basis; maintain required insurances on the property; pay and discharge all taxes when due; and permit lender to inspect the property and examine or audit the books and records of the Township.

In the event of default, all commitments and obligations of the Lender will immediately terminate and all indebtedness will become due and payable, all without notice of any kind to the Township. There is a prepayment penalty of 2% of the loan balance if refinanced with another bank.

The Township's long-term loan debt activity for the year ended December 31, 2020 is summarized as follows:

	<u>Balance 1/1/20</u>	<u>Issues/ Additions</u>	<u>Retirements/ Payments</u>	<u>Balance 12/31/20</u>	<u>Due Within One Year</u>
FNB Loan	\$ -	\$ 125,000	\$ 3,866	\$ 121,134	\$ 23,940
<b>Total Governmental</b>	<u>\$ *</u>	<u>\$ 125,000</u>	<u>\$ 3,866</u>	<u>\$ 121,134</u>	<u>\$ 23,940</u>

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 7 – LONG-TERM DEBT AND LIABILITIES - continued**

The following table lists the maturity repayment requirements and annual interest rates for business loan:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 23,940	\$ 2,743	\$ 26,683
2022	24,542	2,141	26,683
2023	25,160	1,523	26,683
2024	25,792	891	26,683
2025	21,700	352	22,052
Totals	<u>\$ 121,134</u>	<u>\$ 7,650</u>	<u>\$ 128,784</u>

**Compensated Absences**

Compensated Absences represent the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid. The retirement of this liability is paid from the General Fund. Vacation time must be used by the end of June in the following year, sick time may accumulate up to 120 hours.

**NOTE 8 – DUE FROM SMITHFIELD SEWER AUTHORITY**

The Township has an agreement with Smithfield Sewer Authority which requires the Authority to fund the portion of the Township's 2015 bond issuance obligations related to the portion of debt that satisfied the Authority's prior bond issuance. The Township's Supervisors agreed in 2004 to issue bonds, with the majority of the proceeds paying the prior obligations of the Authority. When the Township refinanced the 2004 bond the Authority's portion of the bond obligation increased accordingly. The following is a summary of the obligation due to the Township:

	<u>Balance 1/1/20</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Balance 12/31/20</u>	<u>Due Within One Year</u>
Due from Authority	<u>\$ 1,815,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 1,375,000</u>	<u>\$ 450,000</u>

The following table lists the annual requirements from Smithfield Sewer Authority:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 450,000	\$ 23,000	\$ 473,000
2022	460,000	13,900	473,900
2023	465,000	4,650	469,650
Totals	<u>\$ 1,375,000</u>	<u>\$ 41,550</u>	<u>\$ 1,416,550</u>

The Authority also transferred \$36,300 to the Township to cover bond interest requirements for 2020.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 9 – AMORTIZATION OF BOND DISCOUNTS AND PREMIUMS**

The Township incurred amortizable discounts and premiums in 2015, related to the issuance of its bonds, which were amortized over the term of the bonds. Resulting from the Bond refinance on March 2, 2010 were new amortizable discounts and premiums.

The following summarizes the amortization of the above discounts and premiums for the year ended December 31, 2020:

	<u>Original Amount</u>	<u>Accumulated Amortization 1/1/20</u>	<u>Amortization Expense 2020</u>	<u>Accumulated Amortization 12/31/20</u>
Original issue discount	\$ 21,816	\$ (6,329)	\$ (1,616)	\$ (7,945)
Original issue premium	(42,259)	12,261	3,130	15,391
<b>Totals</b>	<u>\$ (20,443)</u>	<u>\$ 5,932</u>	<u>\$ 1,514</u>	<u>\$ 7,446</u>

**NOTE 10 – CAPITAL LEASE**

On October 28, 2016, the Township entered into a capital lease with PACCAR for the purchase of a 2017 Model 348 Peterbilt dump truck. The lease purchase amount is \$154,706, and the payments required are 5 annual payments of \$33,680.55 including interest at a nominal annual rate of 4.431%. The lease was paid off in the current year.

The following is a summary of the Township's capital lease transactions:

	<u>Balance 01/01/20</u>	<u>Additions</u>	<u>Principal Reductions</u>	<u>Balance 12/31/20</u>
Capital Lease - Truck	\$ 32,251	\$ -	\$ 32,251	\$ -
<b>Totals</b>	<u>\$ 32,251</u>	<u>\$ -</u>	<u>\$ 32,251</u>	<u>\$ -</u>

**NOTE 11 – NON-UNIFORM PENSION**

Plan Description

General: The Smithfield Township pension plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance 213, dated 11/12/13. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans.

Plan Membership

Membership is mandatory for full-time officers and employees of the Township. Credited service begins to accrue as of the enrollment date, which is the date of hire, or upon the expiration of the Member's probationary status, whichever is more recent. A member shall vest upon the completion of one year of credited service.

The plan provides retirement, disability and death benefits to plan members and their beneficiaries equal to a single life annuity starting on the effective date of retirement with a present value equal to the Member's Accumulated Deductions and municipal contributions made on behalf of the Member. Members are eligible for retirement upon the attainment sixty-two (62) years of age.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 11 – NON-UNIFORM PENSION - continued**

Contributions

In accordance with the Plan's governing Ordinance or Resolution as applicable, members are not required to contribute to the plan, but may elect to contribute up to 20% of compensation. These contributions are deducted from payroll, and treated as taxed at the time they are made to the System, will be tracked separately, and will not be treated as taxable when paid out to the Member.

The Township is required to contribute \$750 to each member per quarter (\$3,000 annually), and may annually elect to contribute at a higher amount in future years by adopting a resolution and filing a copy of it with the Board. For year ending December 31, 2020, the Township approved an additional \$695 for each active member. For the year ending December 31, 2020, total pension expense, including the minimum municipal obligation (MMO) is \$37,378.

**NOTE 12 – INTERFUND TRANSFERS**

The Township transfers funds between funds periodically to allocate revenues and to cover expenditures. Interfund transfers are approved at public meetings of the Supervisors. Interfund transfers during the year ended December 31, 2020, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Park Fund	\$ 44,651	\$ 9,677
Highway Fund	53,801	-
Special Project Fund	-	159,174
Community Garden Fund	-	2,083
Capital Project Fund	-	45,016
PLGIT GO Fund	-	820
General Fund	216,770	98,452
<b>Total</b>	<u>\$ 315,222</u>	<u>\$ 315,222</u>

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

Grants and Cost-Reimbursable Contracts

The Township participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any disbursements that may be disallowed, pursuant to the terms of these grant programs.

**NOTE 14 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2020 year. No settlements have exceeded insurance coverage for the prior three years, a settlement amounts in the current year is as follows:

On August 7, 2020 a settlement of litigation occurred with First National Community Bank and Eagle Ridge Planned Community Homeowners Association in the amount of \$25,000, releasing the original Letter of Credit dated October 24, 2005 back to the bank. This case is now over with no further exposure to the Township.



**NOTE 15 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Township's management has evaluated events and transactions subsequent to December 31, 2020 through September 16, 2020, the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Events Topics of the FASB Accounting Standards Codification, the Township's management has identified the following:

- The American Rescue Plan Act of 2021, signed by the United States President, has allocated funding to local government units to support COVID-19 response efforts, replace lost revenue, support economic stabilization for households, businesses, and address systemic public health and economic challenges. Half of these funds were disbursed by Monroe County, and received by the Township, in the amount of \$395,545 in July 2021, with the remaining half to be released one year later. These funds are restricted and cannot be spent until Board approval is received on elected project uses. The Township has not yet voted on the use of these funds.
- In June 2021 the Township ratified the payoff of the First National Bank loan in the amount of \$111,602.

**REQUIRED SUPPLEMENTARY INFORMATION**

SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,711,100	\$ 1,711,100	\$ 1,724,962	\$ 13,862
Licenses, permits and fees	152,340	152,340	154,328	1,988
Fines, forfeitures and penalties	1,250	1,250	1,294	44
Interest	26,000	26,000	20,487	(5,513)
Rental income	34,725	34,725	35,138	413
Intergovernmental	106,300	106,300	312,723	206,423
Charges for services	188,475	188,475	205,571	17,096
Miscellaneous	3,300	3,300	3,491	191
<b>Total Revenues</b>	<u>2,223,490</u>	<u>2,223,490</u>	<u>2,457,994</u>	<u>234,504</u>
<b>Other Financing Sources</b>				
Debt proceeds	125,000	125,000	125,000	-
Interfund operating transfers in	211,600	211,600	216,770	5,170
Transfers from Authority for debt	476,300	476,300	476,300	-
<b>Total Other Financing Sources</b>	<u>812,900</u>	<u>812,900</u>	<u>818,070</u>	<u>5,170</u>
<b>Total Revenues and Other Financing Sources</b>	<u>3,036,390</u>	<u>3,036,390</u>	<u>3,276,064</u>	<u>239,674</u>
<b>Expenditures</b>				
General government	532,904	532,904	578,969	(46,065)
Public safety and protective inspection	265,600	265,600	291,245	(25,645)
Public works - other	298,550	298,550	327,987	(29,437)
Highways and streets	534,549	534,549	554,205	(19,656)
Water system	784	784	784	-
Parks and recreation	160,759	160,759	166,093	(5,334)
Conservation of natural resources	9,120	9,120	9,120	-
Debt service - principal	710,961	710,961	661,118	49,843
Debt service - interest	39,481	39,481	89,327	(49,846)
Payroll taxes	53,000	53,000	44,080	8,920
Pension	33,142	33,142	37,378	(4,236)
Insurance	124,860	124,860	56,630	68,230
Employee benefits	217,573	217,573	264,482	(46,909)
<b>Total Expenditures</b>	<u>2,981,283</u>	<u>2,981,283</u>	<u>3,081,418</u>	<u>(100,135)</u>
<b>Other Financing Uses</b>				
Interfund operating transfers out	105,000	105,000	98,452	6,548
Refund of prior year's revenues	-	-	-	-
<b>Total Other Financing Uses</b>	<u>105,000</u>	<u>105,000</u>	<u>98,452</u>	<u>6,548</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>3,086,283</u>	<u>3,086,283</u>	<u>3,179,870</u>	<u>(93,587)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(49,893)</u>	<u>(49,893)</u>	<u>96,194</u>	<u>\$ 146,087</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>76,893</u>	<u>76,893</u>	<u>3,030,515</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 3,126,709</u>	

**SMITHFIELD TOWNSHIP  
 MONROE COUNTY, PENNSYLVANIA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2020**

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**NOTE A – BUDGETARY COMPLIANCE**

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.

The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. All transfers of appropriations between departments and supplemental appropriations require Township Board approval.

For the year ended December 31, 2020, expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
General government	\$ 46,065
Public safety & inspection	\$ 25,645
Public works - other	\$ 29,437
Highways and streets	\$ 19,656
Parks and recreation	\$ 4,236
Employee benefits	\$ 46,909

**SUPPLEMENTARY INFORMATION**

SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
COMBINING BALANCE SHEETS - OTHER GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

	Park & Rec. Fund	Highway Fund	Special Projects Fund	Community Garden Fund	PLGIT Bond Proceeds Fund	Fairshare Road Improvement Fund	Fees in Lieu of Open Space Fund	Capital Projects Fund	Rivers Edge Bike Park Fund	Total Other Governmental Funds
<b>ASSETS</b>										
Cash	\$ 10,000	\$ 145,790	\$ -	\$ -	\$ -	\$ 10,839	\$ 6,484	\$ -	\$ 10,328	\$ 183,441
<b>TOTAL ASSETS</b>	<b>\$ 10,000</b>	<b>\$ 145,790</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,839</b>	<b>\$ 6,484</b>	<b>\$ -</b>	<b>\$ 10,328</b>	<b>\$ 183,441</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ 4,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,710
Due to other funds	-	-	-	-	-	-	-	-	283	283
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>4,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283</b>	<b>4,993</b>
<b>FUND BALANCES</b>										
Restricted	-	141,080	-	-	-	-	-	-	-	141,080
Assigned	10,000	-	-	-	-	10,839	6,484	-	10,045	37,368
<b>TOTAL FUND BALANCES</b>	<b>10,000</b>	<b>141,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,839</b>	<b>6,484</b>	<b>-</b>	<b>10,045</b>	<b>178,448</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,000</b>	<b>\$ 145,790</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,839</b>	<b>\$ 6,484</b>	<b>\$ -</b>	<b>\$ 10,328</b>	<b>\$ 183,441</b>

SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Park & Rec. Fund	Highway Fund	Special Projects Fund	Community Garden Fund	PLGIT Bond Proceeds Fund	Fairshare Road Improvement Fund	Fees in Lieu of Open Space Fund	Capital Projects Fund	Rivers Edge Bike Park Fund	Total Other Governmental Funds
<b>Revenues</b>										
Interest income	\$ -	\$ 795	\$ 489	\$ -	\$ 7	\$ 51	\$ 31	\$ 396	\$ 108	\$ 1,877
Intergovernmental income	-	326,160	-	-	-	-	-	-	-	326,160
Donations	2,054	-	-	-	-	-	-	-	-	2,054
<b>Total Revenues</b>	<b>2,054</b>	<b>326,955</b>	<b>489</b>	<b>-</b>	<b>7</b>	<b>51</b>	<b>31</b>	<b>396</b>	<b>108</b>	<b>330,091</b>
<b>Other Financing Sources</b>										
Interfund operating transfers in	44,651	53,801	-	-	-	-	-	-	-	98,452
<b>Total Other Financing Sources</b>	<b>44,651</b>	<b>53,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,452</b>
<b>Total Revenues and Other Financing Sources</b>	<b>46,705</b>	<b>380,756</b>	<b>489</b>	<b>-</b>	<b>7</b>	<b>51</b>	<b>31</b>	<b>396</b>	<b>108</b>	<b>428,543</b>
<b>Expenditures</b>										
Highways and streets	-	247,378	-	-	-	-	-	-	-	247,378
Parks and recreation	41,233	-	-	-	-	-	-	-	-	41,233
<b>Total Expenditures</b>	<b>41,233</b>	<b>247,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288,611</b>
<b>Other Financing Uses</b>										
Interfund operating transfers out	9,677	-	159,174	2,083	820	-	-	45,016	-	216,770
<b>Total Other Financing Uses</b>	<b>9,677</b>	<b>-</b>	<b>159,174</b>	<b>2,083</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>45,016</b>	<b>-</b>	<b>216,770</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>50,910</b>	<b>247,378</b>	<b>159,174</b>	<b>2,083</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>45,016</b>	<b>-</b>	<b>505,381</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,205)</b>	<b>133,378</b>	<b>(158,685)</b>	<b>(2,083)</b>	<b>(813)</b>	<b>51</b>	<b>31</b>	<b>(44,620)</b>	<b>108</b>	<b>(76,838)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>14,205</b>	<b>7,702</b>	<b>158,685</b>	<b>2,083</b>	<b>813</b>	<b>10,788</b>	<b>6,453</b>	<b>44,620</b>	<b>9,937</b>	<b>255,286</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 10,000</b>	<b>\$ 141,080</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,839</b>	<b>\$ 6,484</b>	<b>\$ -</b>	<b>\$ 10,045</b>	<b>\$ 178,448</b>