

COOLBAUGH TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2002

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	3
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - CASH BASIS .....	4
COMBINED STATEMENT OF REVENUES , EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES - CASH BASIS .....	5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND - CASH BASIS .....	7
STATEMENT OF CASH FLOWS - SANITATION FUND .....	8
NOTES TO FINANCIAL STATEMENTS .....	9
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	17

**Patrick C. McGoldrick**  
**Certified Public Accountant**  
**P.O. Box 838**  
**Brodheadsville, PA 18322**  
**Tel: (570) 992-2954**

**INDEPENDENT AUDITORS' REPORT**

**BOARD OF SUPERVISORS**  
**COOLBAUGH TOWNSHIP**  
**TOBYHANNA, PENNSYLVANIA**

I have audited the general purpose financial statements of Coolbaugh Township as of and for the year ended December 31, 2002, as listed in the accompanying table of contents. These general purpose statements are the responsibility of Coolbaugh Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, Coolbaugh Township prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Pennsylvania which is a comprehensive basis of accounting other than generally accepted accounting principles. In my opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Coolbaugh Township, as of December 31, 2002, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated May 24, 2003 on my consideration of Coolbaugh Township's internal control structure and a report dated May 24, 2003 on its compliance with laws and regulations.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Coolbaugh Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the purpose financial statements taken as a whole.

May 24, 2003  
Brodheadsville, Pennsylvania

*Patrick C. McGoldrick*

WOLBAUGH TOWNSHIP  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND  
 ACCOUNT GROUPS - CASH BASIS  
 DECEMBER 31, 2002

	GOVERNMENTAL FUND TYPE			PROPRIETARY	FIDUCIARY	ACCOUNT GROUP			TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS			SEWER FUND	NON- UNIFORM PENSION	GENERAL LONG TERM DEBT	
SETS									
Cash and equivalents	\$2,552,335	\$286,553	-	\$ 365,138	\$446,063	\$ -	-	\$3,650,089	
Accounts receivable	-	-	-	6,739	-	-	-	6,739	
Fixed assets	-	-	-	1,059,964	-	-	7,563,034	8,622,998	
Amount to be provided for long term debt	-	-	-	-	-	1,925,000	-	1,925,000	
TOTAL ASSETS	<u>\$2,552,335</u>	<u>\$286,553</u>	<u>-</u>	<u>\$1,431,841</u>	<u>\$446,063</u>	<u>\$1,925,000</u>	<u>\$7,563,034</u>	<u>\$14,204,826</u>	
LIABILITIES & FUND EQUITY									
LIABILITIES									
Customer deposits	\$ 41,625	\$ -	\$ -	\$ -	\$ -	-	-	\$41,625	
General long-term debt	-	-	-	1,081,996	-	1,925,000	-	3,006,996	
TOTAL LIABILITIES	<u>41,625</u>	<u>-</u>	<u>-</u>	<u>1,081,996</u>	<u>-</u>	<u>1,925,000</u>	<u>-</u>	<u>3,048,621</u>	
EQUITY ACCOUNTS									
Investment in General	-	-	-	-	-	-	7,563,034	7,563,034	
Fixed Assets	-	-	-	-	-	-	-	-	
Unreserved fund									
balance	2,510,710	286,553	-	-	-	-	-	2,797,263	
Reserved fund balance	-	-	-	-	446,063	-	-	446,063	
Retained earnings	-	-	-	349,845	-	-	-	349,845	
TOTAL EQUITY	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,845</u>	<u>446,063</u>	<u>-</u>	<u>7,563,034</u>	<u>11,156,205</u>	
TOTAL ACCOUNTS									
TOTAL LIABILITIES									
AND EQUITY	<u>\$2,552,335</u>	<u>\$286,553</u>	<u>-</u>	<u>\$1,431,841</u>	<u>\$446,063</u>	<u>\$1,925,000</u>	<u>\$7,563,034</u>	<u>\$14,204,826</u>	

See accompanying notes to financial statements.

DOOLBAUGH TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 ALL GOVERNMENTAL FUND TYPES - CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GOVERNMENTAL FUND TYPE			PROPRIETARY	FIDUCIARY	TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	FUND SEWER FUND	FUND TYPE PENSIONS	
REVENUES						
Taxes	\$ 3,716,421	\$ -	\$ -	\$ -	\$ -	\$ 3,716,421
Licenses and permits	92,650	-	-	-	-	92,650
Fines and forfeits	60,672	-	-	-	-	60,672
Interest, rents and royalties	91,174	6,940	189	5,704	-	104,007
Inter-governmental revenues	303,048	245,923	-	-	-	548,971
Charges for services	424,523	-	-	116,071	-	540,594
Miscellaneous	1,818	-	-	-	-	1,818
Contributions - general fund	-	-	-	-	53,721	53,721
	<u>4,690,306</u>	<u>252,863</u>	<u>189</u>	<u>121,775</u>	<u>53,721</u>	<u>5,118,854</u>
OTHER FINANCIAL SOURCES						
Fund transfers	53,505	20,000	-	50,000	-	123,505
TOTAL REVENUES	<u>4,743,811</u>	<u>272,863</u>	<u>189</u>	<u>171,775</u>	<u>53,721</u>	<u>5,242,359</u>
EXPENDITURES						
General Government	705,410	-	-	-	-	705,410
Public Safety	2,039,868	-	-	-	-	2,039,868
Sanitation	98,467	-	-	117,308	-	215,775
Highways, roads, and streets	488,279	219,442	-	-	-	707,721
Culture/recreation	398,062	-	-	-	-	398,062
Debt service	318,962	-	-	11,297	-	330,259
Insurance, Employee benefits/miscellaneous	335,469	45	-	-	99,250	434,764
Conservation and development	9,704	-	-	-	-	9,704
TOTAL EXPENDITURES	<u>4,394,221</u>	<u>219,487</u>	<u>-</u>	<u>128,605</u>	<u>99,250</u>	<u>4,841,563</u>
OTHER FINANCING USES						
Fund transfers	70,000	5477	11,911	36,117	-	123,505
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>4,464,221</u>	<u>224,964</u>	<u>11,911</u>	<u>164,722</u>	<u>99,250</u>	<u>4,965,068</u>

See accompanying notes to financial statements.

COLBAUGH TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 ALL GOVERNMENTAL FUND TYPES - CASH BASIS - (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GOVERNMENTAL		PROPRIETARY FUND SEWER FUND	FIDUCIARY FUND PENSIONS	TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE CAPITAL PROJECTS			
REVENUES AND OTHER FINANCIAL RESOURCES OVER (UNDER)	\$279,590	\$47,899	\$7,053	(\$45,529)	\$277,291
EXPENDITURES AND OTHER FINANCING USES	2,231,120	238,654	342,792	491,592	3,315,880
END BALANCE - 01/01/02		11,722			
UND BALANCE - 12/31/02	\$2,510,710	\$286,553	\$349,845	\$446,063	\$3,593,171

See accompanying notes to financial statements.

**DOOLBAUGH TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	GENERAL FUND			SPECIAL REVENUE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$3,413,850	\$3,716,421	\$302,571	\$ -	\$ -	\$ -
Licenses and permits	83,600	92,650	9,050	-	-	-
Fines and forfeits	45,000	60,672	15,672	-	-	-
Interest, rents and royalties	102,200	91,174	(11,026)	12,000	6,940	(5,060)
Inter-governmental revenues	328,553	303,048	(25,505)	245,000	245,923	923
Charges for services	381,900	424,523	42,623	-	-	-
Miscellaneous	2,000	1,818	(182)	-	-	-
Other Financing Sources	-	53,505	53,505	20,000	20,000	-
<b>TOTAL REVENUES</b>	<b>4,357,103</b>	<b>4,743,811</b>	<b>\$386,708</b>	<b>277,000</b>	<b>272,863</b>	<b>(4,137)</b>
EXPENDITURES						
General government	960,389	705,410	254,979	-	-	-
Public safety	2,203,089	2,039,868	163,221	-	-	-
Highways, roads and streets	1,179,195	488,279	690,916	220,000	219,442	558
Culture/recreation	359,050	398,062	(39,012)	-	-	-
Conservation and development	63,350	9,704	53,646	-	-	-
Sanitation	92,860	98,467	(5,607)	-	-	-
Debt service	320,162	318,962	1,200	-	-	-
Insurance, Employee						
Benefits/Miscellaneous	324,496	335,469	(10,973)	-	45	(45)
Other financing uses	50,000	70,000	(20,000)	-	5,477	(5,477)
<b>TOTAL EXPENDITURES</b>	<b>5,552,591</b>	<b>4,464,221</b>	<b>1,088,370</b>	<b>220,000</b>	<b>224,964</b>	<b>(4,964)</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>	<b>(\$1,195,488)</b>	<b>279,590</b>	<b>1,475,078</b>	<b>\$57,000</b>	<b>47,899</b>	<b>(9,101)</b>
<b>EXPENDITURES</b>		<b>2,231,120</b>			<b>238,654</b>	
<b>FUND BALANCE - 01/01/02</b>		<b>\$2,510,710</b>			<b>\$286,553</b>	
<b>FUND BALANCE - 12/31/02</b>						

See accompanying notes to financial statements.

**COOLBAUGH TOWNSHIP  
A PROPRIETARY FUND - SEWER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	<u>\$7,053</u>
NET CASH FROM	
OPERATING ACTIVITIES	7,053
INCREASE IN ACCOUNTS RECEIVABLE	(694)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Penn Vest Loans	<u>(87,728)</u>
NET DECREASE IN CASH	(81,369)
CASH, JANUARY 1, 2002	<u>446,507</u>
CASH, DECEMBER 31, 2002	<u><u>\$365,138</u></u>

See accompanying notes to financial statements.



COOLBAUGH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coolbaugh Township accounts for its financial position and results of operations on a cash basis which is not in conformity with generally accepted accounting principles or accounting procedures recommended by the National Committee on Governmental Accounting. Generally accepted accounting principles dictate and the National Committee on Governmental Accounting recommends that the accrual method of accounting be used whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The cash basis of accounting recognizes revenues when they are collected and expense when they are paid. The Township uses several funds and accounting groups which are described below.

1. Fund Types and Account Groups

The accounts of Coolbaugh Township are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped into eight generic fund types within three broad fund categories:

Government Funds

General Fund - Used to account for all financial resources except those required to be in another fund.

Special Revenue Funds - Used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified groups. Five individual funds of Coolbaugh Township comprise this generic group: State Highway Aid, Street Lighting, Beautification, Vehicle Damage and Emergency Services.

Proprietary Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing

COOLBAUGH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency - Used to account for assets held by the Municipality in a trustee capacity for the future payment of compensation and retirement benefits to employees. The municipality has a non-uniform pension.

The combined financial statements include total columns that aggregate the financial statements of the various fund types and account groups. The columns are designated "Memorandum Only" because the totals are not comparable to a consolidation in that the interfund transactions are not eliminated.

2. Reporting Entity

All significant activities have been included in the Township's financial statements, for the year ended December 31, 2002. The following criteria regarding manifestation of oversight were considered by the Township in its evaluation of Township organizations and activities:

- Financial interdependency - The Township has responsibility for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Township.
- Election of the government authority - The locally elected Board of Supervisors is exclusively responsible for all public decisions and accountable for the decisions it makes.
- Ability to significantly operate - The Board of Supervisors has the statutory authority under the provision of the Township Code of the Commonwealth of Pennsylvania to significantly influence operations. This authority includes, but is not limited to, adoption of the budget control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.
- Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the Township management.

COOLBAUGH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

3. Basis of Accounting

The books and records of Coolbaugh Township are kept on the cash basis of accounting, which is not in conformity with generally accepted accounting principles or accounting procedures recommended by the National Committee on Governmental Accounting. Generally accepted accounting principles dictate that the National Committee on Governmental Accounting recommends that the modified accrual method be used whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The cash basis of accounting recognizes revenues when they are collected and expenses when they are paid.

4. Fixed Assets and Long-term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used by governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. They are shown at the value covered on the insurance policy. No fixed asset ledger is maintained nor is depreciation accounted for.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

5. Budget and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

COOLBAUGH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

- a. At least 30 days prior to the adoption of the budget, the Board of Supervisors must begin preparation of a proposed budget.
- b. After preparation, the Board gives public notice, by advertising in a newspaper of general circulation, that the proposed budget is available for public inspection in a designated place, and the proposed budget must remain so available for 20 days after notice and before adoption.
- c. On or before December 31, the Board must finally adopt the budget.
- d. The supervisors must adopt the real estate tax resolution in sufficient time to assure delivery of the tax duplicate to the township tax collector within 30 days of the adoption of the budget.
- e. The budget lapses at the end of the year.

6. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with maturity of three months or less are considered to be cash equivalents.

7. Use of Estimates

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

8. Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

No provision is made by the Township of any accumulation of unused vacation pay nor is a provision provided for sick pay. Amounts representing other employee benefits are accrued when incurred in proprietary funds (using the accrual basis of accounting) and paid when incurred in governmental funds (using the modified accrual basis of accounting).

**NOTE 2 - CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Township considers all temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

There are three categories of credit risk that can apply to a government's bank balance:

COOLBAUGH TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name.
3. Uncollateralized.

Balances held in each category are as follows:

<u>Fund Type</u>	<u>12/31/02 Bank Balance</u>	<u>12/31/02 Carrying Amount</u>	<u>Allowed By Law</u>	<u>FDIC Coverage</u>	<u>Risk Category</u>
<u>General</u>					
Checking	\$ 760,346	\$ 717,401	Y	Y	1
Savings	<u>1,834,934</u>	<u>1,834,934</u>	Y	N	3
	2,595,280	2,552,335			
<u>Special Revenues</u>					
Checking	4,503	4,503	Y	Y	1
Savings	<u>282,050</u>	<u>282,050</u>	Y	N	3
	286,553	286,553			
<u>Proprietary</u>					
Checking	375,069	281,345	Y	N	3
Savings	<u>2,538</u>	<u>83,793</u>	Y	N	3
	377,607	365,138			
<u>Capital Reserve</u>					
Checking	-	-	Y	N	3
<u>Fiduciary</u>					
Savings	<u>446,063</u>	<u>446,063</u>			
<b>TOTALS</b>	<b><u>\$3,705,503</u></b>	<b><u>3,650,089</u></b>	Y	N	3

**NOTE 3 - PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on March 1<sup>st</sup> and payable by April 30<sup>th</sup> at discount, June 30<sup>th</sup> at face or December 31<sup>st</sup> at penalty rate. They are turned over to Monroe county for collection after January 31<sup>st</sup>. They are collected by a tax collector and remitted to the Township. Property tax revenues are recognized when levied to the extent that they result in current receivables.

COOLBAUGH TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002

**NOTE 4 - CHANGES IN PROPERTY AND EQUIPMENT**

	BALANCE <u>1/1/02</u>	ADDITIONS	RETIREMENTS	BALANCE <u>12/31/02</u>
PROPRIETARY FUND				
Sewer Fund	\$ 1,059,964	\$ -	\$ -	\$1,059,964
GENERAL FIXED ASSETS GROUP	<u>6,985,759</u>	<u>577,275</u>	-	<u>7,563,034</u>
	<u>\$8,045,723</u>	<u>\$577,275</u>	<u>-</u>	<u>\$8,622,998</u>

**NOTE 5 - CHANGES IN LONG-TERM DEBT**

The following is a summary of debt transactions of the Township for the year ended December 31, 2002.

	BALANCE <u>1/1/02</u>	ADDITIONS	RETIREMENTS	BALANCE <u>12/31/02</u>
PROPRIETARY FUND				
Sewer	\$1,169,724	\$ -	\$ 87,728	\$1,081,996
GENERAL LONG- TERM DEBT: Revenue Bond Series - 1998	2,160,000	-	235,000	1,925,000
TOTAL	<u>\$3,329,724</u>	<u>\$ -</u>	<u>\$322,728</u>	<u>\$3,006,996</u>

The annual requirements to amortize debt outstanding as of December 31, 2002 are as follows:

YEAR <u>ENDING</u>	
2003	\$333,610
2004	339,501
2005	355,399
2006	366,307
2007	377,225
2008 & after	<u>1,234,954</u>
	<u>\$3,006,996</u>

COOLBAUGH TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002

**NOTE 6 - COOLBAUGH TOWNSHIP NON-UNIFORM PENSION PLAN**

**DESCRIPTION OF PLAN**

A. General - The Coolbaugh Township Non-uniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of the Principal Financial Group Prototype Basic Defined Contribution Plan Document used with an adoption agreement approved on October 26, 1992. The plan is governed by the Board of Township Supervisors who are responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to the Principle Mutual Life Insurance Company.

B. Plan Membership - As of December 31, 2002, the pension plan's membership consisted of:

Active Employees	11
Retired and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
TOTAL	<u><u>13</u></u>

C. Benefit Provisions - As of December 31, 2002, the pension plan's benefit provisions were as follows:

Eligibility Requirements

Normal Retirement - Attainment of age 65;

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

Vesting - 100 percent after five years of vesting service;

Retirement Benefit

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

COOLBAUGH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

Survivor Benefit

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

Disability Benefit

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

Members' Contribution

Amount or Rate - Voluntary contributions allowed;

Interest Rate Credited to Members' Contributions - Member contributions are applied according to the investment selections of the member. Interest rates and rates of return vary depending on the selections each member makes.

- D. FUNDING POLICY - Active members are not required to contribute to the plan. The municipality has chosen to contribute at a rate of seven percent of annual pay for each eligible plan member. The plan document provides for a discretionary funding provision, the specific funding percentage is found in the township ordinance.

The pension plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The plan's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain investment income, contributions, and related assets are recognized when received rather than when earned, and certain benefit payments and other expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles, which require the accrual basis of accounting.
- B. Valuation of Investments - The pension plan's unallocated insurance contracts at December 31, 2002 are valued at market value. Consequently, the investment account is adjusted for unrealized gains and unrealized losses.



**Patrick C. McGoldrick**  
**Certified Public Accountant**  
**P.O. Box 838**  
**Brodheadsville, PA 18322**  
**Tel: (570) 992-2954**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors  
Coolbaugh Township  
Tobyhanna, PA

I have audited the general purpose financial statements of Coolbaugh Township, as of and for the year ended December 31, 2002, and have issued my report thereon dated May 24, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Coolbaugh Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Coolbaugh Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Township Supervisors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brodheadsville, Pennsylvania  
May 24, 2003

*Patrick McGoldrick*