

COOLBAUGH TOWNSHIP
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS AT DECEMBER 31, 2003

COOLBAUGH TOWNSHIP
Index to Financial Statements
As at December 31, 2003

Independent Auditor's Report

Combined Balance Sheet - All Fund Types and Account Groups -
Modified Cash Basis as at December 31, 2003 Exhibit A

Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - All Governmental Fund Types - Modified Cash Basis
for the year ended December 31, 2003 Exhibit B

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund and Special Revenue Funds - Modified
Cash Basis for the year ended December 31, 2003 Exhibit C

Statement of Revenues, Expenses, and Changes in Fund Balance -
Proprietary Fund Types - Modified Cash Basis for the year ended
December 31, 2003 Exhibit D

Statement of Cash Flows - Proprietary Fund Types - Modified Cash
Basis - for the year ended December 31, 2003 Exhibit E

Notes to Financial Statements

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*

Supplementary Information:

Schedules of Expenditures - General and Special Revenue Funds -
Budget and Actual - Modified Cash Basis for the
year ended December 31, 2003 Schedule 1



11 Knob Road, P.O. Box 171
Mt. Pocono, PA 18344
(570) 839-7183
Fax: (570) 839-8491
E-Mail: jjrmpo@ptd.net

John J. Riley, CPA
Gary A. Hazen, CPA
Paul V. Conforti, CPA
Scott A. Miller, CPA, CFE

1298 N. 9th Street, P.O. Box 1049
Stroudsburg, PA 18360
(570) 424-0667
Fax: (570) 424-6715
E-Mail: jjrstbg@ptd.net

Robert M. Serfass, CPA
Debra A. Borger, CPA
Doreen Tondt, CPA
David S. Markle, CPA
Kathryn M. Staph, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Coolbaugh Township
Tobyhanna, PA 18466

We have audited the general purpose financial statements of Coolbaugh Township as at and for the year ended December 31, 2003, as listed in the accompanying index. These general purpose financial statements are the responsibility of the management of Coolbaugh Township. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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. We believe that our audit provides a reasonable basis for our opinion.

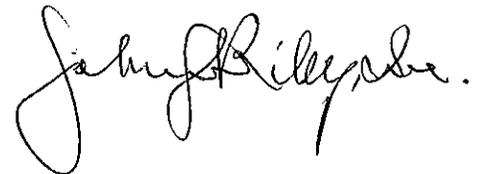
As described in Note 1, Coolbaugh Township prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Also, as described in Note 1, the Township has recorded property and equipment purchased prior to January 1, 2003 at insured values. In addition, depreciation expense, for the proprietary fund, is not being recorded for property and equipment purchased prior to January 1, 2003. In our opinion, the estimated cost of property and equipment purchased prior to January 1, 2003 needs to be determined by an independent source and depreciation expense should be recorded for all proprietary fund property and equipment. The effects of the preceding practice on the Township's general purpose financial statements are not reasonably determinable at this time.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheet - modified cash basis and revenues, expenditures, and changes in fund balance - modified cash basis of Coolbaugh Township as at December 31, 2003, and the revenues it received and expenditures it paid for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2004 on our consideration of Coolbaugh Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Coolbaugh Township. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Mt. Pocono, PA 18344
March 7, 2004

COOLBAUGH TOWNSHIP
 Combined Balance Sheet - All Funds Types and Account Groups - Modified Cash Basis
 As at December 31, 2003

Exhibit A

	General Fund	Special Revenue Funds	Proprietary Fund	Agency Fund	General Fixed Asset Account Group	General Long-Term Debt Account Group	Totals (Memorandum Only)
Assets and Other Debits:							
Cash and cash equivalents - Note 2	\$2,004,874	\$563,534	\$189,351	\$90,116	\$0	\$0	\$2,847,875
Interfund receivables / payables	7,341	0	(7,341)	0	0	0	0
Property and equipment - Note 4	0	0	1,238,307	0	8,591,757	0	9,830,064
Amount to be provided for compensated absences	0	0	0	0	0	11,440	11,440
Amount to be provided for retirement of long-term debt	0	0	0	0	0	2,259,770	2,259,770
Total Assets and Other Debits	\$2,012,215	\$563,534	\$1,420,317	\$90,116	\$8,591,757	\$2,271,210	\$14,949,149
Liabilities:							
Current portion of long-term debt	\$0	\$0	\$89,500	\$0	\$0	\$0	\$89,500
Amounts held on behalf of others	0	0	0	90,116	0	0	90,116
Long-term debt - Note 5	0	0	903,879	0	0	2,271,210	3,175,089
Total Liabilities	0	0	993,379	90,116	0	2,271,210	3,354,705
Equity and Other Credits:							
Invested in general fixed assets	0	0	0	0	8,591,757	0	8,591,757
Unreserved fund balance	2,012,215	0	426,938	0	0	0	2,439,153
Unreserved fund balance - Restricted	0	563,534	0	0	0	0	563,534
Total Equity and Other Credits	2,012,215	563,534	426,938	0	8,591,757	0	11,594,444
Total Liabilities, Equity, and Other Credits	\$2,012,215	\$563,534	\$1,420,317	\$90,116	\$8,591,757	\$2,271,210	\$14,949,149

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

COOLBAUGH TOWNSHIP
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types - Modified Cash Basis
 For the Year Ended December 31, 2003

Exhibit B
 Page 1

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Property taxes	\$2,418,759	\$0	\$2,418,759
Earned income taxes	1,650,716	0	1,650,716
Fines and forfeits	51,901	0	51,901
Licenses and permits	130,634	0	130,634
Intergovernmental	300,507	250,791	551,298
Charges for services	247,265	0	247,265
Interest, rents, and royalties	59,241	4,660	63,901
Miscellaneous	<u>20,041</u>	<u>1,530</u>	<u>21,571</u>
Total Revenues	<u>4,879,064</u>	<u>256,981</u>	<u>5,136,045</u>
Expenditures:			
General government	908,258	0	908,258
Public safety	2,003,340	0	2,003,340
Public works	1,101,349	0	1,101,349
Culture and recreation	480,426	0	480,426
Community development	10,375	0	10,375
Miscellaneous	431,276	0	431,276
Debt Service:			
Principal - Note 5	53,382	0	53,382
Interest	<u>25,736</u>	<u>0</u>	<u>25,736</u>
Total Expenditures	<u>5,014,142</u>	<u>0</u>	<u>5,014,142</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(\$135,078)</u>	<u>\$256,981</u>	<u>\$121,903</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

COOLBAUGH TOWNSHIP
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types - Modified Cash Basis
 For the Year Ended December 31, 2003

Exhibit B
 Page 2

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals (Memorandum Only)</u>
Other Financing Sources (Uses):			
Proceeds from sale of fixed assets	\$15,190	\$0	\$15,190
Interfund transfers	(103,758)	20,000	(83,758)
Proceeds from the issuance of debt	1,765,000	0	1,765,000
Payments to escrow agent	(1,966,271)	0	(1,966,271)
Bond issuance costs	<u>(48,201)</u>	<u>0</u>	<u>(48,201)</u>
Net Other Financing Sources (Uses)	<u>(338,040)</u>	<u>20,000</u>	<u>(318,040)</u>
Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(473,118)	276,981	(196,137)
Fund Balances - Beginning of the Year	<u>2,485,333</u>	<u>286,553</u>	<u>2,771,886</u>
Fund Balances - End of the Year	<u>\$2,012,215</u>	<u>\$563,534</u>	<u>\$2,575,749</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

COOLBAUGH TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund and Special Revenue Funds - Modified Cash Basis
For the Year Ended December 31, 2003

	General Fund		Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Revenues:					
Property taxes	\$2,254,998	\$2,418,759	\$0	\$0	\$0
Earned income taxes	1,200,000	1,650,716	0	0	0
Fines and forfeits	46,250	51,901	0	0	0
Licenses and permits	90,600	130,634	0	0	0
Intergovernmental	341,650	300,507	251,137	250,791	(346)
Charges for services	125,250	247,265	0	0	0
Interest, rents, and royalties	65,500	59,241	2,500	4,660	2,160
Miscellaneous	5,000	20,041	0	1,530	1,530
Total Revenues	4,129,248	4,879,064	253,637	256,981	3,344
Expenditures - Schedule 1:					
General government	1,316,648	908,258	0	0	0
Public safety	2,079,860	2,003,340	0	0	0
Public works	1,617,161	1,101,349	264,283	0	264,283
Culture and recreation	446,650	480,426	0	0	0
Community development	56,600	10,375	0	0	0
Debt service	320,642	79,118	0	0	0
Miscellaneous	423,307	431,276	0	0	0
Total Expenditures	6,260,868	5,014,142	264,283	0	264,283
Excess (Deficiency) of Revenues Over Expenditures	(\$2,131,620)	(\$135,078)	(\$10,646)	\$256,981	\$267,627

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

JOHN J. RILEY, INC.

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

COOLBAUGH TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund and Special Revenue Funds - Modified Cash Basis
 For the Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):						
Proceeds from sale of fixed assets	\$15,000	\$15,190	\$190	\$0	\$0	\$0
Interfund transfers	(50,000)	(103,758)	(53,758)	0	20,000	20,000
Proceeds from the issuance of debt	0	1,765,000	1,765,000	0	0	0
Payments to escrow agent	0	(1,966,271)	(1,966,271)	0	0	0
Bond issuance costs	0	(48,201)	(48,201)	0	0	0
Net Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(338,040)</u>	<u>(303,040)</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(\$2,166,620)</u>	<u>(\$473,118)</u>	<u>\$1,693,502</u>	<u>(\$10,646)</u>	<u>\$276,981</u>	<u>\$287,627</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

COOLBAUGH TOWNSHIP
Statement of Revenues, Expenses, and Changes in Fund Balance
Proprietary Fund Types - Modified Cash Basis
For the Year Ended December 31, 2003

Exhibit D

Revenues:	
Fines and forfeits	<u>\$112,549</u>
Operating Expenses:	
Engineering services	43,555
Contracted services	27,500
Sludge hauling	15,069
Sewer plant operating	35,804
Depreciation	2,258
Interest	<u>10,408</u>
Total Operating Expenses	<u>134,594</u>
Operating Income (Loss)	<u>(22,045)</u>
Nonoperating Revenues:	
Interfund transfers	103,758
Interest income	<u>2,119</u>
Total Nonoperating Revenues	<u>105,877</u>
Net Income (Loss)	83,832
Fund Balance at Beginning of Year	<u>343,106</u>
Fund Balance at End of Year	<u>\$426,938</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith.

JOHN J. RILEY, INC.

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

COOLBAUGH TOWNSHIP
Statement of Cash Flows
Proprietary Fund Types - Modified Cash Basis
For the Year Ended December 31, 2003

Exhibit E

Cash Flows from Operating Activities:	
Net income (loss)	\$83,832
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,258
Change in payable to General Fund	7,341
Interest Income	<u>(2,119)</u>
Net Cash Provided (Used) by Operating Activities	<u>91,312</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for the purchase of property and equipment	(180,601)
Principal payments on long-term debt	<u>(88,617)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(269,218)</u>
Cash Flows from Investing Activities:	
Interest income	<u>2,119</u>
Increase (Decrease) in Cash	(175,787)
Cash at Beginning of Year	<u>365,138</u>
Cash at End of Year	<u>\$189,351</u>

The "Notes to Financial Statements" are an integral part of
these statements and should be read in conjunction therewith.

JOHN J. RILEY, INC.

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 1: Summary of Significant Accounting Policies:

Nature of the Government

Coolbaugh Township is a Second Class Township of Monroe County, Commonwealth of Pennsylvania. The citizens elect a governing board of supervisors. The Township maintains roads, infrastructure, and a public park within its legal boundaries.

Basis of Presentation - Fund Accounting

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 fund types and account groups utilized by the Township and a brief description are as follows:

- A. Governmental Fund Types - These are the funds that account for most governmental functions. The funds included in this category are:

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. Two individual funds of Coolbaugh Township comprise this generic group: State Highway Aid, and Emergency Services.

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

Sewer Fund - Used to account for the revenues and expenses relating to the Township's central sewer system.

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 1: Summary of Significant Accounting Policies: (Continued)

- C. Fiduciary Funds - Accounts for assets held by a governmental unit in a trustee capacity or as an agent on behalf of others.

Agency Fund - Used to account for deposits from contractors and developers held by the Township pending the completion of various construction projects.

- D. Account Groups - Accounts for fixed assets and long-term liabilities associated with governmental funds.

General Fixed Assets - Accounts for the Township's investment in fixed assets, except for those used in the sewer fund.

General Long-Term Debt - Accounts for the Township's long-term debt payable in future years.

Total Columns on Combined Financial Statements

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.

Reporting Entity

All significant activities have been included in the Township's financial statements, for the year ended December 31, 2003. 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.

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 1: Summary of Significant Accounting Policies: (Continued)

Reporting Entity (Continued)

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.

Using the above criteria, no organizations or entities have been determined to be component units of the Township.

Basis of Accounting

The books and records of Coolbaugh Township are kept on the modified cash basis of accounting, which is not in conformity with generally accepted accounting principles (GAAP) 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 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 modified cash basis of accounting recognizes revenues when they are collected and expenses when they are paid, except for fixed assets which are added to the General Fixed Asset Account Group and recorded and depreciated in the proprietary fund when they are purchased.

The Township applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Note 1: Summary of Significant Accounting Policies: (Continued)

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 generally only current assets and current liabilities are 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. Fixed assets purchased before January 1, 2003 are recorded at the insured value. Fixed assets purchased after January 1, 2003 are recorded at cost in the general fixed asset account group. The costs of certain infrastructure items have been added to the general fixed asset account group over time. The policy of the Township is to capitalize costs of infrastructure as they are incurred.

Fixed assets accounted for in the proprietary fund include the sewer system and related improvements. Assets acquired prior to January 1, 2003 are recorded at insured value. Assets acquired after January 1, 2003 are recorded at cost. Depreciation is not provided for assets recorded at insured values. Depreciation is recorded for assets recorded at cost. The estimated useful lives are as follows:

Sewer system and improvements	40-50 years
General	5-50 years

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.

Note 1: Summary of Significant Accounting Policies: (Continued)

Budget and Budgetary Accounting

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

- 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 budget lapses at the end of the year.

The budgetary data presented is in accordance with the cash basis of accounting, which is not in accordance with generally accepted accounting modified principles. Budget account amounts can be amended at the object level, by approval of the majority of the board of supervisors.

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.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts disclosed. Accordingly, the actual amounts could differ from those estimates.

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 1: Summary of Significant Accounting Policies: (Continued)

Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

No provision is made for the accumulation of unused vacation time. Vacation time may be carried over into the next fiscal year; however, it has to be used by March 1 of the following year. There is no provision for a payout of unused vacation time.

Sick time may be accumulated up to 720 hours. The balance of hours remaining at the time of retirement is payable at 50% of the current rate of pay.

Note 2: Cash and Cash Equivalents:

The deposits of the Township can be categorized to indicate the level of risk assumed. Category 1 includes bank balances that are insured by the Federal Deposit Insurance Corporation. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name. Category 3 includes bank balances that are collateralized in accordance with Act 72, which requires the institution to pool collateral for all its government deposits, and to have the collateral held by an approved custodian in the institution's name. The Township has no Category 2 deposits.

The Township's deposits with Pennsylvania Local Government Investment Trust (PLGIT) are not categorized. PLGIT was established solely for the benefit of local governments, school districts, and other public type entities in Pennsylvania. All investments made by PLGIT are either obligations of the United States Government or its agencies or instrumentalities, or deposits insured by the FDIC.

Deposits of the Township as at December 31, 2003, are categorized as follows:

	Category <u>One</u>	Category <u>Three</u>	<u>Uncategorized</u>	<u>Total</u>
Checking Accounts	\$100,000	\$723,053	\$0	\$823,053
PLGIT	<u>0</u>	<u>0</u>	<u>2,118,270</u>	<u>2,118,270</u>
 Total Deposits	 <u>\$100,000</u>	 <u>\$723,053</u>	 <u>\$2,118,270</u>	 <u>\$2,941,323</u>

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 2: Cash and Cash Equivalents: (Continued)

Reconciliation of Cash and Cash Equivalents with Balance Sheet:

Total Deposits	\$2,941,323
Less: Outstanding checks	<u>(93,448)</u>
Total Cash and Cash Equivalents	<u>\$2,847,875</u>

Note 3: Property Tax:

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on March 1st and payable by April 30th at discount, June 30th at factor and October 1st at penalty rate. They are turned over to Monroe County for collection after January 31st. 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.

Note 4: Property and Equipment:

The following is a summary of changes in Property and Equipment:

	<u>Balance 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2003</u>
Proprietary Fund Sewer System	\$1,059,964	\$180,601	(\$2,258)	\$1,238,307
General Fixed Assets Group	<u>6,985,759</u>	<u>1,605,998</u>	<u>0</u>	<u>8,591,757</u>
Total	<u>\$8,045,723</u>	<u>\$1,786,599</u>	<u>(\$2,258)</u>	<u>\$9,830,064</u>

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 5: Long-Term Debt:

The following is a summary of debt transactions of the Township for the year ended December 31, 2003:

	<u>Balance 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2003</u>
Proprietary Fund:				
PENNVEST Notes	\$1,081,996	\$0	\$88,617	\$993,379
General Long-Term Debt:				
Revenue Bond Series - 1998	2,160,000	0	2,160,000	0
General Obligation Bond - 2003	0	1,765,000	0	1,765,000
Mortgage Payable	<u>510,931</u>	<u>0</u>	<u>16,161</u>	<u>494,770</u>
Total Loans and Bonds	3,752,927	1,765,000	2,264,778	3,253,149
Compensated Absences	<u>11,279</u>	<u>161</u>	<u>0</u>	<u>11,440</u>
Total	<u>\$3,764,206</u>	<u>\$1,765,161</u>	<u>\$2,264,778</u>	<u>\$3,264,589</u>

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 5: Long-Term Debt: (Continued)

The annual debt service requirements related to loans and bonds outstanding as of December 31, 2003, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$367,890	\$65,926	\$433,816
2005	403,292	60,312	463,604
2006	405,097	54,967	460,064
2007	411,956	48,683	460,639
2008	418,872	41,068	459,940
2009	425,846	32,231	458,077
2010	117,881	21,981	139,862
2011	119,981	19,881	139,862
2012	122,148	17,714	139,862
2013	124,385	15,477	139,862
2014	58,276	13,439	71,715
2015	50,213	11,826	62,039
2016	35,932	10,206	46,138
2017	32,176	8,662	40,838
2018	33,788	7,049	40,837
2019	35,482	5,355	40,837
2020	37,260	3,577	40,837
2021	39,127	1,710	40,837
2022	<u>13,547</u>	<u>139</u>	<u>13,686</u>
Total	<u>\$3,253,149</u>	<u>\$440,203</u>	<u>\$3,693,352</u>

Note 6: Coolbaugh Township Non-Uniformed 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 August 7, 2001. The plan is governed by the Board of Township Supervisors who are responsible for the management of plan assets. The Coolbaugh Township Board of Supervisors has delegated the authority to manage certain plan assets to The Principal Mutual Life Insurance Company.

JOHN J. RILEY, INC.

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 6: Coolbaugh Township Non-Uniformed Pension Plan: (Continued)

B. Plan Membership - As of December 31, 2003, the pension plan's membership consisted of:

Active Employees	17
Retired and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
Total	<u>19</u>

C. Benefit Provisions - As of December 31, 2003, 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.

Survivor Benefit

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

Disability Benefit

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

Note 6: Coolbaugh Township Non-Uniformed Pension Plan: (Continued)

Member's Contribution

Amount or Rate - Voluntary contributions allowed.

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 (7%) of annual pay for each eligible plan member. The plan document provides for a discretionary funding provision, the specific funding percentage maybe found in the Township ordinance.

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

Municipal contributions made during 2003 were \$20,568. Employee contributions were \$6,344.

Note 7: Lease Revenue:

The Township has entered into lease agreements as follows:

The Township leases space to Pocono Mountain Public Library under a twenty-five-year lease at \$1 per month, for a total of \$12 per year. This lease expires December 31, 2016. The Library has the option to renew this lease for an additional ten years at a rate to be determined and agreed upon by both parties.

An amendment has been executed to the above lease to include variable annual payments to be paid by the library. Beginning August 1, 2003, continuing until to termination of the lease agreement, the amount is \$18,500 per annum. This obligation is contingent upon the millage rate for the library staying the same or increasing. If the millage rate is lowered, the amount will be renegotiated to reflect the library's new financial position. Termination is consistent with the original lease agreement.

The Township leases office space to Monroe County, to be used as a District Justice's Office, under a five-year lease at \$1,838 per month, for a total of \$22,052 per year. This lease expires December 31, 2005.

COOLBAUGH TOWNSHIP
Notes to Financial Statements
As at December 31, 2003

Note 8: Risk Management:

The Township is exposed to various risks of loss related to theft of, damages to, and destruction of assets; errors and omissions; and natural disasters. The Township has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2003, and during the two previous years, no settlements exceeded insurance coverage.



11 Knob Road, P.O. Box 171
Mt. Pocono, PA 18344
(570) 839-7183
Fax: (570) 839-8491
E-Mail: jjrmpo@ptd.net

John J. Riley, CPA
Gary A. Hazen, CPA
Paul V. Conforti, CPA
Scott A. Miller, CPA, CFE

1298 N. 9th Street, P.O. Box 1049
Stroudsburg, PA 18360
(570) 424-0667
Fax: (570) 424-6715
E-Mail: jjrstbg@ptd.net

Robert M. Serfass, CPA
Debra A. Borger, CPA
Doreen Tondt, CPA
David S. Markle, CPA
Kathryn M. Staph, CPA

**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 18466

We have audited the general purpose financial statements of Coolbaugh Township, as at and for the year ended December 31, 2003, and have issued our report thereon dated March 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Coolbaugh Township's general purpose financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our audit, we considered Coolbaugh Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our 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 cause of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Coolbaugh Township in a separate letter dated March 7, 2004.

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.



Mt. Pocono, PA 18344
March 7, 2004

COOLBAUGH TOWNSHIP

Supplementary Information

As at December 31, 2003

JOHN J. RILEY, INC.

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

COOLBAUGH TOWNSHIP

Schedule of Expenditures - General and Special Revenue Funds -

Budget and Actual - Modified Cash Basis

For the Year Ended December 31, 2003

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
General Government:						
Legislative - Governing body	\$372,038	\$81,227	\$290,811	\$0	\$0	\$0
Bookkeeping and auditing	73,710	77,915	(4,205)	0	0	0
Tax collection	61,140	65,514	(4,374)	0	0	0
Legal services	49,000	44,158	4,842	0	0	0
Secretary - Clerk	122,886	112,993	9,893	0	0	0
Engineering services	8,000	1,782	6,218	0	0	0
Building and plant	629,874	524,669	105,205	0	0	0
Total General Government	\$1,316,648	\$908,258	\$408,390	\$0	\$0	\$0
Public Safety:						
Police	\$1,542,694	\$1,490,243	\$52,451	\$0	\$0	\$0
Fire	282,480	281,850	630	0	0	0
Planning and zoning	42,136	36,755	5,381	0	0	0
Ambulance services	40,000	40,000	0	0	0	0
Emergency management	134,000	132,986	1,014	0	0	0
Other public safety	38,550	21,506	17,044	0	0	0
Total Public Safety	\$2,079,860	\$2,003,340	\$76,520	\$0	\$0	\$0

COOLBAUGH TOWNSHIP
Schedule of Expenditures - General and Special Revenue Funds -
Budget and Actual - Modified Cash Basis
For the Year Ended December 31, 2003

	General Fund		Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Public works					
General services	\$456,439	\$355,540	\$0	\$0	\$0
Winter maintenance	120,250	113,096	0	0	0
Traffic control devices	345,600	76,322	0	0	0
Storm sewers and drains	34,225	47,141	0	0	0
Road and bridge maintenance	62,990	141,410	0	0	0
Highway construction and rebuilding projects	434,550	212,607	264,283	0	264,283
Solid waste collection and disposal	110,232	95,620	0	0	0
Cleaning of Streets	8,750	4,045	0	0	0
Repairs of tools and machines	44,125	55,568	0	0	0
Total Public Works	\$1,617,161	\$1,101,349	\$264,283	\$0	\$264,283
Culture and Recreation:					
Parks	\$220,450	\$202,369	\$0	\$0	\$0
Contribution to library	201,000	239,977	0	0	0
Recreation	22,000	34,880	0	0	0
Senior citizens centers	3,200	3,200	0	0	0
Total Culture and Recreation	\$446,650	\$480,426	\$0	\$0	\$0
Community Development:					
Conservation of natural resources	\$56,600	\$10,375	\$0	\$0	\$0
Total Community Development	\$56,600	\$10,375	\$0	\$0	\$0

COOLBAUGH TOWNSHIP
 Schedule of Expenditures - General and Special Revenue Funds -
 Budget and Actual - Modified Cash Basis
 For the Year Ended December 31, 2003

Schedule 1
 Page 3

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Funds			Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	Budget	
Debt Service:							
Principal	\$319,442	\$53,382	\$266,060	\$0	\$0	\$0	\$0
Interest	<u>1,200</u>	<u>25,736</u>	<u>(24,536)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>\$320,642</u>	<u>\$79,118</u>	<u>\$241,524</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Miscellaneous Expenditures:							
Insurance premiums	\$218,700	\$204,927	\$13,773	\$0	\$0	\$0	\$0
Employee benefits not for specific functions	53,755	121,077	(67,322)	0	0	0	0
Other	<u>150,852</u>	<u>105,272</u>	<u>45,580</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Miscellaneous Expenditures	<u>\$423,307</u>	<u>\$431,276</u>	<u>(\$7,969)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>