

COOLBAUGH TOWNSHIP
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS AT DECEMBER 31, 2004

COOLBAUGH TOWNSHIP
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As at December 31, 2004

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As at December 31, 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Coolbaugh Township
Tobyhanna, PA 18466

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coolbaugh Township, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of United States. Those standards require that we 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 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 discussed 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. Coolbaugh Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the year ended December 31, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coolbaugh Township as of December 31, 2004, and the respective changes in financial position-modified cash basis thereof 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 20, 2005 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.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement #34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government* for the year ended December 31, 2004.

Management's discussion and analysis and the budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Mt. Pocono, PA 18344
March 20, 2005

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

FINANCIAL STATEMENTS

This section of the Township's Financial Report presents management's overview and analysis of the Township's financial performance for the fiscal year ended December 31, 2004. This section should be read in conjunction with the basic financial statements and the related notes.

The financial statements consist of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how the general services were financed in the short term as well as what remains for future spending. Enterprise fund financial statements offer short- and long-term financial information about the activities that the Township operates like a business. For Coolbaugh Township, this is our Sewer Fund. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. The fiduciary fund operated by the Township is the Escrow Account.

The basic financial statements also include notes to the financial statements that explain certain financial information and provide more detailed data. The statements are followed by a section of required supplementary information that includes comparison of actual results to the Township's budget for the year.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at December 31, 2004, by \$16,288,999. Of this amount, \$13,061,513 represents net assets that are invested in capital assets.
- The Township's total net assets increased by \$745,933 during 2004.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the Township as a whole using modified cash basis. The statement of net assets includes all of the government's assets and liabilities from governmental and business type activities.

The two government-wide statements report the Township's net assets and how net assets has changed. Net assets, the difference between the Township's assets and liabilities, is one way to measure the Township's financial position.

Over time, increases or decreases in the Township's net assets are an indication of whether its financial position is improving or deteriorating, respectively.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – All of the Township's basic services are included here, such as Public Safety, Public Works, General Government, and Culture and Recreation.
- Business type activities –The Township operates a Sewer System and charges fees to users to help cover the costs of the plant.

Author's Note: Readers should be aware that when comparative financial statements are presented the GASB No. 34 Implementation Guide, Question 8 clarifies that an MD&A presented in conjunction with a single year financial statement should discuss the current year in comparison to the prior year. This MD&A however, does not present a comparison because this is the first year of implementation. A comparison is not required for the first year of implementation.

Financial Analysis

As of December 31, 2004, assets exceeded liabilities by \$16,288,999. The township is a capital-intensive entity, and 80% of the net assets are invested in capital assets. The following is a summary of the Township's Statement of Net Assets.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

Summary Statement of Net Assets

Assets:	
Current assets	\$3,227,526
Capital assets	<u>15,909,945</u>
Total assets	<u>\$19,137,471</u>
Liabilities:	
Current liabilities	403,221
Noncurrent liabilities	<u>2,445,251</u>
Total liabilities	<u>\$2,848,472</u>
Net assets:	
Invested in capital assets, net of related debt	13,061,513
Restricted	
Special revenue purposes	290,360
Unrestricted	<u>2,937,126</u>
Total net assets	<u>\$16,288,999</u>

The Township's net assets increased by \$745,933 in 2004.

Summary of the Statement of Activities

Expenses

Operating expenses are most directly affected by weather conditions. One of the main services provided by the Township is the maintenance of the Township roads. These expenses are directly related to weather conditions; the more snow and ice, the higher the costs. In addition to the weather, road rehabilitation projects also vary depending on need.

The following is a summary of expenses, by function.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

Governmental Activities:

Function

General government	\$739,050
Public safety	2,166,635
Public works – Highways and streets	1,167,188
Public works – Sanitation	233,711
Culture and recreation	149,957
Community development	17,784
Debt service	62,729
Miscellaneous	<u>487,839</u>
Total	<u>\$5,024,893</u>

Business Type Activities

Function

Sewer System	<u>\$199,873</u>
Total	<u>199,873</u>
Grand Total	<u>\$5,224,766</u>

Revenues

The Township's revenues consist of program and general revenues. Program revenues consist of charges for services and operating grants and contributions. General revenues consist of property taxes, Act 511 taxes, and miscellaneous earnings.

The following is a summary of revenues for the Township.

Program Revenues	
Charges for services	\$726,827
Operating grants and contributions	<u>463,877</u>
Total Program Revenues	<u>1,190,704</u>
General Revenues	
Taxes	4,568,241
Interest, rents and royalties	90,647
Miscellaneous	<u>121,107</u>
Total General Revenues	<u>4,779,995</u>
Total	<u>\$5,970,699</u>

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

Charges for services include fees charged to residents for building and sewage permits, and sewer services. Operating grants and contributions include contributions in the amount of \$165,000 from Pocono Farms East for road improvements. The largest source of tax revenue is derived from the collection of the earned income tax. This tax is a 1% tax levied on the earned income of all residents living within the boundaries of the Township. The Township also levies a real estate tax of 5.43 mills on the assessed value of real estate within the Township.

Capital Assets

The Township's investment in capital assets as of December 31, 2004, amounted to \$15,909,945 net of accumulated depreciation. Capital assets consist of land infrastructure, buildings, vehicles, and equipment. Depreciation expense was recorded of \$973,138. Capital assets increased by 38.3 percent during the year and there were of \$893,007 of additions. Much of the increase was because the capital assets were appraised during 2004. The figures currently reflect the appraised/historical values versus in prior years the assets were stated at insured values. Other additions during the year included the purchase of a street sweeper and a large paving project.

Additional information on the Township's capital assets can be found in Note 4 to the financial statements.

Fund Financial Statements

The Township's financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required by state law.

- Governmental funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported using an accounting method called modified cash basis. Governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be available in the near future. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds financial statements is reconciled in the basic financial statements.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

- Enterprise funds – These funds are used to account for the Township's activities that are similar to business operations in the private sector; or where the reporting focus is on determining net income, financial position, or changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services they are generally reported in enterprise funds. The Sewer Fund is the Township's enterprise fund and is the business-type activity reported in the government-wide statements, but the fund financial statement provides more detail and additional information.
- Fiduciary funds – The Township is the trustee of fiduciary funds for assets that belong to others, such as the Escrow Account. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

Individual Funds Analysis

General Fund results were positive for the year. Actual revenues exceeded amounts anticipated by \$526,422. Actual expenditures were less than budgeted expectations by \$2,737,009. The General Fund is used to account for the general activities of the Township, and all activities that are not otherwise required to be reported in a separate fund.

Sewer Fund revenues remained consistent with prior years. The biggest change in the Sewer Fund's financial position during the year was due to the valuation of capital assets. This increased the recorded value of the sewer system substantially.

The Emergency Services Fund's assets remained consistent, as did its' revenues. The expenses increased due to a donation during the year of a jaws of life to the Coolbaugh Township Volunteer Fire Company.

The State Fund had no major changes in the activity during the year.

The Building Codes Fund had no activity during 2004.

In 2004, the Escrow Account assets and liabilities changed minimally.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

Budgetary Variances

Coolbaugh Township does not perform budgetary transfers, thus there are some significant differences between budget and actual figures. The areas with the largest variances are examined below:

Revenues were higher than budgeted due to a larger increase in EIT collection than anticipated.

Expenses were lower than the budgeted amounts mainly due to fewer highway and capital construction projects taking place than were budgeted for.

Both areas resulted in favorable variances for the Township.

Economic Factors and Future Outlook

- The unemployment rate for Monroe County at October 2004 was 7.2 percent, which remains higher than the state and national averages.
- Monroe County, located in eastern Pennsylvania, situated 90 miles north of Philadelphia, 75 miles west of New York City and 116 miles east of Harrisburg, continues to grow rapidly, and in fact, is the second fastest growing county in Pennsylvania. The estimated 2000 population was 138,687, compared to 95,709 in 1990. It is expected that the county will continue to grow, including Coolbaugh Township, therefore increasing the tax base.
- Proximity to major population centers combined with the natural beauty are responsible for Monroe County's No. 1 industry — tourism: roughly 80 percent of the resorts in the entire state are here.
- Construction and land development is the number two industry, directly relating to the tremendous growth in the area.
- It is expected that the Township will begin to receive County and State Grant funding for the purchase of "Open Space" land. In addition, the Township vigorously pursues all available grant funding for any purpose.
- Pocono Mountain School District will be taking half of the 1% Earned Income Tax beginning in 2006. This equates to an approximate \$850,000 loss in revenue. Real estate taxes may be increased to offset this loss.

COOLBAUGH TOWNSHIP
Management's Discussion and Analysis
For the year ended December 31, 2004

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Township Secretary, 5550 Memorial Boulevard, Tobyhanna, PA 18466.

COOLBAUGH TOWNSHIP
Statement of Net Assets - Modified Cash Basis
December 31, 2004

Exhibit A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$3,036,279	\$191,247	\$3,227,526
Internal balances	7,447	(7,447)	0
Total Current Assets	3,043,726	183,800	3,227,526
Noncurrent Assets:			
Capital assets, net of accumulated depreciation			
Land	239,842	8,140	247,982
Land improvements	415,234	4,781	420,015
Buildings and building improvements	1,110,563	0	1,110,563
Furniture and equipment	1,223,518	0	1,223,518
Infrastructure	10,905,484	2,002,383	12,907,867
Total Noncurrent Assets	13,894,641	2,015,304	15,909,945
Total Assets	16,938,367	2,199,104	19,137,471
LIABILITIES			
Current Liabilities:			
Current portion of bonds and notes payable	312,822	90,399	403,221
Total Current Liabilities	312,822	90,399	403,221
Noncurrent Liabilities:			
Bonds and notes payable	1,631,773	813,478	2,445,251
Total Noncurrent Liabilities	1,631,773	813,478	2,445,251
Total Liabilities	1,944,595	903,877	2,848,472
NET ASSETS:			
Invested in capital assets, net of related debt	11,950,086	1,111,427	13,061,513
Restricted			
Special revenue purposes	290,360		290,360
Unrestricted	2,753,326	183,800	2,937,126
Total Net Assets	\$14,993,772	\$1,295,227	\$16,288,999

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

COOLBAUGH TOWNSHIP
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

Exhibit B

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Business-Type Activities	Total
Governmental Activities:					
General government	\$739,050	\$0	\$20,000	\$0	(\$719,050)
Public safety	2,166,635	223,614	107,498	0	(1,835,523)
Public works - Highways and Streets	1,167,188	332,117	281,748	0	(553,323)
Public works - Sanitation	233,711	0	52,696	0	(181,015)
Culture and recreation	149,957	0	1,935	0	(148,022)
Community development	17,784	0	0	0	(17,784)
Debt Service	62,729	0	0	0	(62,729)
Miscellaneous	487,839	0	0	0	(487,839)
Total Governmental Activities	5,024,893	555,731	463,877	0	(4,005,285)
Business-Type Activities:					
Sewer system	199,873	171,096	0	(28,777)	(28,777)
Total Primary Government	\$5,224,766	\$726,827	\$463,877	(28,777)	(4,034,062)
General Revenues					
Taxes:					
Property taxes, levied for general purposes, net				0	2,504,614
Public utility realty, earned income taxes, other taxes levied for general purposes				0	2,063,627
Interest, rents and royalties				1,350	90,647
Miscellaneous				104,000	121,107
Total General Revenues				105,350	4,779,995
Change in Net Assets				76,573	745,933
Net Assets at Beginning of Year				1,218,654	15,543,066
Net Assets at End of Year				\$ 1,295,227	\$ 16,288,999

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

COOLBAUGH TOWNSHIP
 Balance Sheet - All Governmental Fund Types
 Modified Cash Basis
 As at December 31, 2004

Exhibit C

	Major Funds			
	General Fund	State Liquid Fuels Fund	Emergency Services Fund	Total
Assets:				
Cash and cash equivalents - Note 2	\$2,473,603	\$330,645	\$232,031	\$3,036,279
Interfund balances	<u>7,447</u>	<u>0</u>	<u>0</u>	<u>7,447</u>
Total Assets and Other Debits	<u>\$2,481,050</u>	<u>\$330,645</u>	<u>\$232,031</u>	<u>\$3,043,726</u>
Fund Balances:				
Unreserved fund balance	<u>\$2,481,050</u>	<u>\$330,645</u>	<u>\$232,031</u>	<u>\$3,043,726</u>
Total Fund Balances	<u>\$2,481,050</u>	<u>\$330,645</u>	<u>\$232,031</u>	<u>\$3,043,726</u>

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

COOLBAUGH TOWNSHIP
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Assets
As at December 31, 2004

Schedule 1

Total Fund Balances - Governmental Funds	\$3,043,726
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$19,613,442 and the accumulated depreciation is \$5,718,801.	13,894,641
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds. Long-term liabilities are shown net of bond costs which are being amortized over the life of the bond.	<u>(1,944,595)</u>
Total Net Assets - Governmental Activities	<u>\$14,993,772</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
All Governmental Fund Types
Modified Cash Basis
For the Year Ended December 31, 2004

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Emergency Services Fund</u>	
Revenues:				
Property taxes	\$2,504,614	\$0	\$0	\$2,504,614
Earned income taxes	1,742,069	0	0	1,742,069
Fines and forfeits	54,130	0	0	54,130
Licenses and permits	114,069	0	0	114,069
Intergovernmental	313,553	281,748	0	595,301
Charges for services	499,905	0	0	499,905
Interest, rents, and royalties	81,020	5,191	3,088	89,299
Miscellaneous	17,107	0	0	17,107
Local Government Grants	1,935	0	0	1,935
State Grants	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Total Revenues	<u>\$5,348,402</u>	<u>\$286,939</u>	<u>\$3,088</u>	<u>\$5,638,429</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
All Governmental Fund Types
Modified Cash Basis
For the Year Ended December 31, 2004

	Major Funds			Total
	General Fund	State Liquid Fuels Fund	Emergency Services Fund	
Expenditures:				
General government	\$801,667	\$0	\$0	\$801,667
Public safety	2,040,435	0	64,231	2,104,666
Public works - Highways and streets	858,701	246,654	0	1,105,355
Public works - Sanitation	127,412	0	0	127,412
Culture and recreation	145,422	0	0	145,422
Community development	17,784	0	0	17,784
Debt Service:				
Principal	276,347	0	0	276,347
Interest	54,696	0	0	54,696
Miscellaneous	488,929	0	0	488,929
Total Expenditures	4,811,393	246,654	64,231	5,122,278
Excess (Deficiency) of Revenues Over Expenditures	\$537,009	\$40,285	(\$61,143)	\$516,151

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

All Governmental Fund Types

Modified Cash Basis

For the Year Ended December 31, 2004

	Major Funds			
	General Fund	State Liquid Fuels Fund	Emergency Services Fund	Total
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets	\$55,826	\$0	\$0	\$55,826
Interfund transfers	<u>(124,000)</u>	<u>0</u>	<u>20,000</u>	<u>(104,000)</u>
Total Other Financing Sources (Uses)	<u>(68,174)</u>	<u>0</u>	<u>20,000</u>	<u>(48,174)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	468,835	40,285	(41,143)	467,977
Fund Balances at Beginning of Year	<u>2,012,215</u>	<u>290,360</u>	<u>273,174</u>	<u>2,575,749</u>
Fund Balances at End of Year	<u>\$2,481,050</u>	<u>\$330,645</u>	<u>\$232,031</u>	<u>\$3,043,726</u>

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

COOLBAUGH TOWNSHIP
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures, and Changes in Fund Balances to the
 Statement of Activities
 For the Year Ended December 31, 2004

Schedule 2

Total Change in Fund Balances - All Governmental Funds	\$467,977
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:</p>	
Depreciation expense	(\$942,629)
Capital outlays	<u>875,698</u> (66,931)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment of debt reduces long-term liabilities in the statement of net assets.	276,347
Amortization of bond costs charged to expense in the current year are an increase in expenses of the government wide statements. Amortization is not recognized in the governmental funds financial statements.	<u>(8,033)</u>
Change in Net Assets of Governmental Activities	<u>\$669,360</u>

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

COOLBAUGH TOWNSHIP
Statement of Net Assets - Modified Cash Basis
Enterprise Fund - Sewer
As at December 31, 2004

Exhibit E

Assets:

Current Assets:

Cash and cash equivalents - Note 2	\$191,247
Interfund balances	<u>(7,447)</u>

Total Current Assets	<u>183,800</u>
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Capital Assets - Net of Accumulated Depreciation:

Land	8,140
Land improvements	4,781
Infrastructure	<u>2,002,383</u>

Net Capital Assets	<u>2,015,304</u>
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Total Assets	<u>2,199,104</u>
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Liabilities:

Current Liabilities:

Current portion of long-term debt - Note 5	<u>90,399</u>
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Long-term Liabilities:

Long-term debt - Note 5	<u>813,478</u>
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Total Liabilities	<u>903,877</u>
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Net Assets:

Invested in capital assets, net of related debt	1,111,531
Unrestricted net assets	<u>183,696</u>

Total Net Assets	<u>\$1,295,227</u>
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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 Net Assets
Modified Cash Basis - Enterprise Fund - Sewer
For the Year Ended December 31, 2004

Exhibit F

Revenues:		
User fees		<u>\$171,096</u>
Operating Expenses:		
Engineering services		63,154
Contracted services		30,000
Sludge hauling		29,471
Sewer plant operating		36,216
Depreciation		31,509
Interest		<u>9,523</u>
Total Operating Expenses		<u>199,873</u>
Operating Income (Loss)		<u>(28,777)</u>
Nonoperating Revenues:		
Interfund transfers		104,000
Interest income		<u>1,350</u>
Total Nonoperating Revenues		<u>105,350</u>
Net Income (Loss)		<u>76,573</u>
Net Assets at Beginning of Year - As Previously Stated		426,938
Prior Period Adjustment - Note 10		<u>791,716</u>
Net Assets at Beginning of Year - As Restated		<u>1,218,654</u>
Net Assets at End of Year		<u><u>\$1,295,227</u></u>

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

COOLBAUGH TOWNSHIP
Statement of Net Assets - Modified Cash Basis
Fiduciary Fund - Escrow Account
As at December 31, 2004

Exhibit G

Assets and Other Debits:	
Cash and cash equivalents - Note 2	<u>\$88,863</u>
Total Assets	<u>\$88,863</u>
Liabilities:	
Amounts held on behalf of others	<u>\$88,863</u>
Total Liabilities	<u>\$88,863</u>

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

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Page 1

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 consisting of five supervisors. The Township maintains roads, infrastructure, and a sewage processing facility within its legal boundaries.

The financial statements of the Township have been prepared in conformity with the modified cash basis of accounting, which is another comprehensive basis of accounting (OCBOA) as applied to government units. The Township applies all relevant Governmental Accounting Standards (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Basis of Presentation

Government - Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for agency funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Township does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily fines, fees, permits, and sewer charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

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

Fund Financial Statements

The accounts of Coolbaugh Township are organized on the basis of funds, each of which is considered as a separate entity. Thus, the operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses. The fund types utilized by Coolbaugh Township and a brief description of their accounting purposes are as follows:

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

General Fund - Accounts for all financial resources except those that are specifically required to be accounted for in another fund.

Special Revenue Funds - Used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Two individual funds of Coolbaugh Township comprise this generic group: State Highway Aid and Emergency Services.

All governmental funds met the criteria to be presented as major funds.

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

Agency Fund - Accounts for deposits from contractors held by the Township pending the completion of various construction projects.

C. Proprietary Fund Type - 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 costs (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 - Accounts for revenues and expenses relating to the Township's central sewer system.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

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

Reporting Entity

All significant activities have been included in the Township's financial statements, for the year ended December 31, 2004. 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 its 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 is 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 programs to be provided.

Accountability for 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.

Measurement Focus/ Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement applied.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resource" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

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

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from a cash transaction and in the government - wide statements they include depreciation of capital assets where appropriate. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues, and certain liabilities and their related expenses that would be recognized under accounting principles generally accepted in the United States of America *are not recorded* in these financial statements.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

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

Budgets

The operating budget is approved by the Board of Supervisors. The general fund is the only fund for which a budget is legally required. Once a budget is approved, it can be amended at the function and object level only by approval of a majority of the Board of Supervisors. All budget appropriations lapse at year-end.

The Township's budget is prepared on the cash basis of accounting. The financial statements were prepared using the modified cash basis of accounting. The differences relate to reporting of long term debt and capital assets.

Budget data reflected in the financial statements includes the effect of such Board of Supervisors approved budget transfer amendments, supplemental budgetary appropriations, and, for comparative purposes, the actual amounts have also been presented.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

The Township maintains cash balances in checking and savings accounts in one local bank and in the Pennsylvania Local Government Investment Trust (PLGIT).

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits and are carried at cost plus accrued interest, which approximates fair value.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

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

Capital Assets

Assets are recorded at values determined by historical cost trend analysis and industry standards. Under the modified cash basis of accounting, capital assets resulting from cash transactions are reported and depreciation is recorded where appropriate. The estimated useful lives of capital assets are as follows:

Sewer system and improvements	20-25 years
General	5-50 years

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 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.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Page 7

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 31 of the following year. There is no provision for a payout of unused vacation time.

Sick time may be accumulated up to 720 hours. Once 720 hours have been accumulated, the annual six days of sick leave will be given to use or lose each year. If employment is terminated, no compensation will be paid for accrued sick time. The balance of hours remaining at the time of retirement is payable at 50% of the current rate of pay.

Interfund Activity

Interfund activity between governmental funds is eliminated within the Statements of Activities and Net Assets. Interfund activities between governmental and proprietary fund types is treated based on the business determination underlying the transaction, and eliminated as appropriate.

Note 2: Cash and Cash Equivalents:

The Township can deposit or invest funds as authorized for local government units by the Local Government Unit Debt Act.

Authorized types of investments include:

- a) U.S. Treasury bills
- b) Obligations of the United States of America, the Commonwealth of Pennsylvania or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
- c) Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance.
- d) Shares of a registered investment company, provided that investments of that company are in authorized investments as noted above.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 2: Cash and Cash Equivalents: (Continued)

Deposits

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 only Category 1 and Category 3 deposits.

The Township's deposits are categorized as follows:

	<u>Category 1</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Checking accounts	<u>\$100,000</u>	<u>\$1,102,971</u>	<u>\$1,202,971</u>	<u>\$1,192,673</u>

As at December 31, 2004, the Township had deposits in the Pennsylvania Local Government Investment Trust (PLGIT). The deposits in PLGIT are not classified as to custodial credit risk because they do not represent securities.

	<u>Unclassified</u>	<u>Total Fair Value</u>	<u>Total Carrying Amount</u>
PLGIT	<u>\$2,126,583</u>	<u>\$2,126,583</u>	<u>\$2,123,715</u>

The following is a summary of cash balances as per the various financial statements:

Balance Sheet - Governmental Funds	\$3,036,279
Statement of Net Assets - Enterprise Fund	191,246
Statement of Net Assets - Fiduciary Fund - Escrow	<u>88,863</u>
Total	<u>\$3,316,388</u>

The difference between total bank balance and total carrying amount for the checking accounts represents outstanding checks in the amount of \$10,298. The difference between fair value and the carrying amount for the PLGIT accounts represents outstanding checks in the amount of \$2,868.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 3: Changes in Capital Assets:

In 2004, the Township hired an asset appraisal company to provide an asset management program for all assets. This was done to have a capital asset inventory program and to value the capital assets for financial reporting purposes. Historical costs were used when possible. When historical cost was not available, a back trend analysis in conjunction with industry standards was used to determine cost basis. The prior year figures have been adjusted to reflect the current report balances.

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

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2004</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>\$239,842</u>	<u>\$0</u>	<u>\$0</u>	<u>\$239,842</u>
Capital Assets Being Depreciated:				
Land improvements	812,306	0	0	812,306
Building and building improvements	1,672,576	0	0	1,672,576
Infrastructure	14,554,393	0	0	14,554,393
Machinery and equipment	<u>1,458,626</u>	<u>875,698</u>	<u>0</u>	<u>2,334,324</u>
Total Capital Assets Being Depreciated	<u>18,497,901</u>	<u>875,698</u>	<u>0</u>	<u>19,373,599</u>
Less Accumulated Depreciation for:				
Land improvements	(357,542)	(39,530)	0	(397,072)
Building and building improvements	(529,988)	(32,025)	0	(562,013)
Infrastructure	(3,454,850)	(194,059)	0	(3,648,909)
Machinery and equipment	<u>(433,791)</u>	<u>(677,015)</u>	<u>0</u>	<u>(1,110,806)</u>
Total Accumulated Depreciation	<u>(4,776,171)</u>	<u>(942,629)</u>	<u>0</u>	<u>(5,718,800)</u>
Net Capital Assets Being Depreciated	<u>13,721,730</u>	<u>(66,931)</u>	<u>0</u>	<u>13,654,799</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation				
	<u>\$13,961,572</u>	<u>(\$66,931)</u>	<u>\$0</u>	<u>\$13,894,641</u>

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 3: Changes in Capital Assets: (Continued)

Business-Type Activities:

Capital Assets Not Being Depreciated:

Land	<u>\$8,140</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,140</u>
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Capital Assets Being Depreciated:

Land improvements	13,659	0	0	13,659
Infrastructure	<u>2,294,046</u>	<u>17,309</u>	<u>0</u>	<u>2,311,355</u>

Total Capital Assets Being Depreciated	<u>2,307,705</u>	<u>17,309</u>	<u>0</u>	<u>2,325,014</u>
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Less Accumulated Depreciation for:

Land improvements	(8,195)	(683)	0	(8,878)
Infrastructure	<u>(278,146)</u>	<u>(30,826)</u>	<u>0</u>	<u>(308,972)</u>

Total Accumulated Depreciation	<u>(286,341)</u>	<u>(31,509)</u>	<u>0</u>	<u>(317,850)</u>
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Net Capital Assets Being Depreciated	<u>2,021,364</u>	<u>(14,200)</u>	<u>0</u>	<u>2,007,164</u>
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**Business Type Activities Capital
Assets, Net of Accumulated
Depreciation**

	<u>\$2,028,504</u>	<u>(\$13,200)</u>	<u>\$0</u>	<u>\$2,015,304</u>
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Depreciation expense was charged to the following functional categories (governmental types) during the year as follows:

General Government	\$89,178
Public Works - Sanitation	2,299
Public Works - Highways and Streets	708,532
Public Safety	96,110
Culture and Recreation	<u>46,510</u>
Total	<u>\$942,629</u>

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 4: Bonds and Notes Payable:

The following is a summary of debt transactions of the Township for the year ended December 31, 2004:

	January 1, 2004	Additions	(Deductions)	December 31, 2004	Due Within One Year
General Obligation Bond - 2003	\$1,765,000	\$0	(\$260,000)	\$1,505,000	\$295,000
Mortgage Payable	494,770	0	(16,347)	478,423	17,822
Proprietary Fund: PENNVEST Notes	<u>993,379</u>	<u>0</u>	<u>(89,502)</u>	<u>903,877</u>	<u>90,399</u>
Total Bonds and Notes Payable	3,253,149	0	(365,849)	2,887,300	<u>\$403,221</u>
Less: Amortizable Bond Costs	<u>46,861</u>	<u>0</u>	<u>(8,033)</u>	<u>38,828</u>	<u>\$ 8,033</u>
Total	<u>\$3,206,288</u>	<u>\$0</u>	<u>\$357,816</u>	<u>\$2,848,472</u>	

On November 1, 2003, \$1,765,000 of General Obligation Bonds, Series of 2003 were issued. The funds received from the issuance were used to retire the 1998 Bonds. Principal and interest payments are due December 1 each year through 2009. Interest ranges from 1.00% to 2.65%.

On December 22, 2003, Coolbaugh Township entered into an agreement with Tobyhanna Township, Mount Pocono Borough, and Tunkhannock Township to form Pocono Mountain Regional Police. Principal and interest payments are due on the 22nd of each month through April 22, 2022. The nominal interest rate is 4.9%.

On September 1, 1997, Coolbaugh Township entered into a PennVest loan (#74044) in the amount of \$357,357. The funds were used to build a sewer treatment facility. Principal and interest payments are due monthly through March 1, 2016. The nominal interest rate is 1%.

On June 1, 1998, Coolbaugh Township entered into a PennVest loan (# 74037) in the amount of \$1,125,264. The funds were used to expand a sewer treatment facility. Principal and interest payments are due monthly through February 1, 2014. The nominal interest rate is 1%.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 4: Bonds and Notes Payable: (Continued)

The annual debt service requirements related to loans and bonds outstanding as of December 31, 2004, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	50,212	11,826	62,038
2016	35,932	10,205	46,137
2017	32,175	8,662	40,837
2018	33,788	7,049	40,837
2019	35,482	5,356	40,838
2020	37,260	3,578	40,838
2021	39,127	1,710	40,837
2022	<u>15,590</u>	<u>139</u>	<u>15,729</u>
Total	<u>\$2,887,300</u>	<u>\$374,278</u>	<u>\$3,261,578</u>

Note 5: 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, 1991. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to The Principal Mutual Life Insurance Company.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 5: Coolbaugh Township Non-Uniform Pension Plan: (Continued)

B. Plan Membership - As of December 31, 2004, 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, 2004, 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.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 5: Coolbaugh Township Non-Uniform 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 ten percent (10%) of annual pay for each eligible plan member. The plan document provides for a discretionary funding provision. The specific funding percentage maybe found in the Township ordinance.

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

State Aid contributions for the year were \$59,909. Municipal contributions made during 2004 were \$2,440. Employee contributions were \$5,552.

Note 6: 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, and continuing until the 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 \$22,056 per year. This lease expires December 31, 2005.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 6: Lease Revenue: (Continued)

The Township leases office space to Guardian Inspection Service. For January and February 2004, the lease payment was \$1,000 per month. In March 2004, an addendum was signed increasing the monthly payment to \$1,225 to include utilities, maintenance and cleaning services. On January 1, 2005 another addendum was signed changing the lease payment to \$1,050 per month plus an additional \$225 for utilities, maintenance and cleaning services for a monthly total of \$1,275. This lease expires December 31, 2005.

Note 7: 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, 2004, and during the two previous years, no settlements exceeded insurance coverage.

Note 8: Interfund Transactions:

The Township transfers out of the General Fund previously agreed upon amounts to the Emergency Services and Sewer Funds to provide funds for operations. In 2004, these transfers were in the amounts of \$20,000 and \$104,000, respectively.

Note 9: Property Tax:

The following is a summary of the property tax collection dates:

January 1 st - February 28 th	Lien date
March 1 st - April 30 th	Discount period
May 1 st - June 30 th	Base period
July 1 st - December 30 th	Penalty period

They are collected by a tax collector and remitted to the Township.

COOLBAUGH TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2004

Note 10: Prior Period Adjustment:

Effective January 1, 2004, there has been a prior period adjustment posted to the books and records of the Township. In prior years, capital assets were reported at insured values. During 2004, the Township hired an outside firm to perform a fixed asset appraisal to provide a more accurate accounting of its capital assets. The net effect of the adjustment is an increase in net assets of \$791,716 as at December 31, 2004.



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

Board of Supervisors
Coolbaugh Township
Tobyhanna, PA 18466

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Coolbaugh Township, as of and for the year ended December 31, 2004, which collectively comprise Coolbaugh Township's basic financial statements and have issued our report thereon dated March 20, 2005. 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Coolbaugh Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered items 1 and 2 described in the Schedule of Findings to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of Coolbaugh Township in a separate letter dated March 20, 2005.

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 20, 2005

COOLBAUGH TOWNSHIP
Schedule of Findings
For the Year Ended December 31, 2004

Schedule 3
Page 1

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1. **Bank Reconciliations.** During the course of our audit, we became aware that bank reconciliations for the payroll account had not been done for the entire year. The bank reconciliations should be done monthly when the account statements are received from the bank. This cash account was not monitored by anyone during the entire year.
 2. **Escrow Account.** During the course of our audit, we became aware that the trial balance for the escrow account is being prepared correctly. There were large debit balances on the trial balance, indicating that groups owed the Township money. This is an incorrect presentation since the nature of the escrow account is that the Township owes the funds held in it to other parties. The trial balance needs to be updated periodically to reflect changes in amounts due. In addition, the trial balance should be a true reflection of how much money is on deposit with the Township. Therefore, this information needs to be maintained on a continuing basis.

COOLBAUGH TOWNSHIP

Supplementary Information

As at December 31, 2004

COOLBAUGH TOWNSHIP
 Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2004

Schedule 4
 Page 1

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Budget</u>
Revenues:			
Property taxes	\$2,677,000	\$2,504,614	(\$172,386)
Earned income taxes	1,225,000	1,742,069	517,069
Fines and forfeits	43,100	54,130	11,030
Licenses and permits	106,000	114,069	8,069
Intergovernmental	305,180	313,553	8,373
Charges for services	408,300	499,905	91,605
Interest, rents, and royalties	52,400	81,020	28,620
Local government grants	0	1,935	1,935
Miscellaneous	5,000	17,107	12,107
State grants	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Total Revenues	<u>4,821,980</u>	<u>5,348,402</u>	<u>526,422</u>
Expenditures - Schedule 1:			
General government	1,041,457	801,667	239,790
Public safety	2,152,645	2,040,435	112,210
Public works - Highways and streets	1,940,486	858,701	1,081,785
Public works - Sanitation	131,882	127,412	4,470
Culture and recreation	452,160	145,422	306,738
Community development	106,600	17,784	88,816
Debt service	320,642	331,043	(10,401)
Miscellaneous	<u>876,108</u>	<u>488,929</u>	<u>387,179</u>
Total Expenditures	<u>7,021,980</u>	<u>4,811,393</u>	<u>2,210,587</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(\$2,200,000)</u>	<u>\$537,009</u>	<u>\$2,737,009</u>

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

COOLBAUGH TOWNSHIP
 Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2004

Schedule 4
 Page 2

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Budget</u>
Other Financing Sources (Uses):			
Proceeds from sale of fixed assets	\$15,000	\$55,826	\$40,826
Interfund transfers	(104,000)	(124,000)	(20,000)
Proceeds from extended term financing	0	0	0
Payments to escrow agent	0	0	0
Bond issuance costs	<u>0</u>	<u>0</u>	<u>0</u>
Net Other Financing Sources (Uses)	<u>(89,000)</u>	<u>(68,174)</u>	<u>20,826</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	<u>(\$2,289,000)</u>	<u>\$468,835</u>	<u>\$2,757,835</u>

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

COOLBAUGH TOWNSHIP
 Budgetary Comparison Schedule - Special Revenue Funds
 For the Year Ended December 31, 2004

Schedule 5
 Page 1

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Budget</u>
Revenues:			
Intergovernmental	\$254,954	\$281,748	\$26,794
Interest, rents, and royalties	<u>6,000</u>	<u>8,279</u>	<u>2,279</u>
Total Revenues	<u>260,954</u>	<u>290,027</u>	<u>29,073</u>
Expenditures - Schedule 1:			
Public safety	0	64,231	(64,231)
Public works	<u>358,439</u>	<u>246,654</u>	<u>111,785</u>
Total Expenditures	<u>358,439</u>	<u>310,885</u>	<u>47,554</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(97,485)</u>	<u>(20,858)</u>	<u>76,627</u>
Other Financing Sources (Uses):			
Interfund transfers	20,000	20,000	0
Proceeds from extended term financing	<u>272,770</u>	<u>0</u>	<u>(272,770)</u>
Net Other Financing Sources (Uses)	<u>292,770</u>	<u>20,000</u>	<u>(272,770)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$195,285</u>	<u>(\$858)</u>	<u>(\$196,143)</u>

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