

The Accountancy Firm of
T O D D J B U S H T A
CERTIFIED PUBLIC ACCOUNTANT
L L C

TOWNSHIP OF COOLBAUGH
MONROE COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2006

F o c u s e d a n d B a l a n c e d

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH

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The American Institute of Certified Public Accountants Firm of
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INDEPENDENT AUDITOR'S REPORT

TOWNSHIP OF COOLBAUGH

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 Township of Coolbaugh as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Coolbaugh's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *U.S. generally accepted auditing standards* and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, The Township of Coolbaugh prepares its financial statements on a modified cash and cash basis of accounting, which are a comprehensive basis of accounting other than *U.S. generally accepted accounting principles*. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with *U.S. generally accepted accounting principles*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position, as of and for the year then ended December 31, 2006, in conformity with the other comprehensive basis of accounting referred to above.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2007 on our consideration of Township of Coolbaugh'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 opinions on the financial statements that collectively comprise the Township of Coolbaugh's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting firm of Tall J. B. [unclear] CPA LLC

STROUDSBURG, PENNSYLVANIA
MARCH 31, 2007

T h e A c c o u n t a n c y F i r m o f
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TOWNSHIP OF COOLBAUGH

We have audited the financial statements of the Township of Coolbaugh as of December 31, 2006 and for the year then ended and have issued our report thereon dated March 31, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Township of Coolbaugh's 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 Township of Coolbaugh's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Township of Coolbaugh's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Due to a relatively small staff, accounting, administrative and asset custody functions are not properly segregated consistent with appropriate control objectives.

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 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. We do believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the audit committee, 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.

Accountant firm of Tall J. B. Carter, CPA, LLC

STROUDSBURG, PENNSYLVANIA
MARCH 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

The discussion and analysis of Township of Coolbaugh's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

Township of Coolbaugh was founded in 1794. The Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2006 are as follows:

- In total, net assets were \$16,639,375
- General revenues accounted for \$4,556,326 in revenue or 69% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,089,818 or 31% of total revenues of \$6,646,144.
- Total assets were \$18,898,098 of which \$2,031,126 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$16,681,350.
- The Township had \$7,079,904 in expenses; only \$2,089,818 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,556,326 were adequate to provide for these programs.
- Expenses, after program revenue was \$4,990,086.

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Coolbaugh as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other non-major funds. In the case of Township of Coolbaugh, the General Fund is by far the most significant fund.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Township to provide programs and activities, the view of the Township as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting is that of modified cash. Which means, the financial information is reported on the cash basis and also include outstanding debt and fixed assets. These two statements report the Township's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors.

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2006

REPORTING THE TOWNSHIP AS A WHOLE (CONTINUED)

Statement of Net Assets and the Statement of Activities

In the Statement of Net Assets and the Statement of Activities, the Township reports governmental activities. Governmental activities are the activities where most of the Township's programs and services are reported including, but not limited to, general government, public works, public safety, and recreation. The Township also engages in business-like activities, which includes the sewer fund. Recall that the Statement of Net Assets provides the perspective of the Township as a whole.

Table 1 provides a summary of the Township's net assets:

Table 1
Net Assets

	2006	2005
Assets		
Current and Other Assets	\$ 2,216,748	\$ 2,456,546
Capital Assets	<u>16,681,350</u>	<u>17,135,585</u>
	<u>18,898,098</u>	<u>19,592,131</u>
Liabilities		
Current Liabilities	572,157	440,147
Long-Term Liabilities	<u>1,686,566</u>	<u>2,078,849</u>
	<u>2,258,723</u>	<u>2,518,996</u>
Net Assets		
Invested in Capital Assets, Net of Debt	15,066,853	15,112,106
Restricted	440,813	420,623
Unrestricted	<u>1,131,709</u>	<u>1,540,406</u>
	<u>\$ 16,639,375</u>	<u>\$17,073,135</u>

Unrestricted net assets is the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements.

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2006

REPORTING THE TOWNSHIP AS A WHOLE (CONTINUED)

Statement of Net Assets and the Statement of Activities

Table 2 provides a summary of the Township's statement of activities:

Table 2

Statement of Activities

	2006	2005
<i>Program Revenues</i>		
Charges for Services	\$ 771,043	\$ 922,873
Operating Grants and Contributions	968,469	374,292
Capital Grants and Contributions	350,306	819,372
<i>General Revenues</i>		
Taxes	4,484,927	4,641,741
Investment Earnings	<u>71,399</u>	<u>77,605</u>
<i>Total Revenues</i>	<u>6,646,144</u>	<u>6,835,883</u>
<i>Program Expenses</i>		
General Government	421,914	500,649
Public Safety	2,868,289	2,494,290
Public Works	1,610,719	1,008,705
Cultural and Recreation	329,685	349,455
Other	405,541	420,723
Interest on Long-Term Debt	47,701	51,474
Unallocated Depreciation and Amortization	950,662	950,662
Enterprise fund	<u>445,393</u>	<u>286,558</u>
<i>Total Expenses</i>	<u>7,079,904</u>	<u>6,062,516</u>
<i>Increase in Net Assets</i>	<u>\$ (433,760)</u>	<u>\$ 773,367</u>

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2006

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

Table 3 Net Cost of Services

	2006	2005
General Government	\$ (96,362)	\$ (126,461)
Public Safety	(2,532,065)	(2,157,336)
Public Works	(546,723)	(543,147)
Cultural and Recreation	(313,897)	180,855
Other	(247,291)	(279,243)
Interest on Long-Term Debt	(47,701)	(51,474)
Unallocated Depreciation	(950,662)	(950,662)
Enterprise	<u>(255,385)</u>	<u>(18,511)</u>
	<u>\$ (4,990,086)</u>	<u>\$ (3,945,979)</u>

Defining the Classifications of Expenditure:

- General Government activities includes the activities of the legislative board of Supervisors, financial administration, legal counsel, insurance, and physical plant.
- Public safety activities includes police protection, code enforcement, fire protection, and planning.
- Public Works includes general services, servicing of streets and storm sewers, and snow and ice removal.
- Cultural and recreation includes the library and parks.
- Other includes insurance.
- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Township.
- Enterprise fund involves the Townships activities in the public sewers operations.

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2006

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 69%. The community, as a whole, is the primary support for the Township of Coolbaugh. The real estate taxes for the Township are collected from township residents. The tax on real estate, as levied by the Board, was 8.15 mills (\$8.15 per \$1,000 of assessed valuation) for fiscal 2006. Assessed valuations of property are determined by Monroe County and the collectors are responsible for collection. Taxable assessed valuation was \$238,632,780.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called cash basis, which measures cash receipts and disbursements. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The following are the Township's governmental funds:

General Fund (Major Fund)

The general fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS (CONTINUED)

The following are the Township's governmental funds (continued):

Special Revenue Fund (Non-major Fund)

The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Township accounts for the Library tax and Liquid fuels tax in this fund.

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

The following are the Township's other funds:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services to the general public on a continuing basis are financed through user charges. The Public Sewer Fund is the sole Enterprise Fund of the Township.

Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

THE TOWNSHIP'S FUNDS

As indicated above, these funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,451,438 and expenditures of \$6,517,391. Other financing sources and uses include transfers between the funds. The net change in fund balance for the year was a decrease of \$169,953.

GENERAL FUND BUDGETING HIGHLIGHTS

The Township's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2006

CAPITAL ASSETS

At the end of the fiscal year, the Township had \$24,666,276 invested in land, buildings, furniture and equipment, and vehicles.

Table 4
Capital Assets

	Balance, Beginning	Additions	Deletions	Balance, Ending
CAPITAL ASSETS				
Land and Land Improvements	\$ 1,703,947	\$ 58,597	\$	\$ 1,645,350
Building & Improvements	1,672,576			1,672,576
Roads and Bridges	15,277,875			15,277,875
Sewer System	2,311,355			2,311,355
Equipment	3,180,620	461,306		3,641,926
	24,146,373	519,903	0	24,666,276
ACCUMULATED DEPRECIATION	7,010,788		974,138	7,984,926
	\$17,135,585	\$ 519,903	\$ 974,138	\$16,681,350

Description of the years Capital Asset Activity:

- Overall capital assets increased \$519,903 which included land acquisition, vehicles and heavy equipment, and also road reconstruction.
- Depreciation for the year was \$974,138.

TOWNSHIP OF COOLBAUGH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2006

DEBT SERVICE

	Balance, Beginning	Repayments	Balance, Ending
Series of 2003 Bonds	\$ 1,210,000	\$ 295,000	\$ 915,000
Series of 2001 Notes	460,318	18,639	441,684
Series of 1998 Notes	607,012	72,193	534,819
Series of 1997 Notes	206,472	19,037	187,435
	\$ 2,483,802	\$ 404,859	\$ 2,078,938

Governmental Debt :

Series 2003 General Obligation Bonds

Original issue of \$1,765,000 for the refunding of bond Series of 1998; principal and interest are due annually on December 1st, at rates ranging from 1.00% to 2.65%, maturing in 2010. \$ 915,000

Series 2001 General Obligation Notes

Original issues of \$2,000,000 of which the Township is responsible for 26% or \$520,000 originally, for the construction of a regional police building; due in monthly installments of \$3,403 with interest at 4.9% maturing 2022. \$ 441,684

The Township does not retain any pro-rata share of the constructed asset as ownership resides with the regional police department.

Business-Type debt :

Series of 1998 General Obligation Notes

Original issue of \$1,125,264 for the expansion of the Sewer treatment facility; Principal and interest is due monthly at a rate of 1.0% maturing 2016. The PennVest debt is certified as self-liquidating. \$ 534,819

Series 1997 General Obligation Notes

Original issue of \$357,357 for the construction and completion of the sewer treatment facility; Principal and interest is due monthly at a rate of 1.0% maturing 2014. The PennVest debt is certified as self-liquidating. \$ 187,435

CURRENT FINANCIAL ISSUES AND CONCERNS

Beginning on January 1st, 2006, the Township no longer received 100% of the 1% earned income tax levy, as it had in the past. The Township will now share the earned income tax levy with the school district. To help mitigate this, the Township may consider its real estate tax levy. The impact this may have on the Township as a whole is not readily determinable.

The Township of Coolbaugh continues to be financially sound. The Township of Coolbaugh has committed itself to being fiscally responsible over the years and appropriately addressing Township needs. The Township plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. We would like to thank our audit firm, *The Accountancy Firm of Todd J. Bushta, CPA ~ LLC* for assisting us with the preparation of this report. If you have questions about this report or need additional financial information, contact the Township offices.

GOVERNMENT WIDE FINANCIAL STATEMENTS

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006

	Governmental Activities	Business-type Activities	Total	2005 Memorandum Total
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 545,221	\$ 166,266	\$ 711,487	\$ 688,741
Internal Balances	157,733		157,733	7,447
Investments	1,319,639		1,319,639	1,713,695
	<u>2,022,593</u>	<u>166,266</u>	<u>2,188,859</u>	<u>2,409,883</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land and Land Improvements	1,740,745	21,799	1,762,544	1,703,947
Building & Building Improvements	1,672,576		1,672,576	1,672,576
Roads and Bridges	15,277,875		15,277,875	15,277,875
Sewer System		2,311,355	2,311,355	2,311,355
Equipment	3,641,926		3,641,926	3,180,620
	<u>22,333,122</u>	<u>2,333,154</u>	<u>24,666,276</u>	<u>24,146,373</u>
Accumulated Depreciation	(7,604,058)	(380,868)	(7,984,926)	(7,010,788)
Net General Fixed Assets	14,729,064	1,952,286	16,681,350	17,135,585
Bond issuance cost, net of accum. amortization	22,762		22,762	30,795
Restricted Cash and Cash Equivalents	5,127		5,127	15,868
Restricted Investments			0	0
	<u>14,756,953</u>	<u>1,952,286</u>	<u>16,709,239</u>	<u>17,182,248</u>
	<u>16,779,546</u>	<u>2,118,552</u>	<u>18,898,098</u>	<u>19,592,131</u>
LIABILITIES				
<i>Current Liabilities</i>				
Payroll liabilities	16,925		16,925	11,884
Internal Balances		157,733	157,733	7,447
Escrow deposits	5,127		5,127	15,868
Current Portion of LT Debt - bonds payable	300,000		300,000	295,000
Current Portion of LT Debt - notes payable	19,573	72,799	92,372	109,948
	<u>341,625</u>	<u>230,532</u>	<u>572,157</u>	<u>440,147</u>
<i>Non-current Liabilities</i>				
Bonds Payable - Long term	615,000		615,000	915,000
Notes Payable - Long term	422,106	649,460	1,071,566	1,163,849
	<u>1,378,731</u>	<u>879,992</u>	<u>2,258,723</u>	<u>2,518,996</u>
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	13,836,826	1,230,027	15,066,853	15,956,380
Restricted for:				
Capital Projects	269,754		269,754	274,061
Specified use	171,059		171,059	146,562
Unrestricted	1,123,176	8,533	1,131,709	696,132
	<u>\$ 15,400,815</u>	<u>\$ 1,238,560</u>	<u>\$ 16,639,375</u>	<u>\$17,073,135</u>

TOWNSHIP OF COOLBAUGH
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			2005 Memorandum Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 421,914	\$ 314,126	\$ 11,426	\$	\$ (96,362)	\$	\$ (96,362)	\$ (126,461)
Public safety	2,868,289	215,062	121,162		(2,532,065)		(2,532,065)	(2,157,336)
Public works	1,610,719	76,847	677,631	309,518	(546,723)		(546,723)	(543,147)
Recreation	329,685			15,788	(313,897)		(313,897)	180,855
Other	405,541		158,250		(247,291)		(247,291)	(279,243)
Interest on Long-Term debt	47,701				(47,701)		(47,701)	(51,474)
Unallocated Amortization	8,033				(8,033)		(8,033)	(8,033)
Unallocated Depreciation	942,629				(942,629)		(942,629)	(942,629)
Business-type activities:								
Public Sewer	445,393	165,008		25,000		(255,385)	(255,385)	(18,511)
	<u>\$ 7,079,904</u>	<u>\$ 771,043</u>	<u>\$ 968,469</u>	<u>\$ 350,306</u>	<u>(4,734,701)</u>	<u>(255,385)</u>	<u>(4,990,086)</u>	<u>(3,945,979)</u>
General revenues:								
Taxes:								
Real Estate					1,963,719		1,963,719	1,923,288
Real Estate Transfer					899,144		899,144	841,878
Emergency and Municipal Services					50,204		50,204	33,227
Earned income					1,571,860		1,571,860	1,843,348
Internal Transfers					4,484,927	0	4,484,927	4,641,741
Interest Income					(104,000)	104,000	0	0
					66,701	4,698	71,399	77,605
<i>Total general revenues, special items, and transfers</i>					<u>4,447,628</u>	<u>108,698</u>	<u>4,556,326</u>	<u>4,719,346</u>
Change in Net Assets					(287,073)	(146,687)	(433,760)	773,367
Net Assets—beginning					15,687,888	1,385,247	17,073,135	16,299,768
Net Assets—ending					<u>\$ 15,400,815</u>	<u>\$ 1,238,560</u>	<u>\$16,639,375</u>	<u>\$ 17,073,135</u>

TOWNSHIP OF COOLBAUGH

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2006**

Total Fund Balances - Governmental Funds (CASH BASIS) \$ 2,005,668

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 governmental funds.

<i>General Fixed Assets</i>	22,333,122
<i>Accumulated Depreciation</i>	(7,604,058)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

<i>Bonds Payable</i>	(915,000)
<i>Notes Payable</i>	(441,679)

Bond issuance costs are amortized over the life of the related debt. Bond issuance costs are expensed in the funds as an expenditure of a current resource.

22,762

Total Net Assets - Governmental Activities (MODIFIED CASH BASIS) \$ 15,400,815

TOWNSHIP OF COOLBAUGH

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Total net change in fund balances - governmental funds (CASH BASIS) \$ (169,953)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

<i>Depreciation</i>	(942,629)
<i>Capital Outlay</i>	519,903

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<i>Bonds Payable</i>	295,000
<i>Notes Payable</i>	18,639

Bond issuance costs are amortized over the life of the related debt. Bond issuance costs are expensed in the funds as an expenditure of a current resource. (8,033)

Change in net assets of governmental activities (MODIFIED CASH BASIS) \$ (287,073)

FUNDS FINANCIAL STATEMENTS

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Major Funds			Non-Major Funds		Total Governmental Funds	2005 Memorandum Total
	Capital			Special	Revenue		
	General	Projects	Total	Revenue			
ASSETS							
Cash - unrestricted	\$ 373,822	\$ 340	\$ 374,162	\$ 171,059		\$ 545,221	\$ 662,498
Cash - restricted	5,127		5,127			5,127	15,868
Due from other funds	157,733		157,733			157,733	7,447
Investments - unrestricted	1,050,225	269,414	1,319,639			1,319,639	1,517,560
	<u>\$ 1,586,907</u>	<u>\$ 269,754</u>	<u>\$ 1,856,661</u>	<u>\$ 171,059</u>		<u>\$ 2,027,720</u>	<u>\$ 2,203,373</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Payroll liabilities	\$ 16,925	\$	\$ 16,925	\$		\$ 16,925	11,884
Due to other funds			0			0	0
Escrow deposits	5,127		5,127			5,127	15,868
	<u>22,052</u>	<u>0</u>	<u>22,052</u>	<u>0</u>		<u>22,052</u>	<u>27,752</u>
Fund balances:							
Reserved for specified projects			0			0	0
Unreserved and undesignated	1,564,855	269,754	1,834,609	171,059		2,005,668	2,175,621
	<u>1,564,855</u>	<u>269,754</u>	<u>1,834,609</u>	<u>171,059</u>		<u>2,005,668</u>	<u>2,175,621</u>
	<u>\$ 1,586,907</u>	<u>\$ 269,754</u>	<u>\$ 1,856,661</u>	<u>\$ 171,059</u>		<u>\$ 2,027,720</u>	<u>\$ 2,203,373</u>

TOWNSHIP OF COOLBAUGH
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	Major Funds			Non-Major Funds			Total Governmental Funds	2005 Memorandum Total
	General	Capital	Total	Special Revenue	Debt	Total		
		Projects			Service			
REVENUES								
Taxes	\$ 4,257,378	\$	\$ 4,257,378	\$ 227,549	\$	\$ 227,549	\$ 4,484,927	\$ 4,641,741
Licenses and permits	177,343		177,343	0		0	177,343	181,136
Fines and forfeitures	60,062		60,062	0		0	60,062	42,543
Interest income	51,224	2,057	53,281	13,420		13,420	66,701	73,074
Intergovernmental revenue	984,257		984,257	309,518		309,518	1,293,775	1,193,664
Charges for services	310,708		310,708	0		0	310,708	323,077
Other	57,922		57,922	0		0	57,922	108,070
	<u>5,898,894</u>	<u>2,057</u>	<u>5,900,951</u>	<u>550,487</u>	<u>0</u>	<u>550,487</u>	<u>6,451,438</u>	<u>6,563,305</u>
EXPENDITURES								
Current								
General government	415,943	5,971	421,914	0		0	421,914	500,649
Public safety	2,568,289	300,000	2,868,289	0		0	2,868,289	2,814,290
Public works	1,746,191	27,393	1,773,584	298,441		298,441	2,072,025	2,258,483
Recreation	138,293		138,293	249,989		249,989	388,282	979,455
Other	405,541		405,541	0		0	405,541	420,723
Debt Service								
Principal				313,639		313,639	313,639	313,105
Interest				47,701		47,701	47,701	51,474
	<u>5,274,257</u>	<u>333,364</u>	<u>5,607,621</u>	<u>548,430</u>	<u>361,340</u>	<u>909,770</u>	<u>6,517,391</u>	<u>7,338,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>624,637</u>	<u>(331,307)</u>	<u>293,330</u>	<u>2,057</u>	<u>(361,340)</u>	<u>(359,283)</u>	<u>(65,953)</u>	<u>(774,874)</u>
OTHER FINANCING (USES) SOURCES								
Operating transfers in	(814,780)	327,000	327,000	22,440		383,780	710,780	684,579
Operating transfers out	(814,780)	327,000	(487,780)	22,440		383,780	(814,780)	(788,579)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	<u>(190,143)</u>	<u>(4,307)</u>	<u>(194,450)</u>	<u>24,497</u>	<u>0</u>	<u>24,497</u>	<u>(169,953)</u>	<u>(878,874)</u>
FUND BALANCES, JANUARY 1	<u>1,754,998</u>	<u>274,061</u>	<u>2,029,059</u>	<u>146,562</u>	<u>0</u>	<u>146,562</u>	<u>2,175,621</u>	<u>3,054,495</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,564,855</u>	<u>\$ 269,754</u>	<u>\$ 1,834,609</u>	<u>\$ 171,059</u>	<u>\$ 0</u>	<u>\$ 171,059</u>	<u>\$ 2,005,668</u>	<u>\$ 2,175,621</u>

TOWNSHIP OF COOLBAUGH
STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS - ENTERPRISE
DECEMBER 31, 2006

	<u>Public Sewer</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash - unrestricted	\$ 166,266	\$ 26,243
Investments - unrestricted	0	196,135
	<u>166,266</u>	<u>222,378</u>
Capitall Assets :		
Land and Land Improvements	21,799	21,799
Infrastructure	<u>2,311,355</u>	<u>2,311,355</u>
	2,333,154	2,333,154
Accumulated Depreciation	<u>(380,868)</u>	<u>(349,359)</u>
	<u>1,952,286</u>	<u>1,983,795</u>
	<u>2,118,552</u>	<u>2,206,173</u>
LIABILITIES AND		
NET ASSETS		
LIABILITIES		
Due to other funds	157,733	7,447
Notes Payable	<u>722,259</u>	<u>813,479</u>
	<u>879,992</u>	<u>820,926</u>
NET ASSETS		
Investment in fixed assets	1,230,027	1,170,316
Unrestricted	<u>8,533</u>	<u>214,931</u>
	<u>\$ 1,238,560</u>	<u>\$ 1,385,247</u>

TOWNSHIP OF COOLBAUGH

STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS

PROPRIETARY FUNDS - ENTERPRISE

YEAR ENDED DECEMBER 31, 2006

	Public Sewer	
	2006	2005
OPERATING REVENUES		
Charges for service	\$ 109,783	\$ 106,482
Other	55,225	161,565
	<u>165,008</u>	<u>268,047</u>
OPERATING EXPENSES		
Operating	92,576	47,753
Construction and Maintenance	88,772	78,103
Legal and Engineering	224,732	120,567
	<u>406,080</u>	<u>246,423</u>
Net income from operations	<u>(241,072)</u>	<u>21,624</u>
NON-OPERATING REVENUE / EXPENSE		
Transfer from other funds	104,000	104,000
Grants	25,000	0
Interest income	4,698	4,531
Interest expense	(7,804)	(8,626)
Depreciation	(31,509)	(31,509)
	<u>94,385</u>	<u>68,396</u>
CHANGE IN NET ASSETS	<u>(146,687)</u>	<u>90,020</u>
NET ASSETS, JANUARY 1	<u>1,385,247</u>	<u>1,295,227</u>
NET ASSETS, DECEMBER 31	<u>\$ 1,238,560</u>	<u>\$ 1,385,247</u>

TOWNSHIP OF COOLBAUGH
STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	<u>Pension Trust</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Investments - unrestricted	<u>\$ 758,856</u>	<u>\$ 643,671</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserve for retirement benefits	<u>\$ 758,856</u>	<u>\$ 643,671</u>

TOWNSHIP OF COOLBAUGH
STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	<u>Pension Trust</u>	
	<u>2006</u>	<u>2005</u>
ADDITIONS		
Township Contributions	\$ 65,387	\$ 53,240
Employee Contributions	9,170	9,320
Interest, dividends, and net unrealized gains/losses	<u>43,068</u>	<u>24,478</u>
	<u>117,625</u>	<u>87,038</u>
DEDUCTIONS		
Administrative fees	2,440	2,768
Pension benefits	<u>0</u>	<u>71,700</u>
	<u>2,440</u>	<u>74,468</u>
CHANGE IN NET ASSETS	115,185	12,570
NET ASSETS, JANUARY 1	<u>643,671</u>	<u>631,101</u>
NET ASSETS, DECEMBER 31	<u>\$ 758,856</u>	<u>\$ 643,671</u>

NOTES TO THE FINANCIAL STATEMENTS

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Coolbaugh was founded in 1794. The Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

Principles Determining Scope of Reporting Entity

The financial statements of the Township consist only of the funds and account groups of the Township. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Accounting

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the modified cash basis of accounting. Governmental funds use the cash basis of accounting. Fiduciary funds also use the cash basis of accounting. Differences in the modified cash and the cash basis of accounting arise in the recognition fixed assets and related debt.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

FUND FINANCIAL STATEMENTS:

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported separately by type.

All funds of the Township are accounted for using the cash basis. As such, revenues are recognized when cash is received, and expenses are recognized when they are paid. The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following funds are used by the Township.

GOVERNMENTAL FUND TYPES

General Fund (Major Fund) is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

Special Revenue Funds (Non-major Fund) are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Included in these funds are State Liquid Fuels Highway Aid, and Library funds.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

PROPRIETARY FUND TYPES

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services to the general public on a continuing basis are financed through user charges. The Public Sewer Fund is the sole Enterprise Fund of the Township.

FIDUCIARY FUND TYPES

Trust Fund is used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

MEASUREMENT FOCUS:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Township are included on the Statement of Net Assets.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

TOWNSHIP OF COOLBAUGH
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Cash and Investments

The Township maintains all its cash in checking and savings accounts which are covered by federal depository insurance or by collateral held by the Township's custodial bank. The Second Class Township Code authorizes the Township to invest its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository. In addition, the Township may invest its funds in obligations of the United States of America or the Commonwealth of Pennsylvania, including their agencies or instrumentalities, political subdivisions of the Commonwealth of Pennsylvania, and United States Treasury Bills.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Enterprise Fund are stated at cost. Depreciation of equipment in the Enterprise Fund is computed using the straight-line method over the estimated useful life of the equipment.

General Fixed Assets purchased are recorded as expenditures at the time of purchase. General Fixed Assets are stated at cost when determinable, or estimated historical cost based on appraisals or other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of gift.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Budgets and Budgetary Accounting

The Township adopts annual budgets for all funds in accordance with the Second Class Township Code. All budgets are adopted on a cash basis, which is not consistent with U.S. generally accepted accounting principles. All budget amounts included in the accompanying financial statements and supplementary information are as originally adopted or as amended by the Board of Supervisors. Appropriations not expended lapse at the end of each fiscal year. The Township uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. The budget is adopted by ordinance and subject to change only by ordinance. The Township utilizes the cash basis of accounting for budgetary purposes. Once adopted, the budget is not revised or amended.

Debt and debt service

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt of the Township not accounted for in other funds.

Pension Plan

The Township has one defined contribution pension plan. Pension costs for the plan includes current service costs

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions and are not treated as operating transfers.

Fund Equity

The unreserved fund balances for governmental funds represent the amounts available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2006

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Township, under the Pennsylvania Second Class Township Code Act of 1933, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

Credit risk The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the Township's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk. Investments in PLGIT have received an AAAM rating from Standards & Poors.

Custodial credit risk –deposits In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year end, the bank balance of the Township's deposits with financial institutions including cash equivalent investments was covered by FDIC insurance up to \$100,000 per bank. The remaining balances was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by the financial institution for such funds, but not in the Township's name.

Custodial credit risk investments For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The Township's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the Township's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

TOWNSHIP OF COOLBAUGH

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2006

NOTE 8 DEFINED CONTRIBUTION PENSION PLANS

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.

Plan Membership

The plan has 17 active employees and 2 participants yet to receive benefits.

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.

Member's Contribution

Amount or Rate -Voluntary contributions allowed.

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.

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
<i>TAXES</i>			
Real Estate	\$ 1,730,753	\$ 1,736,170	\$ 5,417
Real Estate Transfer	625,000	899,144	274,144
Emergency & Municipal Services	30,000	50,204	20,204
Earned income	857,500	1,571,860	714,360
	<u>3,243,253</u>	<u>4,257,378</u>	<u>1,014,125</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	120,000	126,819	6,819
Permits	1,100	50,524	49,424
	<u>121,100</u>	<u>177,343</u>	<u>56,243</u>
<i>FINES AND FORFEITURES</i>			
Fines and Code Violations	44,500	60,062	15,562
<i>INTEREST INCOME</i>			
Interest on investments	65,000	51,224	(13,776)
<i>INTERGOVERNMENTAL REVENUE</i>			
State public utility tax	7,000	7,226	226
Alcoholic beverage taxes	1,750	4,200	2,450
Foreign fire insurance premium tax	125,000	121,162	(3,838)
Pension fund state aid	145,000	158,250	13,250
Other federal grants		6,512	6,512
Other state grants	661,000	671,119	10,119
Other local grants	9,700	15,788	6,088
	<u>949,450</u>	<u>984,257</u>	<u>34,807</u>
<i>CHARGES FOR SERVICES</i>			
General Government	100,800	78,861	(21,939)
Public Works	71,000	76,847	5,847
Public Safety	77,600	155,000	77,400
Recreation			0
	<u>249,400</u>	<u>310,708</u>	<u>61,308</u>
<i>OTHER</i>			
Rents	60,000	57,922	(2,078)
	<u>60,000</u>	<u>57,922</u>	<u>(2,078)</u>
	<u>\$ 4,732,703</u>	<u>\$ 5,898,894</u>	<u>\$ 1,166,191</u>

TOWNSHIP OF COOLBAUGH
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<i>EXPENDITURES:</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative and Governing Body	\$ 220,500	\$ 118,412	\$ 102,088
Executive	30,000	0	30,000
Financial services	71,300	59,950	11,350
Tax Collection	47,673	66,156	(18,483)
Legal and Solicitor	29,000	24,840	4,160
Other general government administration	170,150	119,020	51,130
Grants consulting	28,750	26,181	2,569
Engineering	5,000	1,384	3,616
	<u>602,373</u>	<u>415,943</u>	<u>186,430</u>
<i>PUBLIC SAFETY</i>			
Police	1,972,169	1,927,582	44,587
Fire	320,050	296,359	23,691
Ambulance and Rescue	100,000	113,682	(13,682)
Code enforcement	85,398	82,975	2,423
Protective Inspection	62,890	49,116	13,774
Control center	91,500	68,812	22,688
Planning and Zoning	36,225	29,763	6,462
	<u>2,668,232</u>	<u>2,568,289</u>	<u>99,943</u>
<i>PUBLIC WORKS</i>			
Highways, Streets and General services	746,636	662,417	84,219
Composting and recycling	483,500	368,321	115,179
Winter maintenance	197,500	108,633	88,867
Traffic control	29,500	35,891	(6,391)
Storm sewers	138,000	108,084	29,916
Repairs of tools and machinery	40,000	30,776	9,224
Road and bridge maintenance	463,500	432,069	31,431
	<u>2,098,636</u>	<u>1,746,191</u>	<u>352,445</u>
<i>RECREATION AND COMMUNITY</i>			
Recreation	45,000		45,000
Community services	82,700	75,931	6,769
Open Space			0
Parks	168,930	62,362	106,568
	<u>296,630</u>	<u>138,293</u>	<u>158,337</u>
<i>MISCELLANEOUS</i>			
Pension contributions	144,261	77,003	67,258
Workers compensation		33,617	(33,617)
Unemployment compensation	8,300	5,488	2,812
Employee Benefits		168,124	(168,124)
Insurance premiums	297,800	54,206	243,594
Social Security	61,600	58,479	3,121
Other	5,800	8,624	(2,824)
	<u>517,761</u>	<u>405,541</u>	<u>112,220</u>
<i>TRANSFERS TO OTHER FUNDS</i>			
	<u>449,903</u>	<u>814,780</u>	<u>(364,877)</u>
	<u>\$ 6,633,535</u>	<u>\$ 6,089,037</u>	<u>\$ 544,498</u>

COMBINING SCHEDULES

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
COMBINING STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE - CASH BASIS
NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS
DECEMBER 31, 2006

	<u>Library</u>	<u>Highway Aid</u>	<u>Total</u>
ASSETS			
Cash - unrestricted	<u>\$ 0</u>	<u>\$ 171,059</u>	<u>\$ 171,059</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE			
Unreserved and undesignated	<u>0</u>	<u>171,059</u>	<u>171,059</u>
	<u>\$ 0</u>	<u>\$ 171,059</u>	<u>\$ 171,059</u>

TOWNSHIP OF COOLBAUGH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CASH BASIS

NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS

YEAR ENDED DECEMBER 31, 2006

	Library	Highway Aid	Total
REVENUES			
Taxes	\$ 227,549	\$	\$ 227,549
Interest income		13,420	13,420
Intergovernmental revenue		309,518	309,518
	<u>227,549</u>	<u>322,938</u>	<u>550,487</u>
EXPENDITURES			
Current			
Public works		298,441	298,441
Recreation	249,989		249,989
	<u>249,989</u>	<u>298,441</u>	<u>548,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	24,497	24,497
FUND BALANCES, JANUARY 1	<u>0</u>	<u>146,562</u>	<u>146,562</u>
FUND BALANCES, DECEMBER 31	<u>\$ 0</u>	<u>\$ 171,059</u>	<u>\$ 171,059</u>

TOWNSHIP OF COOLBAUGH

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

CASH BASIS

MAJOR FUNDS - CAPITAL PROJECTS FUNDS

DECEMBER 31, 2006

	<u>Emergency Services</u>	<u>Building Improvements</u>	<u>Total</u>
ASSETS			
Cash - unrestricted	\$	\$ 340	\$ 340
Investment - unrestricted	269,414		269,414
Total Assets	<u>\$ 269,414</u>	<u>\$ 340</u>	<u>\$ 269,754</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE			
Reserved for specified projects			0
Unreserved and undesignated	269,414	340	269,754
	<u>\$ 269,414</u>	<u>\$ 340</u>	<u>\$ 269,754</u>

TOWNSHIP OF COOLBAUGH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - CASH BASIS

MAJOR FUNDS - CAPITAL PROJECTS FUNDS

YEAR ENDED DECEMBER 31, 2006

	Emergency Services	Building Improvements	Total
REVENUES			
Interest income	\$ 1,839	\$ 218	\$ 2,057
Contributions			
	<u>1,839</u>	<u>218</u>	<u>2,057</u>
EXPENDITURES			
Current			
General government		5,971	5,971
Public safety	300,000		300,000
Public works		27,393	27,393
	<u>300,000</u>	<u>33,364</u>	<u>333,364</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(298,161)</u>	<u>(33,146)</u>	<u>(331,307)</u>
OTHER FINANCING (USES) SOURCES			
Operating transfers in	320,000	7,000	327,000
Operating transfers out			0
	<u>320,000</u>	<u>7,000</u>	<u>327,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	21,839	(26,146)	(4,307)
FUND BALANCES, JANUARY 1	<u>247,575</u>	<u>26,486</u>	<u>274,061</u>
FUND BALANCES, DECEMBER 31	<u>\$ 269,414</u>	<u>\$ 340</u>	<u>\$ 269,754</u>

Focused and Balanced

THE ACCOUNTANCY FIRM OF
TODD J. BUSHTA, CPA
LLC

TOWNSHIP OF COOLBAUGH
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

	Major Funds		Total	Non-Major Funds		Total	Total Governmental Funds
	General	Capital Projects		Special Revenue	Debt Service		
REVENUES							
Taxes	\$ 4,407,155	\$	\$ 4,407,155	\$ 234,586	\$	\$ 234,586	\$ 4,641,741
Licenses and permits	181,136		181,136	0	0	0	181,136
Fines and forfeitures	42,543		42,543	0	0	0	42,543
Interest income	46,843	15,895	62,738	10,336		10,336	73,074
Intergovernmental revenue	904,302		904,302	289,362		289,362	1,193,664
Charges for services	323,077		323,077	0	0	0	323,077
Other	88,070	20,000	108,070	0	0	0	108,070
	<u>5,993,126</u>	<u>35,895</u>	<u>6,029,021</u>	<u>534,284</u>	<u>0</u>	<u>534,284</u>	<u>6,563,305</u>
EXPENDITURES							
Current							
General government	496,016	4,633	500,649	0	0	0	500,649
Public safety	2,494,290	320,000	2,814,290	0	0	0	2,814,290
Public works	1,774,701		1,774,701	483,782		483,782	2,258,483
Recreation	744,869		744,869	234,586		234,586	979,455
Other	420,723		420,723	0	0	0	420,723
Debt Service							
Principal					313,105	313,105	313,105
Interest					51,474	51,474	51,474
	<u>5,930,599</u>	<u>324,633</u>	<u>6,255,232</u>	<u>718,368</u>	<u>364,579</u>	<u>1,082,947</u>	<u>7,338,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>62,527</u>	<u>(288,738)</u>	<u>(226,211)</u>	<u>(184,084)</u>	<u>(364,579)</u>	<u>(548,663)</u>	<u>(774,874)</u>
OTHER FINANCING (USES) SOURCES							
Operating transfers in	0	320,000	320,000	364,579		364,579	684,579
Operating transfers out	(788,579)		(788,579)	0		0	(788,579)
	<u>(788,579)</u>	<u>320,000</u>	<u>(468,579)</u>	<u>0</u>	<u>364,579</u>	<u>364,579</u>	<u>(104,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	<u>(726,052)</u>	<u>31,262</u>	<u>(694,790)</u>	<u>(184,084)</u>	<u>0</u>	<u>(184,084)</u>	<u>(878,874)</u>
FUND BALANCES, JANUARY 1	<u>2,481,050</u>	<u>242,799</u>	<u>2,723,849</u>	<u>330,646</u>	<u>0</u>	<u>330,646</u>	<u>3,054,495</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,754,998</u>	<u>\$ 274,061</u>	<u>\$ 2,029,059</u>	<u>\$ 146,562</u>	<u>\$ 0</u>	<u>\$ 146,562</u>	<u>\$ 2,175,621</u>