

*T h e A c c o u n t a n c y F i r m o f*

**T O D D J B U S H T A**

CERTIFIED PUBLIC ACCOUNTANT

&

ASSOCIATES

*L L C*

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**TOWNSHIP OF COOLBAUGH**

MONROE COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS AND AUDITOR'S REPORTS**

AS OF AND FOR THE YEAR ENDED

**DECEMBER 31, 2007**

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

THE ACCOUNTANCY FIRM OF  
TODD J. BUSHITA, CPA  
LLC

# **TOWNSHIP OF COOLBAUGH**

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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, 2007, 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, 2007, 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, 2008 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. Cothran CPA LLC*

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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 and for the year ended December 31, 2007, and have issued our report thereon dated March 31, 2008,. 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 the Township of Coolbaugh's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Coolbaugh's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Coolbaugh's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Coolbaugh's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Coolbaugh's financial statements that is more than inconsequential will not be prevented or detected by the Township of Coolbaugh's internal control. We consider the deficiencies in internal control described in the following paragraph to be significant deficiencies in internal control over financial reporting.

Due to a relatively small staff, accounting, administrative and asset custody functions are not properly segregated consistent with appropriate control objectives, such that errors in financial reporting would be detected and corrected by employees in the normal conduct of their responsibilities.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Township of Coolbaugh's internal control. However, we believe that the significant deficiencies described above is a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### **Compliance and Other Matters**

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 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 Standard*.

#### **Auditor Reporting and Other Communication Considerations**

Township of Coolbaugh's response to the findings identified in our audit are as follows: Management believes that with the oversight of the Board of Supervisors, the significant deficiency described above is sufficiently mitigated to a level acceptable by management. We did not audit Township of Coolbaugh's response and, accordingly, we express no opinion on it. This report is intended solely for the information and use of management and that of government oversight bodies and is not intended to be and should not be used by anyone other than these specified parties.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THE ACCOUNTANCY FIRM OF  
TODD J. BUSHITA, CPA  
LLC**

**TOWNSHIP OF COOLBAUGH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
DECEMBER 31, 2007

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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, 2007. 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 2007 are as follows:*

- In total, net assets were \$15,596,971
- General revenues accounted for \$4,162,095 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,575,869 or 28% of total revenues of \$5,737,964.
- Total assets were \$18,617,751 of which \$1,300,710 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$17,077,128.
- The Township had \$6,780,368 in expenses; only \$1,575,869 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,097,755 were adequate to provide for these programs.
- Expenses, after program revenue was \$5,204,499.

# **TOWNSHIP OF COOLBAUGH**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

DECEMBER 31, 2007

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### **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, 2007

**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**

	2007	2006	2005
<b>Assets</b>			
Current and Other Assets	\$1,540,623	\$ 2,216,748	\$ 2,456,546
Capital Assets	<u>17,077,128</u>	<u>16,681,350</u>	<u>17,135,585</u>
	<u>18,617,751</u>	<u>18,898,098</u>	<u>19,592,131</u>
<b>Liabilities</b>			
Current Liabilities	706,421	572,157	440,147
Long-Term Liabilities	<u>2,314,359</u>	<u>1,686,566</u>	<u>2,078,849</u>
	<u>3,020,780</u>	<u>2,258,723</u>	<u>2,518,996</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	14,784,315	15,066,853	15,112,106
Restricted	422,996	440,813	420,623
Unrestricted	<u>389,660</u>	<u>1,131,709</u>	<u>1,540,406</u>
	<u>\$15,596,971</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, 2007

**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**

	2007	2006	2005
<b>Program Revenues</b>			
Charges for Services	\$ 921,111	\$ 771,043	\$ 922,873
Operating Grants and Contributions	331,948	968,469	374,292
Capital Grants and Contributions	322,810	350,306	819,372
<b>General Revenues</b>			
Taxes	4,097,755	4,484,927	4,641,741
Investment Earnings	<u>64,340</u>	<u>71,399</u>	<u>77,605</u>
<i>Total Revenues</i>	<u>5,737,964</u>	<u>6,646,144</u>	<u>6,835,883</u>
<b>Program Expenses</b>			
General Government	460,087	421,914	500,649
Public Safety	2,602,217	2,868,289	2,494,290
Public Works	1,421,933	1,610,719	1,008,705
Cultural and Recreation	369,338	329,685	349,455
Other	440,807	405,541	420,723
Interest on Long-Term Debt	43,125	47,701	51,474
Unallocated Depreciation and Amortization	950,662	950,662	950,662
Enterprise fund	<u>492,199</u>	<u>445,393</u>	<u>286,558</u>
<i>Total Expenses</i>	<u>6,780,368</u>	<u>7,079,904</u>	<u>6,062,516</u>
<i>Increase in Net Assets</i>	<u>\$ (1,042,404)</u>	<u>\$ (433,760)</u>	<u>\$ 773,367</u>

**TOWNSHIP OF COOLBAUGH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
 DECEMBER 31, 2007

***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**

	2007	2006	2005
General Government	\$ (45,545)	\$ (96,362)	\$ (126,461)
Public Safety	(2,306,992)	(2,532,065)	(2,157,336)
Public Works	(830,945)	(546,723)	(543,147)
Cultural and Recreation	(365,316)	(313,897)	180,855
Other	(288,584)	(247,291)	(279,243)
Interest on Long-Term Debt	(43,125)	(47,701)	(51,474)
Unallocated Depreciation	(950,622)	(950,662)	(950,662)
Enterprise	<u>(373,330)</u>	<u>(255,385)</u>	<u>(18,511)</u>
	<u>\$ (5,204,499)</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, 2007

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The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 72%. 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 2007. Assessed valuations of property are determined by Monroe County and the collectors are responsible for collection. Taxable assessed valuation was \$245,159,870.

### 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 \$5,616,606 and expenditures of \$5,757,955. Other financing sources and uses include transfers between the funds. The net change in fund balance for the year was a decrease of \$559,349.

### **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, 2007

**CAPITAL ASSETS**

At the end of the fiscal year, the Township had the following invested in land, buildings, furniture and equipment, and vehicles:

**Table 4 Capital Assets**

	Balance, Beginning	Additions	Deletions	Balance, Ending
<b>CAPITAL ASSETS</b>				
Land and Land Improvements	\$ 1,762,544	\$ 6,279	\$	\$ 1,768,823
Building & Improvements	1,672,576	24,610		1,697,186
Roads and Bridges	15,277,875			15,277,875
Sewer System	2,311,355	1,269,041		3,580,396
Equipment	3,641,926	69,986		3,711,912
	24,666,276	1,369,916	0	26,036,192
<b>ACCUMULATED DEPRECIATION</b>	7,984,926		974,138	8,959,064
	<u>\$16,681,350</u>	<u>\$ 1,369,916</u>	<u>\$ 974,138</u>	<u>\$17,077,128</u>

***Description of the years Capital Asset Activity:***

- Overall capital assets increased \$1,369,916 which included land acquisition, vehicles and heavy equipment, and also road reconstruction.
- Depreciation for the year was \$974,138.

**DEBT SERVICE**

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Series of 2007 Bonds	\$ 0	\$ 1,062,508	\$ 0	\$ 1,062,508
Series of 2003 Bonds	915,000		300,000	615,000
Series of 2001 Notes	441,684		19,573	422,106
Series of 1998 Notes	534,819		72,616	462,203
Series of 1997 Notes	187,435		19,604	167,831
	<u>\$ 2,078,938</u>	<u>\$ 1,062,508</u>	<u>\$ 411,793</u>	<u>\$ 2,729,648</u>

**TOWNSHIP OF COOLBAUGH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
DECEMBER 31, 2007

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**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. \$ 615,000

**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. \$ 422,106

*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. \$ 462,203

**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. \$ 167,831

**Series 2007 General Obligation Notes**

Original issue of \$2,500,000 for the construction and completion of the sewer treatment facility; Proceeds have been drawn on an as needed basis. The debt is payable in 2009 with interest only due quarterly at 4.3%. PennVest is expected to refinance this obligation in 2009. \$ 1,062,508

# **TOWNSHIP OF COOLBAUGH**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

DECEMBER 31, 2007

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### **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. 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, 2007**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	2006 Memorandum Total
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,093,999	\$ 13,627	\$ 1,107,626	\$ 711,487
Internal Balances	225,184		225,184	157,733
Investments	152,311		152,311	1,319,639
	<u>1,471,494</u>	<u>13,627</u>	<u>1,485,121</u>	<u>2,188,859</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land and Land Improvements	1,747,024	21,799	1,768,823	1,762,544
Building & Building Improvements	1,697,186		1,697,186	1,672,576
Roads and Bridges	15,277,875		15,277,875	15,277,875
Sewer System		3,580,396	3,580,396	2,311,355
Equipment	3,711,912		3,711,912	3,641,926
	<u>22,433,997</u>	<u>3,602,195</u>	<u>26,036,192</u>	<u>24,666,276</u>
Accumulated Depreciation	(8,546,687)	(412,377)	(8,959,064)	(7,984,926)
Net General Fixed Assets	13,887,310	3,189,818	17,077,128	16,681,350
Bond issuance cost, net of accum. amortization	14,729		14,729	22,762
Restricted Cash and Cash Equivalents	40,773		40,773	5,127
Restricted Investments			0	0
	<u>13,942,812</u>	<u>3,189,818</u>	<u>17,132,630</u>	<u>16,709,239</u>
	<u>15,414,306</u>	<u>3,203,445</u>	<u>18,617,751</u>	<u>18,898,098</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Payroll liabilities	25,175		25,175	16,925
Internal Balances		225,184	225,184	157,733
Escrow deposits	40,773		40,773	5,127
Current Portion of LT Debt - bonds payable	305,000		305,000	300,000
Current Portion of LT Debt - notes payable	18,789	91,500	110,289	92,372
	<u>389,737</u>	<u>316,684</u>	<u>706,421</u>	<u>572,157</u>
<i>Non-current Liabilities</i>				
Bonds Payable - Long term	310,000		310,000	615,000
Notes Payable - Long term	403,317	1,601,042	2,004,359	1,071,566
	<u>1,103,054</u>	<u>1,917,726</u>	<u>3,020,780</u>	<u>2,258,723</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	13,287,039	1,497,276	14,784,315	15,066,853
Restricted for:				
Capital Projects	103,344		103,344	269,754
Specified use	319,652		319,652	171,059
Unrestricted	601,217	(211,557)	389,660	1,131,709
	<u>\$ 14,311,252</u>	<u>\$ 1,285,719</u>	<u>\$ 15,596,971</u>	<u>\$ 16,639,375</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			2006 Memorandum Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 460,087	\$ 406,243	\$ 8,299	\$	\$ (45,545)	\$	\$ (45,545)	\$ (96,362)
Public safety	2,602,217	172,186	123,039		(2,306,992)		(2,306,992)	(2,532,065)
Public works	1,421,933	221,095	48,387	321,506	(830,945)		(830,945)	(546,723)
Recreation	369,338	2,718		1,304	(365,316)		(365,316)	(313,897)
Other	440,807		152,223		(288,584)		(288,584)	(247,291)
Interest on Long-Term debt	43,125				(43,125)		(43,125)	(47,701)
Unallocated Amortization	8,033				(8,033)		(8,033)	(8,033)
Unallocated Depreciation	942,629				(942,629)		(942,629)	(942,629)
	6,288,169	802,242	331,948	322,810	(4,831,169)	0	(4,831,169)	(4,734,701)
<b>Business-type activities:</b>								
Public Sewer	492,199	118,869				(373,330)	(373,330)	(255,385)
	<u>\$ 6,780,368</u>	<u>\$ 921,111</u>	<u>\$ 331,948</u>	<u>\$ 322,810</u>	<u>\$ (4,831,169)</u>	<u>\$ (373,330)</u>	<u>\$ (5,204,499)</u>	<u>\$ (4,990,086)</u>
<b>General revenues:</b>								
Taxes:								
Real Estate					2,222,042		2,222,042	1,963,719
Real Estate Transfer					671,327		671,327	899,144
Emergency and Municipal Services					47,401		47,401	50,204
Earned income					1,156,985		1,156,985	1,571,860
Internal Transfers					4,097,755	0	4,097,755	4,484,927
Interest Income					(418,000)	418,000	0	0
					61,851	2,489	64,340	71,399
<i>Total general revenues, special items, and transfers</i>					<u>3,741,606</u>	<u>420,489</u>	<u>4,162,095</u>	<u>4,556,326</u>
<b>Change in Net Assets</b>					(1,089,563)	47,159	(1,042,404)	(433,760)
<i>Net Assets—beginning</i>					15,400,815	1,238,560	16,639,375	17,073,135
<i>Net Assets—ending</i>					<u>\$ 14,311,252</u>	<u>\$ 1,285,719</u>	<u>\$ 15,596,971</u>	<u>\$ 16,639,375</u>

The accompanying notes are an integral part of the financial statements.

# TOWNSHIP OF COOLBAUGH

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

### TO THE STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2007

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**Total Fund Balances - Governmental Funds (CASH BASIS)** \$ 1,446,319

*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>	22,433,997
<i>Accumulated Depreciation</i>	(8,546,687)

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>	(615,000)
<i>Notes Payable</i>	(422,106)

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.

14,729

**Total Net Assets - Governmental Activities (MODIFIED CASH BASIS)** \$ 14,311,252

# 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, 2007

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*Total net change in fund balances - governmental funds (CASH BASIS)* \$ (559,349)

*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>	100,875

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>	300,000
<i>Notes Payable</i>	19,573

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)* \$ (1,089,563)

**FUNDS FINANCIAL STATEMENTS**

**THE ACCOUNTANCY FIRM OF  
TODD J. BUSHITA, CPA  
LLC**

**TOWNSHIP OF COOLBAUGH**  
**COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

	<b>Major Funds</b>		<b>Non-Major Funds</b>		<b>Total Governmental Funds</b>	<b>2006 Memorandum Total</b>
	<b>Capital</b>		<b>Special Revenue</b>			
	<b>General</b>	<b>Projects</b>	<b>Special Revenue</b>	<b>Total</b>		
<b>ASSETS</b>						
Cash - unrestricted	\$ 774,007	\$ 340	\$ 774,347	\$ 319,652	\$ 1,093,999	\$ 545,221
Cash - restricted	40,773		40,773		40,773	5,127
Due from other funds	225,184		225,184		225,184	157,733
Investments - unrestricted	49,307	103,004	152,311		152,311	1,319,639
	<u>\$ 1,089,271</u>	<u>\$ 103,344</u>	<u>\$ 1,192,615</u>	<u>\$ 319,652</u>	<u>\$ 1,512,267</u>	<u>\$ 2,027,720</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Payroll liabilities	\$ 25,175	\$	\$ 25,175	\$	\$ 25,175	16,925
Due to other funds			0		0	0
Escrow deposits	40,773		40,773		40,773	5,127
	<u>65,948</u>	<u>0</u>	<u>65,948</u>	<u>0</u>	<u>65,948</u>	<u>22,052</u>
<b>Fund balances:</b>						
Reserved for specified projects			0		0	0
Unreserved and undesignated	1,023,323	103,344	1,126,667	319,652	1,446,319	2,005,668
	<u>1,023,323</u>	<u>103,344</u>	<u>1,126,667</u>	<u>319,652</u>	<u>1,446,319</u>	<u>2,005,668</u>
	<u>\$ 1,089,271</u>	<u>\$ 103,344</u>	<u>\$ 1,192,615</u>	<u>\$ 319,652</u>	<u>\$ 1,512,267</u>	<u>\$ 2,027,720</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF COOLBAUGH**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2007**

	Major Funds			Non-Major Funds			Total Governmental Funds	2006 Memorandum Total
	General	Capital Projects	Total	Special Revenue	Debt Service	Total		
<b>REVENUES</b>								
Taxes	\$ 3,861,824	\$	\$ 3,861,824	\$ 235,931	\$	\$ 235,931	\$ 4,097,755	\$ 4,484,927
Licenses and permits	224,981		224,981	0		0	224,981	177,343
Fines and forfeitures	69,968		69,968	0		0	69,968	60,062
Interest income	30,004	13,590	43,594	18,257		18,257	61,851	66,701
Intergovernmental revenue	333,252		333,252	321,506		321,506	654,758	1,293,775
Charges for services	444,527		444,527	0		0	444,527	310,708
Other	62,766		62,766	0		0	62,766	57,922
	<u>5,027,322</u>	<u>13,590</u>	<u>5,040,912</u>	<u>575,694</u>	<u>0</u>	<u>575,694</u>	<u>5,616,606</u>	<u>6,451,438</u>
<b>EXPENDITURES</b>								
Current								
General government	484,697		484,697	0		0	484,697	421,914
Public safety	2,643,837		2,643,837	0		0	2,643,837	2,868,289
Public works	1,300,749		1,300,749	191,170		191,170	1,491,919	2,072,025
Recreation	139,686		139,686	235,931		235,931	375,617	388,282
Other	440,807		440,807	0		0	440,807	405,541
Debt Service								
Principal					300,000	300,000	300,000	313,639
Interest					21,078	21,078	21,078	47,701
	<u>5,009,776</u>	<u>0</u>	<u>5,009,776</u>	<u>427,101</u>	<u>321,078</u>	<u>748,179</u>	<u>5,757,955</u>	<u>6,517,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>17,546</u>	<u>13,590</u>	<u>31,136</u>	<u>148,593</u>	<u>(321,078)</u>	<u>(172,485)</u>	<u>(141,349)</u>	<u>(65,953)</u>
<b>OTHER FINANCING (USES) SOURCES</b>								
Operating transfers in	200,000	20,000	220,000	321,078		321,078	541,078	710,780
Operating transfers out	(759,078)	(200,000)	(759,078)	0		0	(759,078)	(814,780)
	<u>(559,078)</u>	<u>(180,000)</u>	<u>(739,078)</u>	<u>0</u>	<u>321,078</u>	<u>321,078</u>	<u>(418,000)</u>	<u>(104,000)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>	<u>(541,532)</u>	<u>(166,410)</u>	<u>(707,942)</u>	<u>148,593</u>	<u>0</u>	<u>148,593</u>	<u>(559,349)</u>	<u>(169,953)</u>
<b>FUND BALANCES, JANUARY 1</b>	<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>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,023,323</u>	<u>\$ 103,344</u>	<u>\$ 1,126,667</u>	<u>\$ 319,652</u>	<u>\$ 0</u>	<u>\$ 319,652</u>	<u>\$ 1,446,319</u>	<u>\$ 2,005,668</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**PROPRIETARY FUNDS - ENTERPRISE**  
**DECEMBER 31, 2007**

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	Public Sewer	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash - unrestricted	\$ 13,627	\$ 166,266
Investments - unrestricted	<u>0</u>	<u>0</u>
	<u>13,627</u>	<u>166,266</u>
Capital Assets :		
Land and Land Improvements	21,799	21,799
Infrastructure	<u>3,580,396</u>	<u>2,311,355</u>
	3,602,195	2,333,154
Accumulated Depreciation	<u>(412,377)</u>	<u>(380,868)</u>
	<u>3,189,818</u>	<u>1,952,286</u>
	<u>3,203,445</u>	<u>2,118,552</u>
<b>LIABILITIES AND</b>		
<b>NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to other funds	225,184	157,733
Notes Payable	<u>1,692,542</u>	<u>722,259</u>
	<u>1,917,726</u>	<u>879,992</u>
<b>NET ASSETS</b>		
Investment in fixed assets	1,497,276	1,230,027
Unrestricted	<u>(211,557)</u>	<u>8,533</u>
	<u>\$ 1,285,719</u>	<u>\$ 1,238,560</u>

# TOWNSHIP OF COOLBAUGH

## STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS

### PROPRIETARY FUNDS - ENTERPRISE

YEAR ENDED DECEMBER 31, 2007

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	Public Sewer	
	2007	2006
<b>OPERATING REVENUES</b>		
Charges for service	\$ 89,202	\$ 109,783
Other	29,667	55,225
	<u>118,869</u>	<u>165,008</u>
<b>OPERATING EXPENSES</b>		
Operating	98,696	92,576
Construction and Maintenance	89,140	88,772
Legal and Engineering	266,055	224,732
	<u>453,891</u>	<u>406,080</u>
Net income from operations	<u>(335,022)</u>	<u>(241,072)</u>
<b>NON-OPERATING REVENUE / EXPENSE</b>		
Transfer from other funds	418,000	104,000
Grants	0	25,000
Interest income	2,489	4,698
Interest expense	(6,799)	(7,804)
Depreciation	(31,509)	(31,509)
	<u>382,181</u>	<u>94,385</u>
<b>CHANGE IN NET ASSETS</b>	47,159	(146,687)
<b>NET ASSETS, JANUARY 1</b>	<u>1,238,560</u>	<u>1,385,247</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 1,285,719</u>	<u>\$ 1,238,560</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2007**

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	<u>Pension Trust</u>	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Investments - unrestricted	<u>\$ 873,438</u>	<u>\$ 758,856</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET ASSETS</b>		
Reserve for retirement benefits	<u>\$ 873,438</u>	<u>\$ 758,856</u>

# TOWNSHIP OF COOLBAUGH

## STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS

### FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2007

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	Pension Trust	
	2007	2006
<b>ADDITIONS</b>		
Township Contributions	\$ 84,137	\$ 65,387
Employee Contributions	7,169	9,170
Interest, dividends, and net unrealized gains/losses	29,229	43,068
	<u>120,535</u>	<u>117,625</u>
<b>DEDUCTIONS</b>		
Administrative fees	221	2,440
Pension benefits	5,732	0
	<u>5,953</u>	<u>2,440</u>
<b>CHANGE IN NET ASSETS</b>	114,582	115,185
<b>NET ASSETS, JANUARY 1</b>	<u>758,856</u>	<u>643,671</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 873,438</u>	<u>\$ 758,856</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**THE ACCOUNTANCY FIRM OF  
TODD J. BUSHITA, CPA  
LLC**

**TOWNSHIP OF COOLBAUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2007

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**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, 2007

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### 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, 2007

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### 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, 2007

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### 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, 2007

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### 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, 2007

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### **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, 2007

### NOTE 3 PROPERTY TAXES

Property taxes are levied on a calendar year basis, and are assessed on January 1st. The taxes are due June 30. A discount of 2% is available through April 30, and a penalty of 10% is charged on payments after June 30. The Township recognizes the taxes when collected. Assessed valuation is taxed at 8.15 Mills (5.43 for general, 1.72 for Debt and 1.0 electoral for Library) and is \$245,159,870.

### NOTE 4 CAPITAL ASSETS

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

	<b>Balance, Beginning</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, Ending</b>
<b>CAPITAL ASSETS</b>				
Land and Land Improvements	\$ 1,762,544	\$ 6,279	\$	\$ 1,768,823
Building & Improvements	1,672,576	24,610		1,697,186
Roads and Bridges	15,277,875			15,277,875
Sewer System	2,311,355	1,269,041		3,580,396
Equipment	3,641,926	69,986		3,711,912
	<u>24,666,276</u>	<u>1,369,916</u>	<u>0</u>	<u>26,036,192</u>
<b>ACCUMULATED DEPRECIATION</b>	<u>7,984,926</u>		<u>974,138</u>	<u>8,959,064</u>
	<u>\$16,681,350</u>	<u>\$ 1,369,916</u>	<u>\$ 974,138</u>	<u>\$17,077,128</u>

### NOTE 5 DEBT AND DEBT SERVICE

The following is a summary of the Township's long-term debt activity for the year:

	<b>Balance, Beginning</b>	<b>Proceeds</b>	<b>Repayments</b>	<b>Balance, Ending</b>
Series of 2007 Bonds	\$ 0	\$ 1,062,508	\$ 0	\$ 1,062,508
Series of 2003 Bonds	915,000		300,000	615,000
Series of 2001 Notes	441,684		19,573	422,106
Series of 1998 Notes	534,819		72,616	462,203
Series of 1997 Notes	187,435		19,604	167,831
	<u>\$ 2,078,938</u>	<u>\$ 1,062,508</u>	<u>\$ 411,793</u>	<u>\$ 2,729,648</u>

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007

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### NOTE 5 DEBT AND DEBT SERVICE (CONTINUED)

#### 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.

\$ 615,000

##### **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.

\$ 422,106

*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.

\$ 462,203

##### **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.

\$ 167,831

##### **Series 2007 General Obligation Notes**

Original issue of \$2,500,000 for the construction and completion of the sewer treatment facility; Proceeds have been drawn on an as needed basis. The debt is payable in 2009 with interest only due quarterly at 4.3%. PennVest is expected to refinance this obligation in 2009.

\$ 1,062,508

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007

### NOTE 5 DEBT AND DEBT SERVICE (CONTINUED)

The Township's debt service to maturity is expected to be as follows:

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
2008	\$ 360,051	\$ 99,023	\$ 459,074
2009	359,051	1,161,531	1,520,582
2010	40,836	99,023	139,859
2011	40,836	99,023	139,859
2012	40,836	99,023	139,859
2013	40,836	99,023	139,859
2014	40,836	99,023	139,859
2015	40,836	21,201	62,037
2016	40,836	5,301	46,137
2017	40,836		40,836
2018	40,836		40,836
2019	40,836		40,836
2020	40,836		40,836
2021	40,836		40,836
2022	13,691		13,691
Debt Service	1,222,825	1,782,171	3,004,996
Interest Portion	185,719	89,629	275,348
Debt	\$ 1,037,106	\$ 1,692,542	\$ 2,729,648

### NOTE 6 LITIGATION

The Township is a defendant in lawsuits concerning various matters. Although the outcome of the lawsuits is not presently determinable, in the opinion of Township legal counsel, resolution of these matters will not have a material adverse effect on the financial condition of the Township.

### NOTE 7 CONTINGENCY

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.

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007

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### 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. BUSHITA, CPA  
LLC**

**TOWNSHIP OF COOLBAUGH**  
**SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
<i>TAXES</i>			
Real Estate	\$ 2,024,000	\$ 1,986,111	\$ (37,889)
Real Estate Transfer	700,000	671,327	(28,673)
Emergency & Municipal Services	50,000	47,401	(2,599)
Earned income	1,350,000	1,156,985	(193,015)
	<u>4,124,000</u>	<u>3,861,824</u>	<u>(262,176)</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	130,000	135,053	5,053
Permits	2,000	89,928	87,928
	<u>132,000</u>	<u>224,981</u>	<u>92,981</u>
<i>FINES AND FORFEITURES</i>			
Fines and Code Violations	44,000	69,968	25,968
<i>INTEREST INCOME</i>			
Interest on investments	66,000	30,004	(35,996)
<i>INTERGOVERNMENTAL REVENUE</i>			
State public utility tax	7,200	6,299	(901)
Alcoholic beverage taxes	4,200	2,000	(2,200)
Foreign fire insurance premium tax	125,000	123,039	(1,961)
Pension fund state aid	160,000	152,223	(7,777)
Other federal grants	0	0	0
Other state grants	524,200	48,387	(475,813)
Other local grants	0	1,304	1,304
	<u>820,600</u>	<u>333,252</u>	<u>(487,348)</u>
<i>CHARGES FOR SERVICES</i>			
General Government	149,300	118,496	(30,804)
Public Works	72,000	221,095	149,095
Public Safety	64,600	102,218	37,618
Recreation	0	2,718	2,718
	<u>285,900</u>	<u>444,527</u>	<u>158,627</u>
<i>OTHER</i>			
Rents	61,000	62,766	1,766
	<u>61,000</u>	<u>62,766</u>	<u>1,766</u>
<i>TRANSFERS FROM OTHER FUNDS</i>			
	<u>0</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 5,533,500</u>	<u>\$ 5,227,322</u>	<u>\$ (306,178)</u>

**TOWNSHIP OF COOLBAUGH**  
**SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
<b><i>EXPENDITURES:</i></b>			
<i>GENERAL GOVERNMENT</i>			
Legislative and Governing Body	\$ 227,625	\$ 154,097	\$ 73,528
Executive	50,000	0	50,000
Financial services	74,400	60,288	14,112
Tax Collection	69,500	74,042	(4,542)
Legal and Solicitor	31,000	27,058	3,942
Other general government administration	705,500	132,899	572,601
Grants consulting	30,400	30,418	(18)
Engineering	5,000	5,895	(895)
	<u>1,193,425</u>	<u>484,697</u>	<u>708,728</u>
<i>PUBLIC SAFETY</i>			
Police	2,002,161	1,990,946	11,215
Fire	327,850	316,136	11,714
Ambulance and Rescue	125,000	125,749	(749)
Code enforcement	100,240	96,234	4,006
Protective Inspection	60,700	43,455	17,245
Control center	91,500	48,050	43,450
Planning and Zoning	38,225	23,267	14,958
	<u>2,745,676</u>	<u>2,643,837</u>	<u>101,839</u>
<i>PUBLIC WORKS</i>			
Highways, Streets and General services	1,265,900	663,825	602,075
Composting and recycling	60,000	137,720	(77,720)
Winter maintenance	206,500	157,023	49,477
Traffic control	123,500	31,135	92,365
Storm sewers	138,000	74,030	63,970
Repairs of tools and machinery	44,000	41,152	2,848
Road and bridge maintenance	467,500	195,864	271,636
	<u>2,305,400</u>	<u>1,300,749</u>	<u>1,004,651</u>
<i>RECREATION AND COMMUNITY</i>			
Recreation	42,500		42,500
Community services	6,200	62,233	(56,033)
Open Space	56,000		0
Parks	172,050	77,453	94,597
	<u>276,750</u>	<u>139,686</u>	<u>81,064</u>
<i>MISCELLANEOUS</i>			
Pension contributions	75,000	91,306	(16,306)
Workers compensation	0	19,657	(19,657)
Unemployment compensation	8,300	6,166	2,134
Employee Benefits	231,850	216,464	15,386
Insurance premiums	98,000	41,042	56,958
Social Security	61,000	66,172	(5,172)
Other	12,021	0	12,021
	<u>486,171</u>	<u>440,807</u>	<u>45,364</u>
<i>TRANSFERS TO OTHER FUNDS</i>			
	<u>426,077</u>	<u>759,078</u>	<u>(333,001)</u>
	<u>\$ 7,433,499</u>	<u>\$ 5,768,854</u>	<u>\$ 1,608,645</u>

**COMBINING SCHEDULES**

**THE ACCOUNTANCY FIRM OF  
TODD J. BUSHITA, CPA  
LLC**

**TOWNSHIP OF COOLBAUGH**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES**  
**AND FUND BALANCE - CASH BASIS**  
**NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2007**

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	<u>Library</u>	<u>Highway Aid</u>	<u>Total</u>
<b>ASSETS</b>			
Cash - unrestricted	<u>\$ 0</u>	<u>\$ 319,652</u>	<u>\$ 319,652</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCE</b>			
Unreserved and undesignated	<u>0</u>	<u>319,652</u>	<u>319,652</u>
	<u>\$ 0</u>	<u>\$ 319,652</u>	<u>\$ 319,652</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, 2007

	Library	Highway Aid	Total
<b>REVENUES</b>			
Taxes	\$ 235,931	\$	\$ 235,931
Interest income		18,257	18,257
Intergovernmental revenue		321,506	321,506
	<u>235,931</u>	<u>339,763</u>	<u>575,694</u>
<b>EXPENDITURES</b>			
Current			
Public works		191,170	191,170
Recreation	235,931		235,931
	<u>235,931</u>	<u>191,170</u>	<u>427,101</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	148,593	148,593
<b>FUND BALANCES, JANUARY 1</b>	<u>0</u>	<u>171,059</u>	<u>171,059</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 0</u>	<u>\$ 319,652</u>	<u>\$ 319,652</u>

# TOWNSHIP OF COOLBAUGH

## COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

### CASH BASIS

#### MAJOR FUNDS - CAPITAL PROJECTS FUNDS

DECEMBER 31, 2007

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	Emergency Services	Building Improvements	Total
<b>ASSETS</b>			
Cash - unrestricted	\$	\$ 340	\$ 340
Investment - unrestricted	103,004		103,004
Total Assets	<u>\$ 103,004</u>	<u>\$ 340</u>	<u>\$ 103,344</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ 0	\$ 0	\$ 0
<b>FUND BALANCE</b>			
Reserved for specified projects			0
Unreserved and undesignated	103,004	340	103,344
	<u>\$ 103,004</u>	<u>\$ 340</u>	<u>\$ 103,344</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, 2007

	Emergency Services	Building Improvements	Total
<b>REVENUES</b>			
Interest income	\$ 13,590		\$ 13,590
Contributions			
	<u>13,590</u>	<u>0</u>	<u>13,590</u>
<b>EXPENDITURES</b>			
Current			
General government			0
Public safety			0
Public works			0
	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>13,590</u>	<u>0</u>	<u>13,590</u>
<b>OTHER FINANCING (USES) SOURCES</b>			
Operating transfers in	20,000		20,000
Operating transfers out	(200,000)		(200,000)
	<u>(180,000)</u>	<u>0</u>	<u>(180,000)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>			
	(166,410)	0	(166,410)
<b>FUND BALANCES, JANUARY 1</b>			
	<u>269,414</u>	<u>340</u>	<u>269,754</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 103,004</u>	<u>\$ 340</u>	<u>\$ 103,344</u>

*Focused and Balanced*

THE ACCOUNTANCY FIRM OF  
TODD J. BUSHTA, CPA  
LLC