

**TOWNSHIP OF COOLBAUGH**  
MONROE COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS  
AND AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED  
**DECEMBER 31, 2009**



# TOWNSHIP OF COOLBAUGH

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# *Gneiding, DeSanctis, Blizzard & Company, LLP*

## Certified Public Accountants

Howard D. Gneiding, CPA  
Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA  
Todd J. Bushta, CPA

### 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, 2009, 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, 2009, 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, 2009 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.

*Smeiling, DeArmitt, Blizard & Company, LLP*

ALLENTOWN, PENNSYLVANIA  
MARCH 31, 2010

# *Gneiding, DeSanctis, Blizard & Company, LLP*

## Certified Public Accountants

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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, 2009, and have issued our report thereon dated March 31, 2010. 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 and employing a Township Manager/Controller, 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.



ALLENTOWN, PENNSYLVANIA  
MARCH 31, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWNSHIP OF COOLBAUGH**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009

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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, 2009. 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 2009 are as follows:*

- In total, net assets were \$15,344,647
- General revenues accounted for \$4,390,131 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 \$1,721,356 or 68% of total revenues of \$6,111,487.
- Total assets were \$20,684,783 of which \$464,585 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$19,141,482.
- The Township had \$7,189,366 in expenses; only \$1,721,356 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,437,730 were adequate to provide for these programs.
- Expenses, after program revenue was \$5,468,010.
- Business Type activities (Public Sewer) received \$2,452,940 in grant revenue in 2008.

# **TOWNSHIP OF COOLBAUGH**

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

DECEMBER 31, 2009

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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, 2009

### 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**

	2009	2008	2007	2006	2005
<b>Assets</b>					
Current and Other Assets	\$ 1,543,301	\$ 3,642,465	\$ 1,540,623	\$ 2,216,748	\$ 2,456,546
Capital Assets	<u>19,141,482</u>	<u>19,615,879</u>	<u>17,077,128</u>	<u>16,681,350</u>	<u>17,135,585</u>
	<u>20,684,783</u>	<u>23,258,344</u>	<u>18,617,751</u>	<u>18,898,098</u>	<u>19,592,131</u>
<b>Liabilities</b>					
Current Liabilities	498,207	3,184,177	706,421	572,157	440,147
Long-Term Liabilities	<u>4,841,929</u>	<u>3,699,240</u>	<u>2,314,359</u>	<u>1,686,566</u>	<u>2,078,849</u>
	<u>5,340,136</u>	<u>6,883,417</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	13,884,652	12,626,411	14,784,315	15,066,853	15,112,106
Restricted	1,351,375	2,510,688	422,996	440,813	420,623
Unrestricted	<u>108,620</u>	<u>1,237,828</u>	<u>389,660</u>	<u>1,131,709</u>	<u>1,540,406</u>
	<u>15,344,647</u>	<u>\$ 16,374,927</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, 2009

### 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**

	2009	2008	2007	2006	2005
<b>Program Revenues</b>					
Charges for Services	\$ 1,012,637	\$ 815,077	\$ 921,111	\$ 771,043	\$ 922,873
Operating Grants and Contributions	367,784	695,704	331,948	968,469	374,292
Capital Grants and Contributions	340,935	2,806,900	322,810	350,306	819,372
<b>General Revenues</b>					
Taxes	4,390,131	3,845,390	4,097,755	4,484,927	4,641,741
Investment Earnings	<u>47,599</u>	<u>72,148</u>	<u>64,340</u>	<u>71,399</u>	<u>77,605</u>
<i>Total Revenues</i>	<u>6,159,086</u>	<u>8,235,219</u>	<u>5,737,964</u>	<u>6,646,144</u>	<u>6,835,883</u>
<b>Program Expenses</b>					
General Government	456,444	479,973	460,087	421,914	500,649
Public Safety	2,952,488	2,936,002	2,602,217	2,868,289	2,494,290
Public Works	1,179,297	1,838,642	1,421,933	1,610,719	1,008,705
Cultural and Recreation	546,181	334,774	369,338	329,685	349,455
Other	665,905	540,073	440,807	405,541	420,723
Interest on Long-Term Debt	28,668	86,643	43,125	47,701	51,474
Unallocated Depreciation	949,325	950,662	950,662	950,662	950,662
Enterprise fund	<u>411,058</u>	<u>674,608</u>	<u>492,199</u>	<u>445,393</u>	<u>286,558</u>
<i>Total Expense</i>	<u>7,189,366</u>	<u>7,841,377</u>	<u>6,780,368</u>	<u>7,079,904</u>	<u>6,062,516</u>
<i>Increase (decrease) in Net Assets</i>	<u>\$(1,030,280)</u>	<u>\$ 393,842</u>	<u>\$(1,042,404)</u>	<u>\$(433,760)</u>	<u>\$ 773,367</u>

# TOWNSHIP OF COOLBAUGH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

### *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**

	2009	2008	2007	2006	2005
General Government	\$ (169,589)	\$ (180,872)	\$ (45,545)	\$ (96,362)	\$ (126,461)
Public Safety	(2,738,842)	(2,635,123)	(2,306,992)	(2,532,065)	(2,157,336)
Public Works	(698,193)	(908,298)	(830,945)	(546,723)	(543,147)
Cultural and Recreation	(545,516)	(330,105)	(365,316)	(313,897)	180,855
Other	(499,508)	(378,102)	(288,584)	(247,291)	(279,243)
Interest on Long-Term Debt	(28,668)	(86,643)	(43,125)	(47,701)	(51,474)
Unallocated Depreciation	(949,325)	(950,662)	(950,622)	(950,662)	(950,662)
Enterprise	<u>161,931</u>	<u>1,946,109</u>	<u>(373,330)</u>	<u>(255,385)</u>	<u>(18,511)</u>
	<u>\$ (5,467,710)</u>	<u>\$ (3,523,696)</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, 2009

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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 9.15 mills (\$9.15 per \$1,000 of assessed valuation) for fiscal 2009. Assessed valuations of property are determined by Monroe County and the collectors are responsible for collection. Taxable assessed valuation was \$260,095,280. Tax mills were increased to 11.15 for 2010.

### 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.

# TOWNSHIP OF COOLBAUGH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

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### 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 \$5,586,242 and expenditures of \$7,087,389. Other financing sources and uses include transfers between the funds. The net change in fund balance for the year was a decrease of \$1,797,004.

### 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, 2009

### 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**

*Description of the years Capital Asset Activity:*

	Balance, Beginning	Additions	Deletions	Balance, Ending
<b>CAPITAL ASSETS</b>				
Land and Land Improvements	\$ 1,982,156	\$	\$	\$ 1,982,156
Building & Improvements	1,867,924	421,882		2,289,806
Roads and Bridges	15,488,263	68,919		15,557,182
Sewer System	6,467,317		226,183	6,241,134
Equipment	3,711,912	235,123		3,947,035
	<u>29,517,572</u>	<u>725,924</u>	<u>226,183</u>	<u>30,017,313</u>
ACCUMULATED DEPRECIATION	<u>(9,901,693)</u>	<u>(942,629)</u>	<u>0</u>	<u>(10,875,831)</u>

- Overall capital assets increased \$725,924 which included land acquisition, vehicles and heavy equipment, and also road reconstruction.
- Depreciation for the year was \$942,629.

### DEBT SERVICE

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Series of 2008 Bonds	\$ 2,675,000	\$	\$	\$ 2,675,000
Series of 2009 SR Bonds	0	1,628,963	56,439	1,572,524
Series of 2008 A Notes	172,967		5,659	167,308
Series of 2007 Bonds	2,495,522		2,495,522	0
Series of 2003 Bonds	310,000		310,000	0
Series of 2001 Notes	421,761		22,482	399,270
Series of 1998 Notes	388,585		74,215	314,309
Series of 1997 Notes	148,215		19,810	128,405
	<u>\$ 6,612,050</u>	<u>\$ 1,628,963</u>	<u>2,984,127</u>	<u>\$ 5,256,886</u>

# TOWNSHIP OF COOLBAUGH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

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### **Governmental Debt :**

#### **Series 2008 General Obligation Bonds**

Original issue of \$1,765,000 for various capital projects  
With in the Township; principal and interest are due  
Annually on December 1st, at rates ranging from  
2.6.% to 3.85%, maturing in 2019. \$ 2,675,000

#### **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. \$ 0

#### **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. \$ 399,270

*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 2009 Guaranteed Sewer Revenue Bonds**

Original issue of \$1,831,383 for the construction and  
completion of the sewer treatment facility; and to repay  
the Township's General Obligation Notes Series 2007.  
The debt is payable in monthly installments of \$5,890,  
including interest of 1%, maturing in 2039 . \$ 1,572,524

# TOWNSHIP OF COOLBAUGH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

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### Business-Type debt (continued):

#### **Series 2008A General Obligation Notes**

Original issue of \$172,967 for the construction and completion of the sewer treatment facility; The debt is payable in monthly installments of \$ 912.48, including interest of 2% . The Note was through the "Penn Works" program, maturing in 2028.

\$ 167,308

#### **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.

\$ 0

#### **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.

\$ 314,309

#### **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.

\$ 128,405

## **CURRENT FINANCIAL ISSUES AND CONCERNS**

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. 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**

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
DECEMBER 31, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	2008 Memorandum Total
<i>ASSETS</i>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 423,903	\$ 40,682	\$ 464,585	\$ 300,106
Internal Balances	0		0	225,184
Investments	<u>1,028,245</u>	<u>6,608</u>	<u>1,034,853</u>	<u>3,097,423</u>
	<u>1,452,148</u>	<u>47,290</u>	<u>1,499,438</u>	<u>3,622,713</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land and Land Improvments	1,960,357	21,799	1,982,156	1,982,156
Building & Building Improvements	2,289,806		2,289,806	1,867,924
Roads and Bridges	15,557,182		15,557,182	15,488,263
Sewer System		6,241,134	6,241,134	6,467,317
Equipment	<u>3,947,035</u>		<u>3,947,035</u>	<u>3,711,912</u>
	23,754,380	6,262,933	30,017,313	29,517,572
Accumulated Depreciation	<u>(10,431,945)</u>	<u>(443,886)</u>	<u>(10,875,831)</u>	<u>(9,901,693)</u>
Net General Fixed Assets	13,322,435	5,819,047	19,141,482	19,615,879
Bond issuance cost, net of accum. amortization	0		0	6,696
Restricted Cash and Cash Equivalents	43,863		43,863	13,056
Restricted Investments			<u>0</u>	<u>0</u>
	<u>13,366,298</u>	<u>5,819,047</u>	<u>19,185,345</u>	<u>19,635,631</u>
	<u>14,818,446</u>	<u>5,866,337</u>	<u>20,684,783</u>	<u>23,258,344</u>
<i>LIABILITIES</i>				
<i>Current Liabilities</i>				
Payroll liabilities	39,443		39,443	33,127
Internal Balances			0	225,184
Escrow deposits	43,863		43,863	13,056
Current Portion of LT Debt - bonds payable	0	53,097	53,097	310,000
Current Portion of LT Debt - notes payable	<u>258,608</u>	<u>103,196</u>	<u>361,804</u>	<u>2,602,810</u>
	341,914	156,293	498,207	3,184,177
<i>Non-current Liabilities</i>				
Bonds Payable - Long term	0		0	0
Notes Payable - Long term	<u>2,815,674</u>	<u>2,026,255</u>	<u>4,841,929</u>	<u>3,699,240</u>
	<u>3,157,588</u>	<u>2,182,548</u>	<u>5,340,136</u>	<u>6,883,417</u>
<i>NET ASSETS</i>				
Investment in Capital Assets, Net of Related Debt	10,248,153	3,636,499	13,884,652	12,626,411
Restricted for:				
Capital Projects	1,154,285		1,154,285	2,340,905
Specified use	197,090		197,090	169,783
Unrestricted	<u>61,330</u>	<u>47,290</u>	<u>108,620</u>	<u>1,237,828</u>
	<u>\$ 11,660,858</u>	<u>\$ 3,683,789</u>	<u>\$ 15,344,647</u>	<u>\$ 16,374,927</u>



**TOWNSHIP OF COOLBAUGH**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2009**

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***Total Fund Balances - Governmental Funds (CASH BASIS)*** \$ 1,412,705

*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>	23,754,380
<i>Accumulated Depreciation</i>	(10,431,945)

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>	0
<i>Notes Payable</i>	(3,074,282)

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.

0

***Total Net Assets - Governmental Activities (MODIFIED CASH BASIS)*** \$ 11,660,858

# 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, 2009

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***Total net change in fund balances - governmental funds (CASH BASIS)*** \$ (1,797,004)

*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>	725,924

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>Proceeds from issuing debt</i>	(200,000)
<i>Bonds Payable</i>	310,000
<i>Notes Payable</i>	222,482

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. (6,696)

***Change in net assets of governmental activities (MODIFIED CASH BASIS)*** \$ (1,687,923)

**F U N D S   F I N A N C I A L   S T A T E M E N T S**

# TOWNSHIP OF COOLBAUGH

## COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

### GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	Major Funds			Non-Major	Total	2008
	General	Capital Projects	Total	Funds Special Revenue	Governmental Funds	Memorandum Total
<b>ASSETS</b>						
Cash - unrestricted	\$ 44,089	\$ 182,724	\$ 226,813	\$ 197,090	\$ 423,903	\$ 261,349
Cash - restricted	43,863		43,863		43,863	13,056
Due from other funds			0		0	225,184
Investments - unrestricted	56,684	971,561	1,028,245		1,028,245	2,756,303
	<u>\$ 144,636</u>	<u>\$ 1,154,285</u>	<u>\$ 1,298,921</u>	<u>\$ 197,090</u>	<u>\$ 1,496,011</u>	<u>\$ 3,255,892</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Payroll liabilities	\$ 39,443	\$	\$ 39,443	\$	\$ 39,443	33,127
Due to other funds			0		0	0
Escrow deposits	43,863		43,863		43,863	13,056
	<u>83,306</u>	<u>0</u>	<u>83,306</u>	<u>0</u>	<u>83,306</u>	<u>46,183</u>
<b>Fund balances:</b>						
Reserved for specified projects		930,311	930,311		930,311	0
Unreserved and undesignated	61,330	223,974	285,304	197,090	482,394	957,275
	<u>61,330</u>	<u>1,154,285</u>	<u>1,215,615</u>	<u>197,090</u>	<u>1,412,705</u>	<u>3,209,709</u>
	<u>\$ 144,636</u>	<u>\$ 1,154,285</u>	<u>\$ 1,298,921</u>	<u>\$ 197,090</u>	<u>\$ 1,496,011</u>	<u>\$ 3,255,892</u>

**TOWNSHIP OF COOLBAUGH**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2009**

	<b>Major Funds</b>			<b>Non-Major Funds</b>			<b>Total</b>	<b>2008</b>
	General	Capital Projects	Total	Special Revenue	Debt Service	Total	<b>Governmental Funds</b>	Memorandum Total
<b>REVENUES</b>								
Taxes	\$ 3,893,949	\$	\$ 3,893,949	\$ 496,182	\$	\$ 496,182	\$ 4,390,131	\$ 3,845,390
Licenses and permits	147,587		147,587			0	147,587	158,503
Fines and forfeitures	73,582		73,582			0	73,582	63,482
Interest income	1,224	44,529	45,753	1,691		1,691	47,444	66,600
Intergovernmental revenue	367,784		367,784	340,935		340,935	708,719	1,049,664
Charges for services	155,326		155,326			0	155,326	338,967
Other	63,453		63,453			0	63,453	86,348
	<u>4,702,905</u>	<u>44,529</u>	<u>4,747,434</u>	<u>838,808</u>	<u>0</u>	<u>838,808</u>	<u>5,586,242</u>	<u>5,608,954</u>
<b>EXPENDITURES</b>								
Current								
General government	731,444	146,882	878,326			0	878,326	650,711
Public safety	2,942,181	193,895	3,136,076			0	3,136,076	2,936,002
Public works	604,285	380,147	984,432	315,319		315,319	1,299,751	2,049,030
Recreation	49,999		49,999	496,182		496,182	546,181	548,107
Other	665,905		665,905			0	665,905	468,050
Debt Service								
Fiscal charges						0	0	72,023
Principal	200,000		200,000		332,482	332,482	532,482	1,510,000
Interest	1,299		1,299		27,369	27,369	28,668	86,643
	<u>5,195,113</u>	<u>720,924</u>	<u>5,916,037</u>	<u>811,501</u>	<u>359,851</u>	<u>1,171,352</u>	<u>7,087,389</u>	<u>8,320,566</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(492,208)</u>	<u>(676,395)</u>	<u>(1,168,603)</u>	<u>27,307</u>	<u>(359,851)</u>	<u>(332,544)</u>	<u>(1,501,147)</u>	<u>(2,711,612)</u>
<b>OTHER FINANCING (USES) SOURCES</b>								
Proceeds from issuing debt	200,000		200,000				200,000	3,880,000
Operating transfers in	328,997	327,853	656,850		359,851	359,851	1,016,701	1,297,756
Operating transfers out	(674,480)	(838,078)	(1,512,558)			0	(1,512,558)	(702,412)
	<u>(145,483)</u>	<u>(510,225)</u>	<u>(655,708)</u>	<u>0</u>	<u>359,851</u>	<u>359,851</u>	<u>(295,857)</u>	<u>4,475,344</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>	<u>(637,691)</u>	<u>(1,186,620)</u>	<u>(1,824,311)</u>	<u>27,307</u>	<u>0</u>	<u>27,307</u>	<u>(1,797,004)</u>	<u>1,763,732</u>
<b>FUND BALANCES, JANUARY 1</b>	<u>699,021</u>	<u>2,340,905</u>	<u>3,039,926</u>	<u>169,783</u>	<u>0</u>	<u>169,783</u>	<u>3,209,709</u>	<u>1,445,977</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 61,330</u>	<u>\$ 1,154,285</u>	<u>\$ 1,215,615</u>	<u>\$ 197,090</u>	<u>\$ 0</u>	<u>\$ 197,090</u>	<u>\$ 1,412,705</u>	<u>\$ 3,209,709</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**PROPRIETARY FUNDS - ENTERPRISE**  
**DECEMBER 31, 2009**

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	Public Sewer	
	2009	2008
<b>ASSETS</b>		
Cash - unrestricted	\$ 40,682	\$ 38,757
Investments - unrestricted	6,608	341,120
	47,290	379,877
Capitall Assets :		
Land and Land Improvements	21,799	21,799
Infrastructure	6,241,134	6,467,317
	6,262,933	6,489,116
Accumulated Depreciation	(443,886)	(412,377)
	5,819,047	6,076,739
	5,866,337	6,456,616
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to other funds	0	225,184
Notes Payable	2,182,548	3,205,286
	2,182,548	3,430,470
<b>NET ASSETS</b>		
Investment in fixed assets	3,636,499	2,646,269
Unrestricted	47,290	379,877
	\$ 3,683,789	\$ 3,026,146
	\$ 3,683,789	\$ 3,026,146

# TOWNSHIP OF COOLBAUGH

## STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS

### PROPRIETARY FUNDS - ENTERPRISE

YEAR ENDED DECEMBER 31, 2009

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	Public Sewer	
	2009	2008
<b>OPERATING REVENUES</b>		
Charges for service	\$ 113,060	\$ 116,160
User Reimbursements	400,000	0
Other	59,629	51,617
	<u>572,689</u>	<u>167,777</u>
<b>OPERATING EXPENSES</b>		
Operating	142,531	136,167
Construction and Maintenance	81,618	123,813
Legal and Engineering	129,541	322,325
	<u>353,690</u>	<u>582,305</u>
Net income from operations	<u>218,999</u>	<u>(414,528)</u>
<b>NON-OPERATING REVENUE / (EXPENSE)</b>		
Transfer (to) / from other funds	495,857	(211,230)
Grants	0	2,452,940
Interest income	155	5,548
Interest expense	(25,859)	(60,794)
Depreciation	(31,509)	(31,509)
	<u>438,644</u>	<u>2,154,955</u>
<b>CHANGE IN NET ASSETS</b>	657,643	1,740,427
<b>NET ASSETS, JANUARY 1</b>	<u>3,026,146</u>	<u>1,285,719</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 3,683,789</u>	<u>\$ 3,026,146</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**

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	Pension Trust	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Investments - unrestricted	<u>\$ 876,586</u>	<u>\$ 792,748</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>\$ 876,586</u>	<u>\$ 792,748</u>

**TOWNSHIP OF COOLBAUGH**  
**STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2009**

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	Pension Trust	
	<u>2009</u>	<u>2008</u>
<b>ADDITIONS</b>		
Township Contributions	\$ 74,320	\$ 78,732
Employee Contributions	7,783	7,051
Interest, dividends, and net unrealized gains/losses	<u>1,735</u>	<u>(166,473)</u>
	<u>83,838</u>	<u>(80,690)</u>
<b>DEDUCTIONS</b>		
Administrative fees		
Pension benefits		
	<u>0</u>	<u>0</u>
<b>CHANGE IN NET ASSETS</b>	83,838	(80,690)
<b>NET ASSETS, JANUARY 1</b>	<u>792,748</u>	<u>873,438</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 876,586</u></u>	<u><u>\$ 792,748</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF COOLBAUGH**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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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, 2009

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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, 2009

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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, 2009

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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.

##### **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.

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2009

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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

#### **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, 2009

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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 \$250,000 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, 2009

### 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 9.15 Mills (5.43 for general, 1.72 for Debt and 2.0 electoral for Library) and is \$260,095,280.

### 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	\$ 1,982,156	\$	\$	\$ 1,982,156
Building & Improvements	1,867,924	421,882		2,289,806
Roads and Bridges	15,488,263	68,919		15,557,182
Sewer System	6,467,317		226,183	6,241,134
Equipment	3,711,912	235,123		3,947,035
	<u>29,517,572</u>	<u>725,924</u>	<u>226,183</u>	<u>30,017,313</u>
<b>ACCUMULATED DEPRECIATION</b>	<u>(9,901,693)</u>	<u>(942,629)</u>	<u>0</u>	<u>(10,875,831)</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 2008 Bonds	\$ 2,675,000	\$	\$	\$ 2,675,000
Series of 2009 SR Bonds	0	1,628,963	56,439	1,572,524
Series of 2008 A Notes	172,967		5,659	167,308
Series of 2007 Bonds	2,495,522		2,495,522	0
Series of 2003 Bonds	310,000		310,000	0
Series of 2001 Notes	421,761		22,482	399,270
Series of 1998 Notes	388,585		74,215	314,309
Series of 1997 Notes	148,215		19,810	128,405
	<u>\$ 6,612,050</u>	<u>\$ 1,628,963</u>	<u>2,984,127</u>	<u>\$ 5,256,886</u>

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2009

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

#### Governmental Debt :

##### **Series 2008 General Obligation Bonds**

Original issue of \$1,765,000 for various capital projects  
With in the Township; principal and interest are due  
Annually on December 1st, at rates ranging from  
2.6.% to 3.85%, maturing in 2019. \$ 2,675,000

##### **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. \$ 0

##### **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. \$ 399,270

*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 2009 Guaranteed Sewer Revenue Bonds**

Original issue of \$1,831,383 for the construction and  
completion of the sewer treatment facility; and to repay  
the Township's General Obligation Notes Series 2007.  
The debt is payable in monthly installments of \$5,890,  
including interest of 1%, maturing in 2039 . \$ 1,572,524

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2009

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

#### Business-Type debt (continued):

##### Series 2008A General Obligation Notes

Original issue of \$172,967 for the construction and completion of the sewer treatment facility; The debt is payable in monthly installments of \$ 912.48, including interest of 2% . The Note was through the “Penn Works” program, maturing in 2028. \$ 167,308

##### 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. \$ 0

##### 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. \$ 314,309

##### 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. \$ 128,405

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2009

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

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

	<b>Governmental Type</b>	<b>Business Type</b>
2010	359,951	203,799
2011	358,596	203,799
2012	361,546	203,799
2013	358,971	203,799
2014	361,104	135,644
2015	362,594	125,968
2016	363,281	110,068
2017	363,052	104,767
2018	361,949	104,767
2019	316,033	104,767
2020	40,836	104,767
2021	40,836	104,767
2022	13,691	104,767
There after		919,710
Total	3,662,440	\$2,735,188
Interest portion	588,158	552,640
Principle	\$ 3,074,282	\$ 2,182,548

### 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.

# TOWNSHIP OF COOLBAUGH

## NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2009

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### NOTE 7 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**

**TOWNSHIP OF COOLBAUGH**  
**SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2009**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
<i>TAXES</i>			
Real Estate	\$ 1,798,213	\$ 1,880,215	\$ 82,002
Real Estate Transfer	400,000	323,137	(76,863)
Emergency & Municipal Services	247,500	264,404	16,904
Earned income	<u>1,300,000</u>	<u>1,426,193</u>	<u>126,193</u>
	<u>3,745,713</u>	<u>3,893,949</u>	<u>148,236</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	115,000	146,087	31,087
Permits	<u>2,000</u>	<u>1,500</u>	<u>(500)</u>
	<u>117,000</u>	<u>147,587</u>	<u>30,587</u>
<i>FINES AND FORFEITURES</i>			
Fines and Code Violations	<u>56,000</u>	<u>73,582</u>	<u>17,582</u>
<i>INTEREST INCOME</i>			
Interest on investments	<u>30,000</u>	<u>1,224</u>	<u>(28,776)</u>
<i>INTERGOVERNMENTAL REVENUE</i>			
State public utility tax			0
Alcoholic beverage taxes		1,550	1,550
Foreign fire insurance premium tax	95,931	118,791	22,860
Pension fund state aid	164,182	166,397	2,215
Composting	299,000		(299,000)
Other federal grants			0
Other state grants	108,000	81,046	(26,954)
Other local grants			0
	<u>667,113</u>	<u>367,784</u>	<u>(299,329)</u>
<i>CHARGES FOR SERVICES</i>			
General Government	139,000	74,265	(64,735)
Public Works	41,850	59,123	17,273
Public Safety	55,600	21,273	(34,327)
Recreation		665	665
	<u>236,450</u>	<u>155,326</u>	<u>(81,124)</u>
<i>OTHER</i>			
Rents	<u>83,916</u>	<u>63,453</u>	<u>(20,463)</u>
	<u>83,916</u>	<u>63,453</u>	<u>(20,463)</u>
	<u>\$ 4,936,192</u>	<u>\$ 4,702,905</u>	<u>\$ (233,287)</u>

**TOWNSHIP OF COOLBAUGH**  
**SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2009**

	Budget	Actual	Variance Favorable (Unfavorable)
<b><i>EXPENDITURES:</i></b>			
<i>GENERAL GOVERNMENT</i>			
Legislative and Governing Body	\$ 96,475	\$ 113,151	\$ (16,676)
Executive	62,350	62,660	(310)
Financial services	61,785	76,989	(15,204)
Tax Collection	58,950	60,346	(1,396)
Legal and Solicitor	36,000	49,373	(13,373)
Other general government administration	114,780	122,197	(7,417)
Physical Plant	288,998	245,908	43,090
Grants consulting			0
Engineering	3,000	820	2,180
	<u>722,338</u>	<u>731,444</u>	<u>(9,106)</u>
<i>PUBLIC SAFETY</i>			
Police	2,186,305	2,306,794	(120,489)
Fire	326,500	308,800	17,700
Ambulance and Rescue	125,000	105,150	19,850
Code enforcement	114,356	107,696	6,660
Protective Inspection	47,514	52,957	(5,443)
Control center	41,500	40,890	610
Planning and Zoning	29,300	19,894	9,406
	<u>2,870,475</u>	<u>2,942,181</u>	<u>(71,706)</u>
<i>PUBLIC WORKS</i>			
Highways, Streets and General services	379,500	297,874	81,626
Composting and recycling	414,000	103,803	310,197
Winter maintenance	227,282	222,878	4,404
Traffic control	25,750	16,779	8,971
Storm sewers			0
Repairs of tools and machinery	43,500	67,883	(24,383)
Road and bridge maintenance		10,068	(10,068)
	<u>1,090,032</u>	<u>719,285</u>	<u>370,747</u>
<i>RECREATION AND COMMUNITY</i>			
Recreation	8,000	8,000	0
Community services	4,560	8,160	(3,600)
Open Space			0
Parks	52,750	33,839	18,911
	<u>65,310</u>	<u>49,999</u>	<u>15,311</u>
<i>MISCELLANEOUS</i>			
Pension contributions	265,478	254,223	11,255
Workers compensation	37,000	54,019	(17,019)
Unemployment compensation	7,000	7,204	(204)
Employee Benefits	201,818	238,779	(36,961)
Insurance premiums	63,000	45,157	17,843
Social Security	74,000	64,372	9,628
Other	3,500	2,151	1,349
	<u>651,796</u>	<u>665,905</u>	<u>(14,109)</u>
	<u>\$ 5,399,951</u>	<u>\$ 5,108,814</u>	<u>\$ 291,137</u>

## **COMBINING SCHEDULES**

**TOWNSHIP OF COOLBAUGH**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES**  
**AND FUND BALANCE - CASH BASIS**  
**NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2009**

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	<u>Library</u>	<u>Highway Aid</u>	<u>Total</u>
<b>ASSETS</b>			
Cash - unrestricted	\$ <u>0</u>	\$ <u>197,090</u>	\$ <u>197,090</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>197,090</u>	<u>197,090</u>
	<u>\$ 0</u>	<u>\$ 197,090</u>	<u>\$ 197,090</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, 2009**

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	<u>Library</u>	<u>Highway Aid</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 496,182	\$	\$ 496,182
Interest income		1,691	1,691
Intergovernmental revenue		340,935	340,935
	<u>496,182</u>	<u>342,626</u>	<u>838,808</u>
<b>EXPENDITURES</b>			
Current			
Public works		315,319	315,319
Recreation	496,182		496,182
	<u>496,182</u>	<u>315,319</u>	<u>811,501</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	27,307	27,307
<b>FUND BALANCES, JANUARY 1</b>	<u>0</u>	<u>169,783</u>	<u>169,783</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 0</u>	<u>\$ 197,090</u>	<u>\$ 197,090</u>

**TOWNSHIP OF COOLBAUGH**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE**  
**CASH BASIS**  
**MAJOR FUNDS - CAPITAL PROJECTS FUNDS**  
**DECEMBER 31, 2009**

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	Emergency Services	Capital Projects	Total
<b>ASSETS</b>			
Cash - unrestricted	\$ 182,724	\$	\$ 182,724
Investment - unrestricted	<u>41,250</u>	<u>930,311</u>	<u>971,561</u>
Total Assets	<u>\$ 223,974</u>	<u>\$ 930,311</u>	<u>\$ 1,154,285</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to other funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCE</b>			
Reserved for specified projects		930,311	930,311
Unreserved and undesignated	<u>223,974</u>	<u>0</u>	<u>223,974</u>
	<u>\$ 223,974</u>	<u>\$ 930,311</u>	<u>\$ 1,154,285</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, 2009**

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	Emergency Services	Capital Projects	Total
<b>REVENUES</b>			
Interest income	\$ 1,545	\$ 42,984	\$ 44,529
Contributions			
	<u>1,545</u>	<u>42,984</u>	<u>44,529</u>
<b>EXPENDITURES</b>			
Current			
General government		146,882	146,882
Public safety	193,895		193,895
Public works		380,147	380,147
	<u>193,895</u>	<u>527,029</u>	<u>720,924</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(192,350)</u>	<u>(484,045)</u>	<u>(676,395)</u>
<b>OTHER FINANCING (USES) SOURCES</b>			
Proceeds form issuing debt			0
Operating transfers in	327,853		327,853
Operating transfers out		(838,078)	(838,078)
	<u>327,853</u>	<u>(838,078)</u>	<u>(510,225)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>	135,503	(1,322,123)	(1,186,620)
<b>FUND BALANCES, JANUARY 1</b>	<u>88,471</u>	<u>2,252,434</u>	<u>2,340,905</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 223,974</u>	<u>\$ 930,311</u>	<u>\$ 1,154,285</u>