

POCONO TOWNSHIP  
ANNUAL FINANCIAL REPORT  
AS AT DECEMBER 31, 2010

POCONO TOWNSHIP  
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As at December 31, 2010

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To the Supervisors of  
Pocono Township  
Tannersville, Pennsylvania

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pocono Township, Pennsylvania as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pocono Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement position. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, Pocono Township prepares its financial statements on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management has disclosed its fiduciary funds' financial information on the accrual basis of accounting. The cash receipts and disbursements basis of accounting requires that the fiduciary funds be stated at cost basis instead of market basis. The amount by which this departure would affect the assets, net assets, revenues, expenses, gains and losses of the fiduciary funds is not reasonably determinable.

In my opinion, except for the effects of not reporting its fiduciary funds' financial information at cost basis as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pocono Township as of December 31, 2010, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Pocono Township's management has not presented Management Discussion and Analysis that accounting principles, generally accepted in the United States of America, has determined is necessary to supplement, although not required to be part of, the basic general-purpose financial statements.

Accounting principles generally accepted in the United States of America require that the analysis and budgetary comparison information and the police pension fund's schedule of funding progress on Schedule 1 and Schedule 2 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocono Township's basic financial statements. The combining nonmajor and fiduciary funds' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor and fiduciary funds' financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Audi Lin C.P.A., LLC*

Stroudsburg, Pennsylvania  
August 22, 2011



POCONO TOWNSHIP  
Statement of Net Assets - Cash Basis  
As at December 31, 2010

Exhibit A

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Assets:	
Cash and cash equivalents	\$1,176,977
Restricted cash	<u>4,457,010</u>
Total Assets	5,633,987
Liabilities:	
Payroll liabilities	<u>177</u>
Net Assets:	
Restricted to capital purchases	4,457,010
Unrestricted	<u>1,176,800</u>
Total Net Assets	<u>\$5,633,810</u>

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

Pocono Township  
Statement of Activities-Cash Basis  
For the Year Ended December 31, 2010

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Governmental Activities:					
General government	(\$662,483)	\$491,600	\$0	\$0	(\$170,883)
Public safety	(3,013,201)	90,670	0	0	(2,922,531)
Public works	(11,485,877)	0	267,347	7,332,788	(3,885,742)
Recreation	(288,817)	0	13,595	0	(275,222)
Principal and interest	(5,088,068)	0	0	0	(5,088,068)
Other	(39,229)	0	0	0	(39,229)
Net Program (Disbursements) Receipts	<u>(\$20,577,675)</u>	<u>\$582,270</u>	<u>\$280,942</u>	<u>\$7,332,788</u>	<u>(12,381,675)</u>
General Revenues:					
Taxes					4,328,657
Interest earnings					8,268
Proceeds of debt					12,233,978
Other					133,148
Total General Revenues					<u>16,704,051</u>
Change in Net Assets					4,322,376
Net Assets at Beginning of Year					<u>1,311,434</u>
Net Assets at End of Year					<u><u>\$5,633,810</u></u>

Exhibit B

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

POCONO TOWNSHIP  
Statement of Assets, Liabilities and Fund Balances - Cash Basis  
Governmental Funds  
As at December 31, 2010

Exhibit C

	General Fund	Sewer Design and Construction Fund	Capital Reserve Fund	Other Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$416,298	\$0	\$691,656	\$69,023	\$1,176,977
Restricted cash	<u>0</u>	<u>4,431,936</u>	<u>25,074</u>	<u>0</u>	<u>4,457,010</u>
Total Assets	<u>\$416,298</u>	<u>\$4,431,936</u>	<u>\$716,730</u>	<u>\$69,023</u>	<u>\$5,633,987</u>
Liabilities:					
Current liabilities	<u>\$177</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$177</u>
Fund Balances:					
Reserved for capital purchases	0	0	25,074	0	25,074
Unreserved	<u>416,121</u>	<u>4,431,936</u>	<u>691,656</u>	<u>69,023</u>	<u>5,608,736</u>
Total Fund Balances	<u>416,121</u>	<u>4,431,936</u>	<u>716,730</u>	<u>69,023</u>	<u>5,633,810</u>
Total Liabilities and Fund Balances	<u>\$416,298</u>	<u>\$4,431,936</u>	<u>\$716,730</u>	<u>\$69,023</u>	<u>\$5,633,987</u>

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

POCONO TOWNSHIP  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis  
Government Funds

For the Year Ended December 31, 2010

Exhibit D  
Page 1

	<u>General Fund</u>	<u>Sewer Design and Construction Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$3,642,766	\$0	\$0	\$396,195	\$4,038,961
Licenses and permits	420,122	0	0	0	420,122
Fines and forfeits	71,478	0	0	0	71,478
Interest earnings	1,603	348	5,512	805	8,268
Intergovernmental revenue	268,473	7,332,788	0	291,370	7,892,631
Rents and royalties	22,310	0	0	0	22,310
Charges for services	90,670	0	0	0	90,670
Proceeds of debt	53,569	12,130,409	50,000	0	12,233,978
Contributions and donations from private sector	0	0	0	13,595	13,595
Other	<u>31,626</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,626</u>
Total Revenues	<u>4,602,617</u>	<u>19,463,545</u>	<u>55,512</u>	<u>701,965</u>	<u>24,823,639</u>
Expenditures:					
General government	524,160	0	0	0	524,160
Public safety	2,631,260	0	24,926	284,000	2,940,186
Public works	762,123	10,202,920	0	284,572	11,249,615
Culture and recreation	106,089	0	0	145,285	251,374
Employee benefits and taxes	480,607	0	0	4,436	485,043
Insurance	39,229	0	0	0	39,229
Debt service	<u>280,974</u>	<u>4,807,094</u>	<u>0</u>	<u>0</u>	<u>5,088,068</u>
Total Expenses	<u>\$4,824,442</u>	<u>\$15,010,014</u>	<u>\$24,926</u>	<u>\$718,293</u>	<u>\$20,577,675</u>

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

POCONO TOWNSHIP  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis  
 Government Funds  
 For the Year Ended December 31, 2010

Exhibit D  
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	<u>General Fund</u>	<u>Sewer Design and Construction Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$221,825)	\$4,453,531	\$30,586	(\$16,328)	\$4,245,964
Other Financing Sources (Uses):					
Refunds of prior year expenditures	76,382	0	0	30	76,412
Operating transfers in	121,520	0	0	19,924	141,444
Operating transfers out	<u>(20,168)</u>	<u>0</u>	<u>(121,276)</u>	<u>0</u>	<u>(141,444)</u>
Total Other Financing Sources (Uses)	<u>177,734</u>	<u>0</u>	<u>(121,276)</u>	<u>19,954</u>	<u>76,412</u>
Net Changes in Fund Balances	(44,091)	4,453,531	(90,690)	3,626	4,322,376
Fund Balance at Beginning of Year	<u>460,212</u>	<u>(21,595)</u>	<u>807,420</u>	<u>65,397</u>	<u>1,311,434</u>
Fund Balance at End of Year	<u>\$416,121</u>	<u>\$4,431,936</u>	<u>\$716,730</u>	<u>\$69,023</u>	<u>\$5,633,810</u>

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

POCONO TOWNSHIP  
Statement of Net Assets  
Fiduciary Funds  
As at December 31, 2010

Exhibit E

	<u>Trust Funds</u>	<u>Revolving Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$22,427	\$166,568	\$188,995
Investments	<u>3,241,617</u>	<u>0</u>	<u>3,241,617</u>
<b>Total Assets</b>	<u>\$3,264,044</u>	<u>\$166,568</u>	<u>\$3,430,612</u>
<b>Liabilities:</b>			
Amounts held on behalf of others	<u>\$0</u>	<u>\$159,474</u>	<u>159,474</u>
<b>Net Assets:</b>			
Net assets held in trust for pension benefits Unreserved	<u>3,264,044</u> <u>0</u>	<u>0</u> <u>7,094</u>	<u>3,264,044</u> <u>7,094</u>
<b>Total Net Assets</b>	<u>3,264,044</u>	<u>7,094</u>	<u>3,271,138</u>
<b>Total Liabilities and Net Assets</b>	<u>\$3,264,044</u>	<u>\$166,568</u>	<u>\$3,430,612</u>

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

POCONO TOWNSHIP  
Statement of Changes in Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2010

Exhibit F

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<u>Funds</u>	<u>Trust</u>
Additions:	
Investment income	\$264,053
State contributions	164,977
Employee contributions	64,470
Employer contributions	<u>11,551</u>
Total Additions	<u>505,051</u>
Deductions:	
Pension benefits	22,164
Administrative expenses	<u>18,627</u>
Total Deductions	<u>40,791</u>
Change in Net Assets	464,260
Net Assets at Beginning of Year	<u>2,799,784</u>
Net Assets at End of Year	<u><u>\$3,264,044</u></u>

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

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Note 1: Summary of Significant Accounting Policies:

Nature of the Government

Pocono Township is a Second Class Township of Monroe County, Commonwealth of Pennsylvania. The citizens elect a governing board consisting of three supervisors. The Township maintains roads and infrastructure within its legal boundaries. The Township is currently in the process of a construction project to provide sewer service to its commercial district located along the Route 611 corridor. The project is described in more detail in Note 7.

The financial statements of the Township have been prepared in conformity with the cash basis of accounting, which is an other comprehensive basis of accounting (OCBOA) as applied to government units. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, apply unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Basis of Presentation

Government - Wide Financial Statements

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

Fund Financial Statements

The financial activities of Pocono Township are organized into funds, each of which is treated as a separate entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses. Funds are organized into two categories: governmental and fiduciary. The Township presently has no proprietary funds. An emphasis is placed on a major fund within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

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

- a. Total assets, liabilities, revenues, or expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenses of the individual fund are at least 5 percent of the corresponding total for all funds combined.

The fund types utilized by Pocono Township and a brief description of their accounting purposes are as follows:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. The Township has the following special revenue funds, all of which are reported as nonmajor funds:

Fire Fund – Accounts for revenues received and contributions made to sustain the Township's volunteer fire company.

Ambulance Fund - Accounts for revenues received and contributions made to sustain the Township's ambulance service.

Park Fund - Accounts for revenues received and expenditures paid for recreational services and facilities provided by the Township.

Liquid Fuels Fund – Accounts for motor vehicle fuel taxes legally restricted for road and bridge repairs and maintenance.

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

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds that are reported as major funds:

Sewer Design and Construction – Accounts for specific revenues and expenditures relating to establishing sewer service along Route 611 in Pocono Township and for the Township's share of the regional sewer project.

Capital Reserve Fund – Accounts for transfers from other Township funds and expenditures for future capital projects as determined by the Board of Supervisors.

Fiduciary Funds

Account for assets held by a governmental unit in a trustee capacity or as an agent on behalf of others.

Police Pension Plan – Accounts for contributions by the Township and its Police Department employees to the Township's police pension plan and investment transactions. Benefit payments and plan administration expenses are paid from this fund.

Non-uniformed Employees Pension Plan – Accounts for contributions by the Township and its employees (who are not employed by the Police Department) to the Township's non-uniformed employee pension plan. Benefit payments and plan administration expenses are paid from this fund.

Revolving Fund - Accounts for funds belonging to other parties that have been deposited with the Township for various purposes including payment of professional fees required for development projects and other purposes.

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

Measurement Focus/ Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. Government-wide financials would be presented on the accrual basis of accounting.

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

Cash and Cash Equivalents

For purposes of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Long Term Debt

Long-term debt arising from cash basis transactions to be repaid from governmental resources is not reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b) Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Governmental fund equity is classified as fund balance.

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

Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program revenues in each activity:

General Government – Licenses, permits, fines, and forfeits

Public Safety – Inspection fees and reimbursements for police services

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

Interfund transfers – Flows of assets from one fund to another are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statements of Activities.

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

Restricted Resources

The Township applies restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2: Cash and Cash Equivalents:

The Township can deposit or invest funds as authorized for local government units by the Local Government Unit Debt Act. Authorized types of investments include:

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

Custodial Credit Risk to Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's (FDIC) insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

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Note 2: Cash and Cash Equivalents: (Continued)

Credit Risk

The Township is permitted to invest funds in U.S. Treasury Bills, Short-Term Obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by full faith and credit of the political subdivision, Certificates of Deposit, Secured Purchase Agreements, authorized Investment Trust Companies and Time or Share Accounts of Institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Foreign Currency Risk

The Township was not exposed to foreign currency risk during 2010

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name	\$5,110,627
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u>\$5,110,627</u>

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

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Note 2: Cash and Cash Equivalents: (Continued)

Reconciliation of Cash & Cash Equivalents:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name	\$5,110,627
Add: Amount Insured Under FDIC	1,653,001
Plus: Deposits in Transit	0
Less: Outstanding Checks	<u>(940,645)</u>
Carrying Amount	5,822,983
Add: Pooled Deposits - Cash Equivalents	0
Add: Petty Cash	<u>0</u>
Total Cash and Cash Equivalents	<u>\$5,822,983</u>

Note 3: Restricted Cash:

Restricted cash consists of monies held in the Capital Project Funds that are restricted for capital purchases. The Capital Reserve fund includes money that is to be used toward the construction of an ambulance building. The Sewer Design and Construction fund restricted cash balances represent amounts that are to be used toward the ongoing Sewer Project. See Note 8 for more details.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 4: Interfund Transfers:

Transfers between funds of the primary government for the year ended December 31, 2010 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Capital Reserve	\$121,276	\$0
Park Fund	0	10,000
Liquid Fuels Fund	<u>0</u>	<u>19,924</u>
Total General Fund	<u>121,276</u>	<u>19,924</u>
Capital Reserve Fund:		
General Fund	<u>0</u>	<u>121,276</u>
Park Fund:		
General Fund	<u>10,000</u>	<u>0</u>
Liquid Fuels Fund:		
General Fund	<u>9,924</u>	<u>0</u>
Total	<u>\$141,200</u>	<u>\$141,200</u>

Generally the purpose of transfers in (out) of the funds is to provide cash needed to pay expenditures of the fund.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 5: Long - Term Debt:

The Township's long-term debt is as follows:

	January 1, 2010	Additions	Deductions	December 31, 2010	Amount Due Within 1 Year
Sewer Project:					
Pocono Community Bank Line of Credit	\$1,839,371	\$660,629	(\$2,500,000)	\$0	\$0
General Obligation Note, Series A of 2009	50,000	2,101,035	(2,151,035)	0	0
Guaranteed Sewer Revenue Bonds, Series A of 2010	0	2,302,809	0	2,302,809	0
Guaranteed Sewer Revenue Bond, Series B of 2010	0	65,936	0	65,936	0
General Obligation Note, Series B of 2009	1,500,000	0	0	1,500,000	0
General Obligation Bond, Series 2010, #1	0	2,500,000	0	2,500,000	0
Guaranteed Sewer Revenue Note, Series 2010	0	4,500,000	0	4,500,000	0
Other:					
PNC Bank Note Payable	35,195	0	(13,513)	21,682	14,149
PNC Bank Note Payable	545,360	0	(78,913)	466,447	82,139
PNC Bank Note Payable	142,877	0	(24,694)	118,183	25,624
Bank Capital Services - Capital Lease Obligation	10,095	0	(10,095)	0	0
PNC Leasing - Capital Lease Obligation	18,217	0	(18,217)	0	0
PNC Leasing - Capital Lease Obligation	46,709	0	(23,829)	22,880	22,872
PNC Equipment Financing - Capital Lease Obligation	53,934	0	(20,679)	33,255	21,577
PNC Equipment Financing - Capital Lease Obligation	178,743	0	(33,473)	145,270	34,574
Bank Capital Services - Capital Lease Obligation	78,000	0	(13,791)	64,209	14,641
FNB Commercial Leasing	0	53,569	(2,420)	51,149	7,255
General Obligation Note, Series 2010	0	50,000	0	50,000	37,000
<b>Total</b>	<u>\$4,498,501</u>	<u>\$12,233,978</u>	<u>(\$4,890,659)</u>	<u>\$11,841,820</u>	<u>\$259,831</u>

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Note 5: Long - Term Debt: (Continued)

Guaranteed Sewer Revenue Bond, Series A of 2010

On December 30, 2010, the Township issued the Sewer Revenue Bond, Series A of 2010 to finance construction of the Township's sewer facilities. The issue is for \$7,500,000, with principal and interest payments in June and December. The interest rate is 4.7%. The term of the bond is thirteen years, and it is scheduled to mature on December 1, 2023. As of December 31, 2010, \$2,302,809 had been drawn down on the Bond.

Guaranteed Sewer Revenue Bond, Series B of 2010

On December 30, 2010, the Township issued the Sewer Revenue Bond, Series B of 2010 to finance construction of the Township's sewer facilities. The issue is for \$4,500,000, with interest payments in June and principal and interest payments in December. The interest rate is 5.25%. The term of the bond is 25 years, and it is scheduled to mature on December 1, 2035. As of December 31, 2010, \$65,936 had been drawn down on the Bond.

General Obligation Note, Series B of 2009

On October 8, 2009, the Township issued the General Obligation Note, Series B of 2009 to finance design and construction of the Township's sewer facilities. The issue is for \$1,500,000, with principal and interest payments in March, June, September and December. The interest rate is 3.5%. The term of the bond is four years, and it is scheduled to mature on December 1, 2013. The outstanding balance as of December 31, 2010 is \$1,500,000.

General Obligation Bond, Series 2010, #1

On December 30, 2010, the Township issued the General Obligation Bond, Series 2010, #1, to finance design and construction of the Township's sewer facilities. The issue is for \$3,000,000, with interest payments in February, May, August, and November. The interest rate is variable at 65% of the "Wall Street Journal Prime Rate", not to exceed 8%. The current interest rate is 2.1125%. The bond is scheduled to mature on August 30, 2013, when the full principal balance will be due. As of December 31, 2010, \$2,500,000 had been drawn down on the Bond.

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Note 5: Long - Term Debt: (Continued)

General Obligation Bond, Series 2010, #2

On December 30, 2010, the Township authorized the issuance of its General Obligation Bond, Series 2010, #2, to finance design and construction of the Township's sewer facilities. The issue is for \$3,000,000, with interest payments in February, May, August, and November. The interest rate is variable at 65% of the "Wall Street Journal Prime Rate", not to exceed 8%. The current interest rate is 2.1125%. The bond is scheduled to mature on August 30, 2013, when the full principal balance will be due. As of December 31, 2010, no proceeds of this bond have been advanced. Funds will be advanced only upon receipt of written approval of additional permanent financing for the sewer project.

Guaranteed Sewer Revenue Note, Series of 2010

On December 30, 2010, the Township issued the Sewer Revenue Note Series of 2010 to finance construction of the Township's sewer facilities. The issue is for \$4,500,000, with principal and interest payments in June and December, and principal payments beginning December 2013. The interest rate is 6.6%. The term of the bond is 25 years, and it is scheduled to mature on December 1, 2035. The outstanding balance as of December 31, 2010 is \$4,500,000.

PNC Bank Note Payable

On May 15, 2002, the Township borrowed \$118,750 to purchase property within the Township. The Note is payable in monthly installments of \$1,231, including interest at 4.5%. The final payment is due on May 15, 2012. The outstanding balance at December 31, 2010 was \$21,682.

PNC Bank Note Payable

On May 15, 2002, the Township borrowed \$805,000 to purchase the property formerly known as Tannersville Learning Center in Tannersville, Pennsylvania. The Note is payable in monthly installments of \$8,164, including interest at 3.69%. The final payment is due on March 15, 2016. The outstanding balance at December 31, 2010 was \$466,447.

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Note 5: Long - Term Debt: (Continued)

PNC Bank Note Payable

On January 22, 2008, the Township borrowed \$180,000 to finance a culvert replacement project. The Note is payable in monthly installments of \$2,463, including interest at 3.64%. The final payment is due on April 30, 2015. The outstanding balance at December 31, 2010 was \$118,183.

Bank Capital Services - Capital Lease Obligation

On October 21, 2008, the Township entered into a capital lease agreement for a hand feed wood chipper, with a value of \$41,583. The lease is payable in annual installments of \$11,226, including interest at 5.323%. The final payment is due on October 21, 2011. The outstanding balance at December 31, 2010 was \$10,645.

PNC Leasing - Capital Lease Obligation

On December 27, 2006, the Township entered into a capital lease agreement for a Peterbilt truck, with a value of \$113,889. The lease is payable in monthly installments of \$2,129, including interest at 4.78%. The final payment is due on November 28, 2011. The outstanding balance at December 31, 2010 was \$22,280.

PNC Equipment Financing - Capital Lease Obligation

On May 15, 2007, the Township entered into a capital lease agreement for a wheel loader, with a value of \$101,400. The lease is payable semiannually in May and November, in installments of \$11,377, including interest at 4.3%. The final payment is due in May 2012. The outstanding balance at December 31, 2010 was \$33,255.

PNC Leasing - Capital Lease Obligation

On December 22, 2009, the Township entered into a capital lease agreement for a Peterbilt truck, with a value of \$178,743. The lease is payable in quarterly installments of \$9,719, including interest at 3.24%. The final payment is due on November 22, 2014. The outstanding balance at December 31, 2010 was \$145,270.

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Note 5: Long - Term Debt: (Continued)

Bank Capital Services - Capital Lease Obligation

On June 9, 2009, the Township entered into a capital lease agreement for a John Deere Tractor and Tiger Mower, with a value of \$78,000. The lease is payable in annual installments of \$18,602, including interest at 6.0%. The final payment is due on June 9, 2014. The outstanding balance at December 31, 2010 was \$64,209.

FNB Commercial Leasing

On October 6, 2010, the Township entered into a capital lease agreement for a loader truck, with a value of \$53,569. The lease is payable in quarterly installments of \$3,053, including interest at 5.127%. The final payment is due on October 1, 2015. The outstanding balance at December 31, 2010 was \$51,149.

General Obligation Note Series 2010

On December 10, 2010, the Township issued the General Obligation Note Series 2010 to finance the purchase of a property adjacent to the Township Offices and renovations to the Township municipal building. The issue is for \$1,000,000, with interest payments in June, and principal and interest payments in December. The interest rate is currently 4.0%. This rate will apply until the "Rate Reset Date" occurs in 2020 and in 2025. At the Rate Reset Date, the interest rate will be adjusted based on the then current weekly average yield on five year United States Treasury securities plus 2.25%, not to exceed 6%. The term of the note is twenty years, and it is scheduled to mature on December 1, 2030. As of December 31, 2010, \$50,000 had been drawn down on the note.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 5: Long - Term Debt: (Continued)

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$259,831	\$512,273	\$772,104
2012	203,423	538,786	742,209
2013	4,439,007	517,899	4,956,906
2014	502,217	402,586	904,803
2015	444,788	378,884	823,672
2016 - 2020	1,859,745	1,600,017	3,459,762
2021 - 2025	1,375,809	1,107,475	2,483,284
2026 - 2030	842,000	802,626	1,644,626
2031 - 2035	<u>1,915,000</u>	<u>456,786</u>	<u>2,371,786</u>
 Total	 <u>\$11,841,820</u>	 <u>\$6,317,332</u>	 <u>\$18,159,152</u>

Interest paid on long-term debt during 2010 was \$197,408.

Note 6: Pocono Township Non-Uniformed Pension Plan:

Reporting Entity

Pocono Township Non-Uniformed Employees' Pension Plan (hereinafter referred to as "the Plan") is a single employer defined contribution plan. The Plan is governed by the Township's Board of Supervisors. The Township Supervisors may amend plan provisions and are responsible for the management of plan assets. The Plan is included in the Township's basic financial statements as a Pension Trust. Stand alone financial statements are not publicly available.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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

Method Used to Value Investments

Investments are reported at fair market value. Investments are participant directed, without restriction, among various investment options available to the Defined Contribution Plan with Metropolitan Life Insurance Company.

Description of Plan

As stated above, the Township maintains a defined contribution pension plan for full-time, non-uniformed employees (administrative and maintenance personnel). The effective date of this plan is February 17, 1998. The Plan is controlled by the provisions of Ordinances No. 33, No. 43, and No. 57.

The Plan provides vesting, normal retirement, death, and disability benefits to plan members and their beneficiaries.

Non-uniformed employees eligible for the plan consist of all full-time employees duly appointed from time to time by the Township, working not less than forty (40) hours per week with definite stated salary or compensation and subject to reasonable vacation and sick leave, except for police personnel who have a separate plan. These employees are eligible to be included in the plan upon the first day of the month following the completion of six months of employment.

Plan Membership

As of December 31, 2010, the pension plan's membership consisted of:

Active Employees	15
Retired and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>15</u>

Employees are 100% vested after the first day of the month following the completion of six months of employment. For the year ended December 31, 2010, there were fifteen employees vested in the plan.

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

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2010 was \$640,034.

Employer contributions shall be an amount equal to 7% of each participant's compensation. Forfeitures shall be applied to reduce the employer's contribution.

Participants of the plan were not required to contribute to the plan for the year ended December 31, 2010. The Township funded the minimum municipal obligation due.

Upon termination on or after attaining normal, early, or disability retirement age or upon death, a participant shall be 100% vested in his or her account under the plan and distribution of benefits shall be made to the participant, or to his or her beneficiary.

If employment is terminated for reasons other than death or retirement, the employee's vested portion of his or her benefit may be distributed as soon as administratively possible on or after termination of employment.

For plan participants, normal retirement date shall be the date a participant attains his sixty-fifth (65<sup>th</sup>) birthday. Early retirement date is the first day of the month coincident with or next following the attainment of age 55. Disability retirement date is the date a participant is determined to have a total and permanent disability as defined by The Plan.

Active participants shall share in allocations during the plan year. Participants who terminate during the plan year shall share in allocations occurring while employed during the plan year.

Distributions will be made in a lump sum cash payment or cash installment payments. The normal forms of distribution shall be:

- Lump sum cash payment, or
- Cash installment payments, or
- Purchase of an annuity from an insurance company

Act 205

Act 205 of 1984, Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for full payment of the Minimum Municipal Obligation (MMO) to each employee pension fund of the municipality.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

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

Act 205 (Continued)

Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirement due to the pension fund, less funding adjustments and estimated member contributions. The Township Supervisors are responsible to file the Act 205 Actuarial Valuation Report (Form PC-201C) with the Public Employee Retirement Commission. The January 1, 2010 Valuation Report was due on or before March 31, 2010.

Financial Requirement and Minimum Municipal Obligation:

Total Annual Payroll	\$640,034
Total Normal Cost Percentage	<u>7%</u>
Normal Cost	45,107
Total Administrative Expense	0
Total Financial Requirements	45,107
Total Member's Contributions	<u>0</u>
Minimum Municipal Obligation	<u>\$45,107</u>

Investments

The Township Supervisors have contracted with Metropolitan Life Insurance Company to provide a range of investments into which plan participants may direct their account balances. Quarterly statements of account balances are distributed to each individual participant. The Township receives a quarterly summary of the plan's activity.

Investments made by the Pocono Township Non-Uniformed Employees' Pension Plan are summarized in the Statement of Plan Net Assets.

Credit Risk

The Plan has no policy regarding credit risk. The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

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

Custodial Credit Risk

As of December 31, 2010 and 2009, and throughout the years, mutual fund investments held by the Plan were not exposed to custodial credit risk.

Interest Rate Risk

The Plan has no formal investment policy that limits its exposure to fair market value losses arising from increasing interest rates.

Foreign Currency Risk

As of December 31, 2010 and 2009, and throughout the years, the investments held were not exposed to foreign currency risk.

Investments That Represent Five Percent or More of Net Assets Available for Benefits

At December 31, 2010, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent (5%) or more of net assets available for benefits ( $\$368,853 \times .05 = \$18,433$ ):

MetLife Moderate Allocation (27.6%)	\$101,867
MetLife Moderate to Aggressive Allocation (41.1%)	\$151,950
MetLife Aggressive Allocation (10.5%)	\$38,832
Fixed Interest Account (8.3%)	\$30,811
MetLife Conservative to Moderate Allocation (5.1%)	\$19,087

Note 7: Pocono Township Police Pension Plan:

Reporting Entity

Pocono Township Police Pension Plan (hereinafter referred to as "the Plan") is administered by the Township's Board of Supervisors. The Plan is a single-employer defined benefit pension plan for full-time police employees and accordingly is included in the Township's basic financial statements as a Pension Trust. Standalone financial statements are not publicly available.

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Note 7: Pocono Township Police Pension Plan: (Continued)

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses may consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allowable pension plan expenditures and may be funded with plan assets.

Adoption of Accounting Standards

In May 2007, the Governmental Accounting Standards Board issued Statement Number 50 (GASB 50) entitled Pension Disclosures GASB 50, which is an amendment of GASB Statements 25 and 27, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits by enhancing information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension plans.

GASB 50 requires defined benefit plans to present, in the notes to the financial statements, disclosures regarding the funded status of the plan as of the most recent actuarial valuation date and the actuarial methods and significant assumptions used in that valuation. Previously, this information was only disclosed in the RSI. GASB 50 further amends Statement 25 to require pension plans to disclose in the notes to the financial statements the methods and assumptions used to determine the fair value of investment, if the fair value is based on other than quoted market prices. The requirements of GASB 50 are effective for periods beginning after June 15, 2007. As a result, the plan has adopted GASB 50 in these financial statements.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

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Note 7: Pocono Township Police Pension Plan: (Continued)

Description of Plan

The Township maintains a single-employer defined benefit pension plan for full-time police employees. The effective date of this plan is May 1, 1979. The provisions of Ordinance No. 115, adopted pursuant to Act 120 and Act 581, control the Plan.

The Plan provides for vesting of normal retirement, death, and disability benefits for plan members and their beneficiaries. Full-time police officers working not less than forty (40) hours per week with definite stated salary or compensation, subject to reasonable vacation and sick leave, are covered by the plan upon date of hire.

Membership of the Plan at December 31, 2010 consisted of the following:

	<u>2010</u>
Active employees	18
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total Membership	<u>20</u>

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Note 7: Pocono Township Police Pension Plan: (Continued)

Employees are vested after 12 years of service. For the year ended December 31, 2010 there were eight officers vested in the Plan.

The payroll for Township employees covered by the Police Pension Plan for the year ended December 31, 2010 was \$1,296,233.

Retirement Benefits

An employee attaining the age of 55 who has completed 25 years of service as a police officer with the Township is entitled to a monthly benefit of 50 percent of average monthly compensation, based on the last 60 months of employment.

For single members, their beneficiary is entitled to a death benefit limited to the return of the member's contributions to the Plan. For married members, the surviving spouse, or if no surviving spouse the surviving children under age 18, will be entitled to 50 percent of the pension the member was receiving or would have been receiving had the member been retired at the date of death.

If employment is terminated for reasons other than death or retirement, the employee is entitled to a refund of member contributions plus interest at a rate of 3 percent on contributions made from date of employment to December 31, 1978 and not less than 5 percent on contributions made after December 31, 1978.

Survivor's Benefits

Pre-Retirement

*Non-Vested Benefit* - The beneficiary of a deceased officer, who was non-vested in the accrued benefit at the date of death, shall be entitled to the refund of employee contributions, if any, plus interest at the rate of five percent (5%) per annum.

*Vested Benefit* - The spouse of a deceased participant, who was vested in the accrued benefit at the date of death, shall receive during the spouse's lifetime, fifty percent (50%) of the accrued benefit of the participant commencing on the expected normal retirement date of the participant.

If no such spouse survives, or if the spouse survives and subsequently dies, then the children under the age of eighteen (18) [or who are attending college and have not yet attained age twenty three (23)], shall be entitled to the same benefit described above.

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Note 7: Pocono Township Police Pension Plan: (Continued)

Post-Retirement Survivor's Benefit

The widow of a participant who has attained eligibility for retirement, or a participant who retired on pension, shall receive during the spouse's lifetime, fifty percent (50%) of the pension the participant was receiving or would have been receiving had he been retired at the time of his death.

If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18) [or who are attending college and have not yet attained age twenty three (23)], shall be entitled to the same benefit described above.

Killed-in-Service

The widow of a participant who is killed-in-service shall receive, during the spouse's lifetime, a monthly benefit equal to one hundred percent (100%) of the average monthly compensation of the participant.

If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18) [or who are attending college and have not yet attained age twenty three (23)], shall be entitled to the same benefit described above.

Disability Benefit

In the event of a permanent service-related injury, the benefit shall be equal to 50% of the average monthly compensation of the participant. The benefit would be payable as if the date of disability had been his normal retirement date. This benefit is reduced by any benefits or payments received by such participant under the Social Security Administration for the same injury.

Funding Status and Progress

The Township's funding policy is to provide for annual employer contributions at rates that are designed to accumulate sufficient assets to pay benefits when due. The amount contributed to the Plan by the Township as a Minimum Municipal Obligation is calculated as a percentage of total payrolls, increased by administrative expenses and amortization expenses, and reduced by funding adjustments.

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Note 7: Pocono Township Police Pension Plan: (Continued)

Act 205

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirement to the pension fund, less funding adjustments and estimated member contributions.

Funding Policy

Members are required to contribute 5% of compensation unless the condition of the Plan allows the Township the discretion to waive this requirement. Furthermore, the Township allocates State Aid received from the Commonwealth of Pennsylvania to the Plan. To the extent that this funding is not adequate, the Township would then be required to contribute to the Plan. In accordance with Act 205, as amended, the Township was not required to contribute to the Plan for the year 2010.

Investments

The plan places no limit on the amount that may be invested with any one organization.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 7: Pocono Township Police Pension Plan: (Continued)

At December 31, 2010, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent (5%) or more of net assets available for benefits ( $\$2,895,080 \times .05 = \$144,754$ ):

Investments	Fair Market Value <u>2010</u>
TBC Core Fund	\$219,567
EB Total Return Fund	573,094
EB Bond Fund	571,097
EB Core Fund	435,949
EB Aggregate Bond Fund	858,592
EB US Core Fund	219,711

At December 31, 2010, the plan held \$17,058 in the Mellon Bank, N.A. EB Temporary Investment Fund. The duration of the Fund is 0.10 years and the average credit quality is AA+.

Credit Risk

The Plan has no policy regarding credit risk. The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Custodial Credit Risk

As of December 31, 2010 and throughout the year, mutual fund investments held by the Plan were not exposed to custodial credit risk.

Interest Rate Risk

The Plan has no formal investment policy that limits its exposure to fair market value losses arising from increasing interest rates. The Plan invested in the following fixed income funds:

<u>Name</u>	<u>Duration (Years)</u>	<u>Average Credit Quality</u>	<u>Morningstar Rating</u>
EB DV Active Bond Fund	4.99	AA1/AA2	Not Rated
EB DV Aggregate Bond Index Fund	5.11	AA1/AA2	Not Rated

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 7: Pocono Township Police Pension Plan: (Continued)

Foreign Currency Risk

As of December 31, 2010, and throughout the year, the investments held were not exposed to foreign currency risk.

Funded Status and Funding Progress

As of January 1, 2009, the date of the most recent actuarial valuation, the funded status of the plan was as follows:

Actuarial Value of Assets (a)	\$2,538,667
Actuarial Accrued Liability (AAL) Entry Age (b)	\$2,666,732
Unfunded (Assets in Excess of) AAL (UAAL) (b-a)	\$128,065
Funded Ratio (a/b)	95.2%
Covered Payroll (c)	\$1,150,806
UAAL as a Percentage of Covered Payroll ((b-a)/c)	11.1%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear' trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

Plan Year End	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/2008	106,763	106,763	100%
12/31/2009	115,716	115,716	100%
12/31/2010	131,421	131,421	100%

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Note 7: Pocono Township Police Pension Plan: (Continued)

Actuarial Methods and Significant Assumptions

Additional information as of the latest actuarial valuation date follows:

Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Dollar
Remaining Amortization Period	18 years
Asset Valuation Method	Actuarial value
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Projected Salary Increases	5.0%
Disability Rates	None
Termination Rates	None
Mortality –	
Pre-Retirement	None
Post-Retirement	RRB92
Retirement Age	55 and 25 years of service
Cost-of-living adjustments	None

Note 8: Sewer Project:

During 2008, the Township entered into an agreement with Brodhead Creek Regional Authority, Hamilton Township, the Borough of Stroudsburg, and Stroud Township to cooperate on a project that includes installation of a sewer collection system in Pocono Township, along with the construction of a regional wastewater treatment plant. This project includes establishing sewer service along the Route 611 corridor from Swiftwater south to Bartonsville and constructing and financing a regional sewer treatment plant at the site of the current treatment facility shared by Stroud Township and the Borough of Stroudsburg.

The Pocono Township portion of this project is estimated to cost the Township approximately \$77,000,000. It is being financed using a combination of federal and state grants and debt, obtained through state financing authorities and local banks, some of which is subsidized by the federal government.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 8: Sewer Project: (Continued)

During 2010, costs paid by the Township were primarily for the construction of the sewer collection system, which is ultimately expected to cost approximately \$52,000,000. During 2010, the regional wastewater treatment plant was in the planning and permitting stage. Construction of the plant is expected cost approximately \$42,000,000 and is slated to begin during 2011. Pocono Township's share of this cost is expected to be approximately \$25,000,000.

It is expected that the sewer collection system will begin operating during 2013.

Brodhead Creek Regional Authority is a self-governed organization with a Board of Directors consisting of representatives from the municipalities it serves. The Authority undergoes an annual audit. Audited financial statements may be obtained by contacting the Authority.

Note 9: Risk Management:

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The Township manages these various risks of loss as follows:

<u>Type of Loss Retained</u>	<u>Method Managed</u>	<u>Risk of Loss</u>
Torts, errors, and omissions	Purchased commercial insurance	None
Workers compensation, health and life	Purchased commercial insurance	None
Physical Property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this insurance coverage in any of the past here fiscal years.

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Note 10: Commitments and Contingencies:

Commitments

As described in Note 8, the Township is involved in a project that includes installation of a sewer collection system in Pocono Township, along with the construction of a regional wastewater treatment plant. During 2009 and 2010, the Township entered into contracts for the project. At December 31, 2010, the balance remaining on these contracts was \$11,981,461.

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Township participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Township is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Township and the State statute relating to judgments, the Township feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Township.

Note 11: Property Taxes

The current year adjusted regular real estate taxes billed were \$2,444,509, based upon the current year millage rate of 14.5075 (\$14.5075 per \$1,000 of assessed valuation) multiplied by the adjusted assessed property value of \$165,879,580. Total regular real estate taxes collected were \$2,272,726 which represents the face amount less discounts plus penalties. Current regular tax collections for the year ended December 31, 2010 were approximately ninety percent (93%) of the tax levy.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 11: Property Taxes: (Continued)

*The schedule for regular real estate taxes levied is as follows:*

Levy Date March 1<sup>st</sup>  
2.00% Discount Period March 1st – April 30th  
Face Payment Period May 1st – June 30th  
10.00% Penalty Period July 1st – December 31st  
Lien Date January 1st

If payment is not made by December 31st, any and all unpaid amounts will be remitted to the County Tax Claim Bureau for delinquent tax collection.

Pocono Township participates in a Tax Increment Project ("TIF"). The "TIF" is administered by the Monroe County Industrial Development Authority and consists of four parcels located in Pocono Township totaling 276.37 acres. The Tax Increment Project was developed in accordance with the "Pennsylvania Tax Increment Financing Act of 1990", as amended, for a term of twenty (20) years commencing June 1, 2005 and a maximum borrowing amount not to exceed \$3,500,000.

As a "TIF" participant, the Township will contribute 100% of the additional or new real estate taxes generated from all new building construction within the "TIF" district. All tax revenue generated on the assessed value of the "TIF" base (prior to new construction) will remain with the Township. The allocation of real estate taxes to the "TIF" district is based upon the millage rate for Pocono Township at the time of the "TIF" approval - 6.215 mills. Any millage rate increases above 6.215 mills are not included as part of the "TIF" program. Real estate tax revenues derived from millage exceeding 6.215 mills will remain with Pocono Township.

For the year ended December 31, 2010, the following was remitted by Pocono Township to the "TIF" program:

2010 Total Assessed Value	\$7,566,881
Less: Tax Increment Base	<u>(4,702,580)</u>
New Construction Assessment	\$ 2,864,301
"TIF" Millage Rate	<u>0.006215</u>
Base Amount - "TIF" Program	\$ 17,802
Discount	<u>0.98</u>
Amount Remitted By Township	<u>\$ 17,446</u>

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2010

Note 12: Subsequent Events:

Management has evaluated subsequent events through August 11, 2011, the date the financial statements were available to be issued.



POCONO TOWNSHIP  
Required Supplementary Information  
As at December 31, 2010



POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2010

Schedule 1  
Page 1

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Taxes:</b>			
Real estate taxes	\$2,053,893	\$1,911,268	\$142,625
Real estate transfer taxes	122,048	140,000	(17,952)
Earned income taxes	1,122,607	1,250,000	(127,393)
Emergency and municipal services tax	<u>344,218</u>	<u>300,000</u>	<u>44,218</u>
<b>Total Taxes</b>	<u>3,642,766</u>	<u>3,601,268</u>	<u>41,498</u>
<b>Licenses and Permits</b>	<u>420,122</u>	<u>274,820</u>	<u>145,422</u>
<b>Fines and Forfeits</b>	<u>71,478</u>	<u>65,000</u>	<u>6,478</u>
<b>Interest, Rents and Royalties:</b>			
Interest earnings	1,603	4,080	(2,477)
Rents and royalties	<u>22,310</u>	<u>24,000</u>	<u>(1,690)</u>
<b>Total Interest, Rents, and Royalties</b>	<u>23,913</u>	<u>28,080</u>	<u>(4,167)</u>
<b>Charges for Services:</b>			
Public safety	<u>90,670</u>	<u>81,400</u>	<u>9,270</u>
<b>Intergovernmental Revenue:</b>			
Community development	2,800	6,000	(3,200)
Public utility reality tax	5,052	5,000	52
General municipal pension system state aid	164,977	177,831	(12,854)
State payments in lieu of taxes	424	400	24
All other state shared revenues and entitlements	95,220	0	95,220
All other federal capital and operating grants	<u>0</u>	<u>84,500</u>	<u>(84,500)</u>
<b>Total Intergovernmental Revenue</b>	<u>268,473</u>	<u>273,731</u>	<u>(5,258)</u>
<b>Other Financing Sources:</b>			
Interfund operating transfers	121,520	150,000	(28,480)
Proceeds of debt	53,569	0	53,569
Refunds of prior year expenditures	<u>76,382</u>	<u>122,000</u>	<u>(45,618)</u>
<b>Total Other Financing Sources</b>	<u>251,471</u>	<u>272,000</u>	<u>(20,529)</u>
<b>Other</b>	<u>31,626</u>	<u>7,600</u>	<u>24,026</u>
<b>Total Revenues</b>	<u>\$4,800,519</u>	<u>\$4,603,899</u>	<u>\$196,620</u>

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2010

Schedule 1  
Page 2

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Government:			
Legislative/governing body	\$5,625	\$8,000	\$2,375
Financial administration	29,528	13,500	(16,028)
Tax collection	107,342	108,800	1,458
Solicitor	49,056	55,000	5,944
Secretary/clerk	142,642	194,200	51,558
Other general government administration	97,686	118,296	20,610
Engineering	37,357	118,000	80,643
GG buildings and plant	<u>54,924</u>	<u>61,000</u>	<u>6,076</u>
 Total General Government	 <u>524,160</u>	 <u>676,796</u>	 <u>152,636</u>
 Public Safety:			
Police	2,146,500	2,105,995	(40,505)
Fire	95,220	80,000	(15,220)
Ambulance/rescue	26,000	24,000	(2,000)
Protective inspection	264,310	219,000	(45,310)
Planning and zoning	<u>99,230</u>	<u>143,708</u>	<u>44,478</u>
 Total Public Safety	 <u>2,631,260</u>	 <u>2,572,703</u>	 <u>(58,557)</u>
 Public Works - Highways and Streets:			
General services	620,766	551,632	(69,134)
Snow and ice removal	38,654	73,000	34,346
Traffic signals and street signs	11,172	44,750	33,578
Road and bridge maintenance	34,087	150,000	115,913
Construction and rebuilding projects	<u>33,223</u>	<u>55,000</u>	<u>21,777</u>
 Total Public Works - Highways and Streets	 <u>737,902</u>	 <u>874,382</u>	 <u>136,480</u>
 Public Works - Sanitation:			
Solid waste collection and treatment	<u>19,715</u>	<u>25,000</u>	<u>5,285</u>
 Public Works - Other Services:			
Water system	<u>\$4,316</u>	<u>\$9,000</u>	<u>\$4,684</u>

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2010

Schedule 1  
Page 3

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Debt Service:			
Principal	\$239,624	\$207,214	(\$32,410)
Interest	<u>41,350</u>	<u>34,216</u>	<u>(7,134)</u>
Total Debt Service	<u>280,974</u>	<u>241,430</u>	<u>(39,544)</u>
Culture - Recreation	<u>106,089</u>	<u>123,761</u>	<u>17,672</u>
Employer Paid Benefits and Withholding Items:			
Group insurance and other benefits	223,471	220,557	(2,914)
Judgements and losses	190	0	(190)
Pension/retirement fund contributions	176,528	131,421	(45,107)
Workers compensation insurance	23,336	30,500	7,164
Employer paid withholding taxes	<u>57,272</u>	<u>63,139</u>	<u>5,867</u>
Total Employer Paid Benefits and Withholding Items	<u>480,797</u>	<u>445,617</u>	<u>(35,180)</u>
Insurance	39,229	88,800	49,571
Interfund operating transfers	<u>20,168</u>	<u>46,410</u>	<u>26,242</u>
Total Expenditures	<u>4,844,610</u>	<u>5,103,899</u>	<u>259,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(\$44,091)</u>	<u>(\$500,000)</u>	<u>\$455,909</u>

POCONO TOWNSHIP  
 Required Supplementary Information  
 Police Pension Plan  
 Schedule of Funding Progress (Unaudited)  
 As at December 31, 2010

Schedule 2

Actuarial Valuation Date	<u>2009</u>	January 1, <u>2007</u>	<u>2005</u>
Actuarial Value of Assets	\$2,538,667	\$2,083,086	\$1,703,882
Actuarial Accrued Liability	<u>2,666,732</u>	<u>2,146,648</u>	<u>1,632,252</u>
Unfunded Actuarial Accrued Liability	<u>\$128,065</u>	<u>\$63,562</u>	<u>(\$71,630)</u>
Funded Ratio	<u>95.20%</u>	<u>97.04%</u>	<u>104.39%</u>
Annual Covered Payroll	<u>\$1,150,806</u>	<u>\$954,876</u>	<u>\$816,096</u>
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	<u>11.10%</u>	<u>6.70%</u>	<u>(8.80%)</u>

SINGLE AUDIT ACT



**JULIAN KIRK, C.P.A., LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
907 MAIN STREET, STE 202  
STROUDSBURG, PA 18360

Office (570) 431-6110  
Fax (570) 213-4956  
Email jkirkcpa@ptd.net

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

To the Supervisors of  
Pocono Township  
Tannersville, Pennsylvania

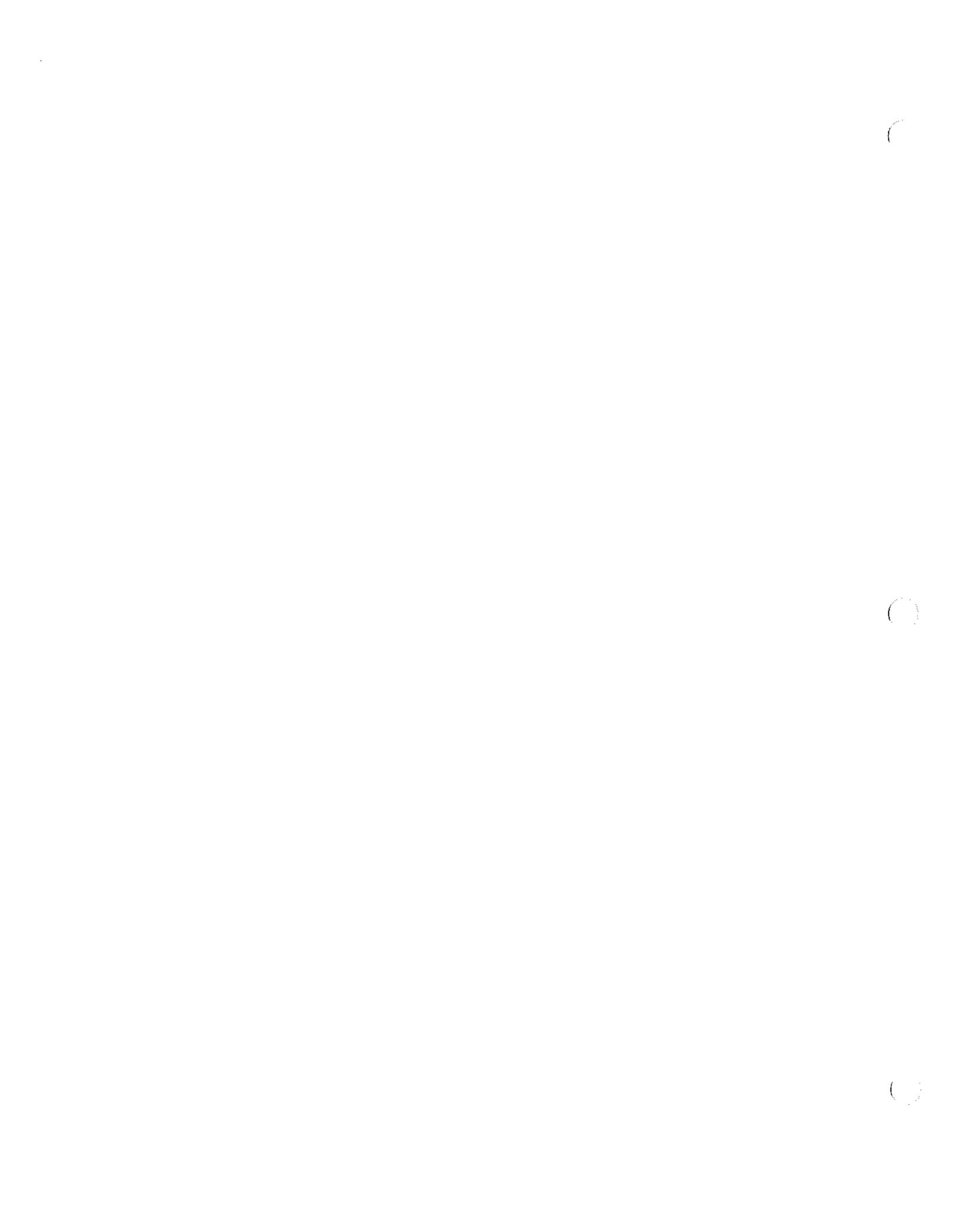
I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pocono Township, Pennsylvania, as of and for the year ended December 31, 2010, which collectively comprise Pocono Township's basic financial statements and have issued my report dated August 22, 2011. I conducted my 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 my audit, I considered Pocono Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocono Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Pocono Township's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting (findings 2010-1 and 2010-2). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocono Township's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pocono Township's response to the findings identified in my audit is described in the corrective action plan. I did not audit Pocono Township's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Audi Lin C.P.A., LLC*

Stroudsburg, Pennsylvania  
August 22, 2011

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**JULIAN KIRK, C.P.A., LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
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STROUDSBURG, PA 18360

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Supervisors of  
Pocono Township  
Tannersville, Pennsylvania

Compliance

I have audited Pocono Township, Pennsylvania's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Pocono Township's major federal program for the year ended December 31, 2010. Pocono Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Pocono Township's management. My responsibility is to express an opinion on Pocono Township's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pocono Township's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides for a reasonable basis for my opinion. My audit does not provide a legal determination of Pocono Township's compliance with those requirements.

In my opinion, Pocono Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.



Internal Control Over Compliance

Management of Pocono Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Pocono Township's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Pocono Township's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andi Lin C.P.A., LLC*

Stroudsburg, Pennsylvania  
August 22, 2011

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Pocono Township  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

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Federal Grantor/Pass-Through Program Title:

United States Department of Health and Human Services, Health Resources and  
Services Administration

Source: Direct

Federal CFDA Number: 93.887

Pass-Through Grantor's Number: N/A

Grant Period: September 1, 2005 through October 30, 2011

Program Award Amount: \$10,000,000

Total Received for the Year: \$7,332,778

Expenditures: \$7,332,778

Pocono Township  
Note to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

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Note 1. Significant Accounting Policies

Pocono Township maintains its accounting records in conformity with the cash basis of accounting, which is another comprehensive basis of accounting (OCBOA) as applied to government units. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Pocono Township  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2010

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**Section I - Summary of Auditor's Results**

Financial Statements - Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(s) identified - No

Significant Deficiencies identified that are not  
considered to be material weaknesses - Yes

Noncompliance material to financial statements noted - No

Federal Awards

Type of auditor's report issued on compliance for major programs - Unqualified

Material weakness(s) identified - No

Significant Deficiencies identified that are not  
considered to be material weaknesses - None Reported

Any audit findings disclosed that are required to be reported in accordance with  
OMB A-133 - No

Identification of major programs

CFDA Number 93.887 - United States Department of Health and Humans Services, Health Resources  
and Services Administration

Percentage of programs tested to total awards - 100%

Dollar threshold used to distinguish between Type A and Type B programs - \$300,000

Auditee qualified as a low-risk auditee - No



**Section II - Financial Statement Findings**

Significant Deficiencies:

Finding 2010-1

General Fund Expenditures in Excess of Budgeted Amounts

The Township has reported expenditures in its general fund in excess of budgeted amounts for certain major groupings of expenditure categories for the year ended December 31, 2010. Adhering to budgeted amounts is a sound and prudent fiscal policy. I recommend that the Township examine expenditures compared to budget on a regular basis, and either elect not to expend funds in excess of budget or, if finances allow to, modify the budget before exceeding budgeted amounts in accordance with the municipal code.

Finding 2010-2

Lack of Presentation of Management Discussion and Analysis

The Township has elected not to present Management Discussion and Analysis with its financial statements for the year ended December 31, 2010. GASB 34 (Government Accounting Standards Board) requires that state and local governments include a Management Discussion and Analysis section preceding the basic financial statements. I recommend that the Township present a Management Discussion and Analysis with future financial statements.

**Section III - Findings and Questioned Costs for Federal Awards**

None discovered.

**Section IV - Questioned Costs**

No material questioned costs discovered.

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Pocono Township  
Schedule of Prior Year Findings  
For the Year Ended December 31, 2010

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There were no prior year findings.





# POCONO TOWNSHIP

P.O. BOX 197 • Tannersville, PA 18372 • Tel. 570-629-1922 • Fax 570-629-7325 • [www.poconotownship.org](http://www.poconotownship.org)

## CORRECTIVE ACTION PLAN

August 22, 2011

Pocono Township respectfully submits the following corrective action plan for the year ended December 31, 2010.

Julian Kirk, CPA, LLC  
Certified Public Accountant  
907 Main Street, Suite 202  
Stroudsburg, PA 18360

Audit period: January 1, 2010 - December 31, 2010

The findings from the year ended December 31, 2010 schedule of findings and questioned costs are discussed below.

### FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency:  
Finding 2010-1

Condition: General Fund Expenditures in Excess of Budgeted Amounts  
The Township has reported expenditures in its general fund in excess of budgeted amounts for certain major groupings of expenditure categories for the year ended December 31, 2010.

Criteria: Expenditures in excess of budgeted amounts is prohibited by the Pennsylvania Second Class Township Code.

Cause: Expenditures in certain major categories were in excess of budgeted amounts.

Effect: Certain expenditure categories exceeded budget.



Recommendation: The Township should examine expenditures compared to budget on a regular basis, and either elect to not expend funds in excess of budget or, if finances allow, to modify the budget before exceeding budgeted amounts in accordance with the municipal code.

Action Taken:

While certain expenditure categories were over budget, in total Township expenditures were under budget. The Township is in agreement with the recommendation and will compare actual and budget expenditures on a regular basis. In the event that it is necessary and finances allow, the Township will modify the budget in accordance with the Township Code.

Significant Deficiency  
Finding 2010-2

Condition: Lack of Presentation of Management Discussion and Analysis  
The Township has elected not to present Management Discussion and Analysis with its financial statements for the year ended December 31, 2010.

Criteria: GASB 34 (Government Accounting Standards Board) requires that state and local governments include a Management Discussion and Analysis section preceding the basic financial statements.

Effect: The Township's financial statements do not include the Management Discussion and Analysis.

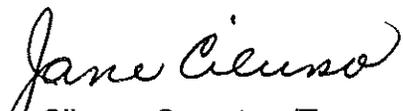
Recommendation: The Auditor recommends that the Township present a Management Discussion and Analysis with future financial statements.

Action Taken:

The Township is in agreement with the recommendation and plans to present a Management Discussion and Analysis with future financial statements.

If there are any questions regarding this plan, please contact Jane Cilurso at (570) 629-1922, extension 212 or [jcilurso@poconotownship.org](mailto:jcilurso@poconotownship.org).

Sincerely,



Jane Cilurso, Secretary/Treasurer  
Pocono Township



POCONO TOWNSHIP  
Other Supplementary Information  
As at December 31, 2010



POCONO TOWNSHIP  
 Combining Statements of Assets, Liabilities and Fund Balances - Cash Basis  
 Non Major Governmental Funds  
 As at December 31, 2010

Exhibit G

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	<u>\$38,289</u>	<u>\$447</u>	<u>\$10,440</u>	<u>\$19,847</u>	<u>\$69,023</u>
Total Assets	<u>\$38,289</u>	<u>\$447</u>	<u>\$10,440</u>	<u>\$19,847</u>	<u>\$69,023</u>
Fund Balance:					
Unreserved	<u>\$38,289</u>	<u>\$447</u>	<u>\$10,440</u>	<u>\$19,847</u>	<u>\$69,023</u>
Total Fund Balance	<u>\$38,289</u>	<u>\$447</u>	<u>\$10,440</u>	<u>\$19,847</u>	<u>\$69,023</u>

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

POCONO TOWNSHIP  
 Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis  
 Non Major Governmental Funds  
 For the Year Ended December 31, 2010

Exhibit H  
 Page 1

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Revenues:					
Taxes	\$197,746	\$79,128	\$119,321	\$0	\$396,195
Interest earnings	315	46	74	370	805
Intergovernmental revenue	0	0	7,150	284,220	291,370
Contributions and donations from private sector	<u>0</u>	<u>0</u>	<u>13,595</u>	<u>0</u>	<u>13,595</u>
Total Revenues	<u>198,061</u>	<u>79,174</u>	<u>140,140</u>	<u>284,590</u>	<u>701,965</u>
Expenses:					
Public safety	200,000	84,000	0	0	284,000
Public works	0	0	0	284,572	284,572
Culture and recreation	0	0	145,285	0	145,285
Employee benefits and taxes	<u>0</u>	<u>0</u>	<u>4,436</u>	<u>0</u>	<u>4,436</u>
Total Expenses	<u>\$200,000</u>	<u>\$84,000</u>	<u>\$149,721</u>	<u>\$284,572</u>	<u>\$718,293</u>

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

POCONO TOWNSHIP  
 Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis  
 Non Major Governmental Funds  
 For the Year Ended December 31, 2010

Exhibit H  
 Page 2

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$1,939)	(\$4,826)	(\$9,581)	\$18	(\$16,328)
Other Financing Sources (Uses):					
Refunds of prior year expenditures	0	0	30	0	30
Operating transfers in	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>9,924</u>	<u>19,924</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>10,030</u>	<u>9,924</u>	<u>19,954</u>
Net Changes in Fund Balances	(1,939)	(4,826)	449	9,942	3,626
Fund Balance at Beginning of Year	<u>40,228</u>	<u>5,273</u>	<u>9,991</u>	<u>9,905</u>	<u>65,397</u>
Fund Balance at End of Year	<u>\$38,289</u>	<u>\$447</u>	<u>\$10,440</u>	<u>\$19,847</u>	<u>\$69,023</u>

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

POCONO TOWNSHIP  
 Combining Statements of Net Assets  
 Fiduciary Funds  
 As at December 31, 2010

Exhibit I

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$17,058	\$5,369	\$22,427
Investments	<u>2,878,023</u>	<u>363,594</u>	<u>3,241,617</u>
Total Assets	<u>\$2,895,081</u>	<u>\$368,963</u>	<u>\$3,264,044</u>
Net Assets:			
Net assets held in trust for pension benefits	<u>382,130</u>	<u>82,130</u>	<u>464,260</u>
Total Liabilities and Net Assets	<u>\$2,895,081</u>	<u>\$368,963</u>	<u>\$3,264,044</u>

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

POCONO TOWNSHIP  
 Combining Statements of Changes in Net Assets  
 Fiduciary Funds  
 For the Year Ended December 31, 2010

Exhibit J

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Additions:			
Investment income	\$227,030		\$264,053
State contributions	131,421	\$37,023	164,977
Employee contributions	64,470	33,556	64,470
Employer contributions	<u>0</u>	<u>0</u>	<u>11,551</u>
Total Additions	<u>422,921</u>	<u>82,130</u>	<u>505,051</u>
Deductions:			
Pension benefits	22,164	0	22,164
Administrative expenses	<u>18,627</u>	<u>0</u>	<u>18,627</u>
Total Deductions	<u>40,791</u>	<u>0</u>	<u>40,791</u>
Change in Net Assets	<u>382,130</u>	<u>82,130</u>	<u>464,260</u>
Net Assets at Beginning of Year	<u>2,512,951</u>	<u>286,833</u>	<u>2,799,784</u>
Net Assets at End of Year	<u>\$2,895,081</u>	<u>\$368,963</u>	<u>\$3,264,044</u>

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

