

POCONO TOWNSHIP
ANNUAL FINANCIAL REPORT
AS AT DECEMBER 31, 2011

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To the Supervisors of
Pocono Township
Tannersville, Pennsylvania

I have performed the Single Audit of Pocono Township, Pennsylvania for the fiscal year ended December 31, 2011, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

1. An audit of the financial statements, and my opinion thereon;
2. A review of compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and my report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards, and my report thereon;
and,
4. An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and my report thereon.

Julian Kirk C.P.A., LLC

Stroudsburg, Pennsylvania
October 8, 2012
(except for Note 10, as to
which the date is April 29, 2013)

POCONO TOWNSHIP
Index to Financial Statements
As at December 31, 2011

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government - Wide Financial Statements:

Statement of Net Assets - Cash Basis as at December 31, 2011	Exhibit A
Statement of Activities - Cash Basis for the Year Ended December 31, 2011	Exhibit B

Fund Financial Statements:

Governmental Funds:

Statement of Assets, Liabilities and Fund Balances - Cash Basis as at December 31, 2011	Exhibit C
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis for the Year Ended December 31, 2011	Exhibit D

Fiduciary Funds:

Statement of Net Assets as at December 31, 2011	Exhibit E
Statement of Changes in Net Assets for the Year Ended December 31, 2011	Exhibit F

Notes to Financial Statements

Required Supplementary Information:

Schedule of Budget to Actual - Cash Basis - General Fund for the Year Ended December 31, 2011	Schedule 1
Police Pension Plan - Schedule of Funding Progress as at December 31, 2011	Schedule 2
Non-Uniformed Employees' Pension Plan - Schedule of Contributions as at December 31, 2011	Schedule 3

Single Audit Act:

Independent Auditor's Report on Internal Control over financial
Reporting and on Compliance and other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

POCONO TOWNSHIP
Index to Financial Statements
As at December 31, 2011

Single Audit Act: (Continued)

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	
Schedule of Expenditures of Federal Awards	Schedule 4
Schedule of Findings and Questioned Costs	
Schedule of Prior Year Findings	
Corrective Action Plan	

Other Supplementary Information:

Combining Financial Statements - Non Major Governmental Funds: Statements of Assets, Liabilities and Fund Balances - Cash Basis as at December 31, 2011	Exhibit G
Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis for the Year Ended December 31, 2011	Exhibit H
Combining Financial Statements - Fiduciary Funds: Statement of Net Assets as at December 31, 2011	Exhibit I
Statement of Changes in Net Assets for the Year Ended December 31, 2011	Exhibit J

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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 presentation. 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the 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 as a whole. The combining nonmajor and fiduciary funds' financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 and individual 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.

Andi Lin C.P.A., LLC

Stroudsburg, Pennsylvania
October 8, 2012
(except for Note 10, as to
which the date is April 29, 2013)

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The discussion and analysis of Pocono Township's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance. 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.

Financial Highlights

Key government-wide financial highlights for 2011 are as follows:

In total net assets was \$5,542,548 at the end of the year.

General revenues accounted for \$8,875,498 in 2011 or 41% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$12,600,306 or 59% of total revenues of \$21,475,804.

The Township has \$21,567,066 in expenses; only \$12,600,306 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) were not adequate to provide for these programs.

Total assets of governmental activities were \$5,544,114, of which 99% represents cash and investments.

Federal and state intergovernmental revenues include allocations from the Commonwealth for pension funding for \$172,013 and liquid fuels tax for \$290,322.

Using this Cash Basis of Accounting Report

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

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also present the Township's most significant funds in their own columns with all other non-major funds summarized into one column. In the case of Pocono Township, the General Fund and the Sewer Design and Construction Fund are by far the most significant funds.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities:

The Township uses a number of funds to manage various aspects of its finances, however to view the Township as a whole and look at all financial transactions and ask the question, 'How did we do financially during the year?' The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the Township's net assets and changes in net assets. The change in net assets is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Financial factors include the Township's property taxes, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In the Statement of Net Assets and the Statement of Activities, the Township reports the financial information relating to Governmental Activities. Governmental Activities relate to purpose of the Township's operations including, but not limited to, general government, public works, public safety, and recreation.

Table 1 provides a summary of the Township's Statement of Net Assets

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	<u>\$5,544,114</u>	<u>\$5,633,987</u>
Liabilities		
Payroll liabilities	<u>1,566</u>	<u>177</u>
Net Assets		
Unrestricted	772,579	1,107,777
Restricted	<u>4,769,969</u>	<u>4,500,959</u>
Total Net Assets	<u>\$5,542,548</u>	<u>\$5,608,736</u>

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Table 2
Statement of Activities

	<u>2011</u>	<u>2010</u>
Charges for Services:	\$339,068	\$582,270
Operating Grants and Contributions	644,559	280,942
Capital Grants and Contributions	<u>11,616,679</u>	<u>7,332,788</u>
 Total Program Revenues	 <u>12,600,306</u>	 <u>8,196,000</u>
General Revenues:		
Taxes	4,573,422	4,328,657
Investment Earnings	27,809	8,268
Proceeds of debt	4,188,548	12,233,978
Other	<u>85,719</u>	<u>133,148</u>
 Total General Revenues	 <u>8,875,498</u>	 <u>16,704,051</u>
 Total Revenues	 <u>21,450,803</u>	 <u>24,900,051</u>
Program Expenses:		
General Government	904,569	662,483
Public safety	3,150,111	3,013,201
Public Works	16,448,807	11,485,877
Cultural and Recreation	160,316	288,817
Other	91,862	39,229
Debt service	<u>811,401</u>	<u>5,088,068</u>
 Total Program Expenses	 <u>21,542,065</u>	 <u>20,577,675</u>
 Change in Net Assets	 <u>(\$91,262)</u>	 <u>\$4,322,376</u>

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Activities

The Statement of Activities shows the cost of program services and the Charges for Services and Grant Revenue that offset those costs.

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

Table 3
Net Cost of Services

	<u>2011</u>	<u>2010</u>
Governmental Activities		
General Government	(\$764,587)	(\$170,883)
Public Safety	(2,630,827)	(2,922,531)
Public works	(4,547,410)	(3,885,742)
Cultural and Recreation	(120,673)	(275,222)
Other	(91,862)	(39,229)
Principal and Interest	<u>(811,401)</u>	<u>(5,088,068)</u>
 Total	 <u>(\$8,966,760)</u>	 <u>(\$12,381,675)</u>

Defining the Classifications of Expenditure:

General Governmental activities includes the activities of the Board of Supervisors, financial administration, legal counsel, insurance, and physical plant.

Public safety activities include police protection, code enforcement, fire protection, and planning.

Public works includes general services, servicing of streets and storm sewers, and snow and ice removal, along with sewer system design and construction.

Cultural and recreation includes parks operations and maintenance.

Other includes mainly general insurance expense.

Principal and interest includes the transactions associated with the payment of interest and other charges relating to the debt of the Township.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Activities

The Township depends heavily upon real estate and earned income tax revenues to fund its operations. For all activities, general revenue support is 41% for 2011. The community, as a whole, is the primary support for the Township. These taxes are collected from Township residents. The tax on real estate, as levied by the Board, was 17.6 mills (\$17.60 per \$1,000 of assessed valuation) multiplied by the adjusted assessed property value. Assessed valuations of property are determined by Monroe County and the collectors are responsible for collection. Taxable assessed valuations were \$176,697,910 for 2011.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Township's major funds. The Township uses a number of funds to account for a multitude of financial transactions, however, these fund financial statements focus on the Township's most significant funds.

Governmental Funds

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

The following are the Township's governmental funds:

General Fund (Major Fund)

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

The Township's budget is prepared according to Pennsylvania law and is based on accounting for transactions on the cash basis. The most significant budgeted fund is the General Fund.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Summary of General Fund Revenues by Source and Prior Year Comparison

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Local:				
Taxes	\$3,838,634	\$3,642,766	\$195,868	5.4%
Licenses and permits	44,385	0	44,385	N/A
Charges for Services	222,889	511,410	(288,521)	(56.4%)
Interest, rents, and royalties	24,568	29,425	(4,857)	(16.5%)
Fines and Forfeits	71,794	71,478	316	0.4%
Other	<u>11,992</u>	<u>30,950</u>	<u>(18,958)</u>	<u>(61.3%)</u>
Total Local	4,214,262	4,286,029	(71,767)	(1.7%)
Intergovernmental:				
State	345,182	268,473	76,709	28.6%
Other Financing Sources	<u>66,701</u>	<u>180,253</u>	<u>(113,552)</u>	<u>(63.0%)</u>
Total	<u>\$4,626,145</u>	<u>\$4,734,755</u>	<u>(\$108,610)</u>	<u>(2.3%)</u>

Taxes increased due to collections of real estate taxes on increased assessments net of decreases in collections of Earned Income and Local Services taxes.

2011 was the first year the Township collected a cable television franchise fee, which is recorded under licenses and permits.

Decrease in Charges for Services from the prior year was due to a decrease in building and permitting activity within the Township.

Summary of General Fund Expenses by Source and Prior Year Comparison

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
General Government	\$792,065	\$543,335	\$248,730	45.8%
Public Safety	2,226,068	2,656,186	(430,118)	(16.2%)
Public Works - Highways and Streets	873,713	737,902	135,811	18.4%
Culture - Recreation	61,020	106,089	(45,069)	(42.5%)
Employer Paid Benefits and Withholding Items	891,608	480,797	410,811	85.4%
Debt Service	43,354	280,974	(237,620)	(84.6%)
Other	<u>98,589</u>	<u>64,253</u>	<u>34,336</u>	<u>53.4%</u>
Total Expenses	<u>\$4,986,417</u>	<u>\$4,869,536</u>	<u>\$116,881</u>	<u>2.4%</u>

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The increase in General Government expenses from prior year can be attributed to an overall increase in almost all costs in this category. Additional costs were incurred for assistance with accounting services, budgeting, and information technology.

Public Safety expenses decreased significantly compared to the prior year due to a change from allocating employee costs (benefits, payroll taxes, etc.) to police, to reporting those costs in Employer Paid Benefits and Withholding items. In addition, activity in Protective Inspection and Planning and Zoning and related costs

Public Works - Highways and Streets expenses increased significantly from the prior year due to increases in general services and snow and ice removal costs.

Employer Paid Benefits and Withholding Items increased significantly compared to the prior year due to a change from allocating employee costs (benefits, payroll taxes, etc.) to police, to reporting those costs in this line.

A separate Debt Service Fund was created during 2011, which caused the decrease in this expenditure in the General Fund.

Summary of General Fund Revenues and Expenses as Compared to Budget

	<u>Budget</u>	<u>2011</u>	<u>Variance</u>	<u>% Variance</u>
Local:				
Taxes:	\$3,830,035	\$3,838,634	\$8,599	0.2%
Licenses and Permits	45,290	45,315	25	0.1%
Charges for Services:	219,006	221,959	2,953	1.3%
Fines and Forfeits	69,020	71,794	2,774	4.0%
Interest, Rents and Royalties	24,750	24,568	(182)	(0.7%)
Other	<u>11,242</u>	<u>11,992</u>	<u>750</u>	<u>6.7%</u>
Total Local	4,199,343	4,214,262	14,919	0.4%
Intergovernmental:	345,182	345,182	0	0.0%
Other Financing Sources:	<u>396,802</u>	<u>66,701</u>	<u>(330,101)</u>	<u>(83.2%)</u>
Total Revenues	<u>\$4,941,327</u>	<u>\$4,626,145</u>	<u>(\$315,182)</u>	<u>(6.4%)</u>

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Total Revenues	<u>\$4,941,327</u>	<u>\$4,626,145</u>	<u>(\$315,182)</u>	<u>(6.4%)</u>
Expenses:				
General Government:	799,463	792,065	(7,398)	(0.9%)
Public Safety:	2,222,521	2,226,068	3,547	0.2%
Public Works - Highways and Streets	917,024	873,713	(43,311)	(4.7%)
Culture and Recreation	59,520	61,020	(1,500)	(2.5%)
Employer Paid Benefits and Withholding Items	796,009	891,608	(95,599)	(12.0%)
Debt Service:	0	43,354	(43,354)	0.0%
Other	<u>146,790</u>	<u>98,589</u>	<u>(48,201)</u>	<u>(32.8%)</u>
Total Expenditures	<u>4,941,327</u>	<u>4,986,417</u>	<u>45,090</u>	<u>0.9%</u>
Change in Fund Balance	<u><u>\$0</u></u>	<u><u>\$360,272</u></u>	<u><u>\$360,272</u></u>	<u><u>(6.5%)</u></u>

The budget for Other Financing Sources included fund balance to be used but was not used.

The budget for Other Expenditures includes a transfer to the Nonuniform Pension fund. These expenditures are recorded as Employer Paid Benefits and Withholding Items.

The detailed schedule of revenues compared to budget and the detailed schedule of expenditures compared to budget can be found in Schedule 1 to the financial statements.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds. The Township has two Capital Projects Funds. The Sewer Design and Construction Fund (major fund) accounts for revenues and expenditures related to the Route 611 Sewer Project, and for the Township's share of the regional sewer project. The Road Equipment Fund (nonmajor fund) accounts for monies set aside to pay for road equipment as determined by the Supervisors.

The Sewer Design and Construction Fund accounts for funds being used to finance the current major sewer project. During 2011, the fund received \$11,591,627 in grant revenues and \$4,114,586 of debt proceeds used to pay for the cost of construction of the sewer collection system. In turn the fund paid out \$15,051,123 in construction costs. The Fund Balance at year end is restricted for this use only. The system is expected to be ready to begin accepting hookups during 2013.

Special Revenue Funds

Special Revenue Funds account for specified revenue sources legally restricted to expenditures for specified purposes. The Township has four Special Revenue Funds: Fire, Ambulance, Park, and Liquid Fuels, which are all nonmajor funds.

Debt Service Funds

Debt Service Funds account for specified revenue sources legally restricted to payment of debt service obligations. The Township has one Debt Service Fund, which is a nonmajor fund.

The Special Revenue and Debt Service Funds are reported in the Other Governmental Funds column on the financial statements. The assets, liabilities, revenues and expenditures reported here are primarily special revenue fund transactions. All of these funds have been established by the Township to provide revenue for specific purposes. The total fund balance of the Other Governmental Funds is restricted to use based on the purpose of each fund.

The following are the Township's other funds:

Trust Funds

Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Funds and the Revolving Fund. Trust Funds are accounted for in essentially the same manner as a Proprietary Fund.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The Pension Trust Fund is used to account for the Township's two pension plans, as follows:

Pocono Township Police Pension Plan

The Pocono Township Police Pension Plan is a single-employer defined benefit plan established by the Township, which covers all full-time police employees of the Township.

Pocono Township Non-Uniformed Employees Pension Plan

The Pocono Township Non-Uniformed Employees Pension Plan is a single-employer defined contribution plan established by the Township, which covers all full-time, non-uniformed employees of the Township.

The Revolving Fund is used to account for escrow accounts and other funds held by the Township in accordance with contracts or other agreements.

Capital Asset Activity

The Sewer Design and Construction Fund has been the center of activity for the current sewer project. Through the end of 2011 the Township has expended approximately \$33,000,000 on this project.

In addition, the Township acquired equipment such as a front end loader and trailer, and police cars during 2011 at a total cost of approximately \$143,000.

Long-term Debt Activity

During 2011, the Township incurred additional debt of \$4,188,548, of which \$4,114,586 was to pay for the sewer construction costs. Of \$15,814,477 of long-term debt outstanding at December 31, 2011, \$15,034,292 relates to the sewer project.

During 2011, the Township financed the purchase of a front end loader and trailer by incurring capital lease obligations of \$73,001.

POCONO TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Financial Outlook

During 2010 and 2011, Pocono Township was heavily involved in the construction stage of a major sewer project along the Route 611 corridor, which is the business center of the Township. The purpose of the project is to construct a sewage collection system to serve the businesses and residents of Pocono Township.

The Township is responsible for funding the total cost of the collection system, the conveyance system, including pipes, pump stations, and other equipment required to direct the sewage flow from the Township to the processing plant, and its share of the cost of the multi-municipal regional wastewater treatment plant that will process sewage for Pocono Township and 2 other municipalities.

The sewer system is expected to begin accepting connections in the fall of 2012 and to be fully functioning in mid 2013. It is expected that larger users would be the first to connect to the system. In anticipation of the completion of the sewer system, the Township is experiencing an increased interest in commercial development in the designated sewer service area.

The Township looks forward to the completion of the ongoing Northampton Community College construction project which brings expanded opportunities for employment and education for local residents. There are currently a number of potential large scale tourist attractions beginning the permitting process to locate in our Township. We expect improvement in the economic outlook for the Township that should not result in additional burdens for our local school district.

Pocono Township anticipates continuing to provide the same or an increased level of services to insure public safety and maintain the current infrastructure. The Township continues to pursue various avenues of cost savings that we believe will not adversely affect residents, employees, or the community.

Requests for Information

This financial report is designed to provide a general overview of Pocono Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Supervisors at the Pocono Township Municipal Building, PO Box 197, Route 611, Tannersville, PA 18466.

POCONO TOWNSHIP
Statement of Net Assets - Cash Basis
As at December 31, 2011

Exhibit A

Assets:	
Cash and cash equivalents	\$738,255
Restricted cash	4,794,007
Due from other funds	<u>11,852</u>
Total Assets	<u>5,544,114</u>
Liabilities:	
Payroll liabilities	<u>1,566</u>
Net Assets:	
Restricted	4,794,007
Unrestricted	<u>748,541</u>
Total Net Assets	<u>\$5,542,548</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, 2011

Exhibit B

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Governmental Activities:					
General government	(\$904,569)	\$117,109	\$22,873	\$0	(\$764,587)
Public safety	(3,150,111)	221,959	297,325	0	(2,630,827)
Public works	(16,448,807)	0	309,770	11,591,627	(4,547,410)
Recreation	(160,316)	0	14,591	25,052	(120,673)
Principal and interest	(811,401)	0	0	0	(811,401)
Other	(91,862)	0	0	0	(91,862)
Net Program (Disbursements) Receipts	(\$21,567,066)	\$339,068	\$644,559	\$11,616,679	(8,966,760)
General Revenues:					
Taxes					4,573,422
Interest earnings					27,809
Proceeds of debt					4,188,548
Other					85,719
Total General Revenues					8,875,498
Change in Net Assets					(91,262)
Net Assets at Beginning of Year					5,633,810
Net Assets at End of Year					\$5,542,548

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, 2011

Exhibit C

	<u>General Fund</u>	<u>Sewer Design and Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$738,255	\$0	\$207,506	\$945,761
Restricted cash	24,038	4,562,463	0	4,586,501
Due from other funds	<u>11,852</u>	<u>0</u>	<u>0</u>	<u>11,852</u>
 Total Assets	 <u>\$774,145</u>	 <u>\$4,562,463</u>	 <u>\$207,506</u>	 <u>\$5,544,114</u>
Liabilities:				
Payroll tax liabilities	<u>\$1,566</u>	<u>\$0</u>	<u>0</u>	<u>1,566</u>
Fund Balances:				
Restricted	24,038	4,562,463	207,506	4,794,007
Unassigned	<u>748,541</u>	<u>0</u>	<u>0</u>	<u>772,579</u>
 Total Fund Balances	 <u>772,579</u>	 <u>4,562,463</u>	 <u>207,506</u>	 <u>5,542,548</u>
 Total Liabilities and Fund Balances	 <u>\$774,145</u>	 <u>\$4,562,463</u>	 <u>\$207,506</u>	 <u>\$5,544,114</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, 2011

Exhibit D
Page 1

	<u>General Fund</u>	<u>Sewer Design and Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$3,838,634	\$0	\$723,305	\$4,561,939
Licenses and permits	45,315	0	0	45,315
Fines and forfeits	71,794	0	0	71,794
Interest earnings	4,268	23,047	494	27,809
Intergovernmental revenue	345,182	11,591,627	315,374	12,252,183
Rents and royalties	20,300	0	0	20,300
Charges for services	221,959	0	0	221,959
Contributions and donations from private sector	8,400	0	12,139	20,539
Other	<u>3,592</u>	<u>0</u>	<u>0</u>	<u>3,592</u>
Total Revenues	<u>4,559,444</u>	<u>11,614,674</u>	<u>1,051,312</u>	<u>17,225,430</u>
Expenditures:				
General government	792,065	0	0	792,065
Public safety	2,226,068	0	315,173	2,541,241
Public works	878,709	15,051,123	367,799	16,297,631
Culture and recreation	61,020	0	80,239	141,259
Employee benefits and taxes	891,608	0	0	891,608
Insurance	62,924	0	0	62,924
Debt service	43,354	549,369	218,678	811,401
Other	<u>28,938</u>	<u>0</u>	<u>0</u>	<u>28,938</u>
Total Expenses	<u>\$4,984,686</u>	<u>\$15,600,492</u>	<u>\$981,889</u>	<u>\$21,567,067</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, 2011

Exhibit D
Page 2

	<u>General Fund</u>	<u>Sewer Design and Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(\$425,242)</u>	<u>(\$3,985,818)</u>	<u>\$69,423</u>	<u>(\$4,341,637)</u>
Other Financing Sources (Uses):				
Refunds of prior year expenditures	61,799	28	0	61,827
Operating transfers in	3,941	1,731	0	5,672
Proceeds of debt	961	4,114,586	73,001	4,188,548
Operating transfers out	<u>(1,731)</u>	<u>0</u>	<u>(3,941)</u>	<u>(5,672)</u>
Total Other Financing Sources (Uses)	<u>64,970</u>	<u>4,116,345</u>	<u>69,060</u>	<u>4,250,375</u>
Net Changes in Fund Balances	(360,272)	130,527	138,483	(91,262)
Total Fund Balances at Beginning of Year	<u>1,132,851</u>	<u>4,431,936</u>	<u>69,023</u>	<u>5,633,810</u>
Total Fund Balances at End of Year	<u>\$772,579</u>	<u>\$4,562,463</u>	<u>\$207,506</u>	<u>\$5,542,548</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, 2011

Exhibit E

	<u>Trust Funds</u>	<u>Revolving Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$22,301	\$185,679	\$207,980
Investments	<u>3,571,042</u>	<u>0</u>	<u>3,571,042</u>
Total Assets	<u>\$3,593,343</u>	<u>\$185,679</u>	<u>\$3,779,022</u>
Liabilities:			
Amounts held on behalf of others	\$0	\$184,425	184,425
Due to other funds	<u>0</u>	<u>11,852</u>	<u>11,852</u>
Total Liabilities	<u>0</u>	<u>196,277</u>	<u>196,277</u>
Net Assets:			
Net assets held in trust for pension benefits	3,593,343	0	3,593,343
Unreserved	<u>0</u>	<u>(10,598)</u>	<u>(10,598)</u>
Total Net Assets	<u>3,593,343</u>	<u>(10,598)</u>	<u>3,582,745</u>
Total Liabilities and Net Assets	<u>\$3,593,343</u>	<u>\$185,679</u>	<u>\$3,779,022</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, 2011

Exhibit F

	<u>Trust Funds</u>
Additions:	
Investment income (loss)	\$118,801
State contributions	172,013
Employee contributions	65,793
Employer contributions	<u>11,775</u>
Total Additions	<u>368,382</u>
Deductions:	
Pension benefits	17,844
Administrative expenses	<u>21,239</u>
Total Deductions	<u>39,083</u>
Change in Net Assets	329,299
Net Assets at Beginning of Year	<u>3,264,044</u>
Net Assets at End of Year	<u><u>\$3,593,343</u></u>

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

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Page 1

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. This project is described in more detail in Note 8.

Basis of Accounting

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.

Implementation of New Accounting Principle

For the year ended December 31, 2011, the Township implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

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

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

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:

- 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.

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

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 real estate taxes levied for the benefit of the Township's volunteer fire company and financial support provided by the Township.

Ambulance Fund - Accounts for real estate taxes levied for the benefit of the Township's ambulance service and financial support provided by the Township.

Park Fund - Accounts for real estate taxes levied for the benefit of the Township parks and other revenues received and expenditures of these funds in support of the parks and related recreational programs.

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

Road Equipment Fund - Accounts for real estate taxes levied for the purpose of paying for road equipment and expenditures of these funds.

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 fund that is reported as a major fund:

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.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources restricted for the payment of long term debt and related interest. The reporting entity consists of one debt service fund that is reported as a nonmajor fund:

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.

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.

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. It is the Township's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Fund Financial Statements

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Supervisors - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors and the Treasurer have the authority to assign amounts to be used for specific purposes as established in the approved budget. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

Fund Equity (Continued)

Currently the Township uses only the restricted and unassigned classifications.

Investment earnings, such as interest, on restricted or committed monies are included in the same fund balance classification as the money that earned these revenues.

Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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.

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

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.

Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities (if any) columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

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.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Note 2: Cash and Cash Equivalents: (Continued)

- 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.

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 2011

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	\$5,683,494
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u>\$5,683,494</u>

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

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 Township's name	\$5,683,494
Add: Amount Insured Under FDIC	1,000,956
Plus: Deposits in Transit	35,927
Less: Outstanding Checks	<u>(980,135)</u>
Carrying Amount	5,740,242
Add: Pooled Deposits - Cash Equivalents	0
Add: Petty Cash	<u>0</u>
Total Cash and Cash Equivalents	<u>\$5,740,242</u>

Note 3: Restricted Cash:

Restricted cash in the General Fund is restricted to use for the sewer project and was transferred to the Sewer Design and Construction Fund. 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, 2011

Note 4: Interfund Transfers:

Transfers between funds of the Township for the year ended December 31, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Park Fund	\$3,941	\$0
Sewer Design and Construction	<u>0</u>	<u>1,731</u>
Total General Fund	<u>\$3,941</u>	<u>\$1,731</u>
Park Fund:		
General Fund	<u>\$0</u>	<u>\$3,941</u>
Sewer Design and Construction:		
Capital Reserve	<u>\$1,731</u>	<u>\$0</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, 2011

Note 5: Long - Term Debt:

Transactions relating to long-term debt were as follows:

	<u>January 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31,</u> <u>2011</u>	<u>Amount Due</u> <u>Within</u> <u>1 Year</u>
Sewer Project:					
Guaranteed Sewer Revenue Bonds, Series A of 2010	\$2,302,809	\$3,571,893	\$0	\$5,874,702	\$0
Guaranteed Sewer Revenue Bond, Series B of 2010	65,936	0	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	2,500,000	492,422	0	2,992,422	0
Guaranteed Sewer Revenue Note, Series 2010	4,500,000	0	0	4,500,000	0
General Obligation Note, Series 2010	50,000	961	0	50,961	0
Guaranteed Sewer Revenue Note, Series of 2011	0	50,271	0	50,271	0
Other:					
PNC Bank Note Payable	21,682	0	(14,385)	7,297	7,297
PNC Bank Note Payable	466,447	0	(81,915)	384,532	85,222
PNC Bank Note Payable	118,183	0	(25,624)	92,559	26,576
PNC Leasing - Capital Lease Obligation	22,880	0	(22,880)	0	0
PNC Equipment Financing - Capital Lease Obligation	<u>33,255</u>	<u>0</u>	<u>(21,577)</u>	<u>11,678</u>	<u>11,678</u>
Subtotal	<u>\$11,581,192</u>	<u>\$4,115,547</u>	<u>(\$166,381)</u>	<u>\$15,530,358</u>	<u>\$130,773</u>

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Note 5: Long - Term Debt: (Continued)

	January1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2011</u>	Amount Due Within <u>1 Year</u>
Subtotal	\$11,581,192	\$4,115,547	(\$166,381)	\$15,530,358	\$130,773
PNC Equipment Financing - Capital Lease Obligation	145,270	0	(34,574)	110,696	35,711
Bank Capital Services - Capital Lease Obligation	64,209	0	(14,641)	49,568	15,544
FNB Commercial Leasing	\$51,149	\$0	\$(9,743)	\$41,406	\$10,146
PNC Equipment Financing - Capital Lease Obligation	0	16,900	(1,550)	15,350	3,129
PNC Equipment Financing - Capital Lease Obligation	<u>0</u>	<u>56,101</u>	<u>(0)</u>	<u>56,101</u>	<u>10,504</u>
Total	<u>\$11,841,820</u>	<u>\$4,188,548</u>	<u>(\$226,889)</u>	<u>\$15,803,479</u>	<u>\$205,807</u>

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 due 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, 2011, \$5,874,702 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 due in June and principal and interest payments due 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, 2011, \$65,936 had been drawn down on the Bond.

Note 5: Long - Term Debt: (Continued)

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 due 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, 2011 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 the design and construction of the Township's sewer facilities. The issue is for \$3,000,000, with interest payments due 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, 2011, \$2,992,422 had been drawn down on the Bond.

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, 2011, 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 its 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 due in June and December, and principal payments due beginning in 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, 2011 is \$4,500,000.

Note 5: Long - Term Debt: (Continued)

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 for renovations to the Township municipal building. On December 9, 2011, a Note Modification Agreement was executed to change the use of debt proceeds to the construction of the sewage system. The modification agreement provided for an extension to the draw period, a reduction of the maximum principal amount, and to defer the first principal payment to December 1, 2014. The issue amount has been reduced to \$887,000, with interest payments due in June and December, and, starting in 2014, principal and interest payments will be due 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, 2011, \$50,961 had been drawn down on the note.

Guaranteed Sewer Revenue Note, Series of 2011

On August 31, 2011, the Township approved the issuance of its Sewer Revenue Note, Series of 2011 to finance construction of the Township's sewer facilities. The issue is for \$3,900,000, with interest payments due monthly. At year end the interest rate was 3.25%. Interest is at a variable rate based on the Bank's prime rate, not to exceed 12% annually. The term of the note is 3 years, and it is scheduled to mature on September 15, 2014. The outstanding balance as of December 31, 2011 is \$50,271.

PENNVEST Note Payable

On May 4, 2011, Pocono Township closed on a loan from Pennsylvania Infrastructure Investment Authority (PENNVEST) to finance construction of the Township's sewer facilities. The loan is for \$8,300,000 with interest payments due monthly. The interest rate for the first five years is 1% and it will increase to 1.51% for the remaining life of the loan. The loan is scheduled to mature on April 1, 2034. The outstanding balance as of December 31, 2011 is \$0. The Township began to draw on the loan in April of 2012.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Note 5: Long - Term Debt: (Continued)

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, 2011 was \$7,297.

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, 2011 was \$384,532.

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, 2011 was \$92,559.

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 was due in November 2011.

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, 2011 was \$11,678.

Note 5: Long - Term Debt: (Continued)

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, 2011 was \$110,696.

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, 2011 was \$49,568.

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, 2011 was \$43,894.

PNC Leasing - Capital Lease Obligation

On December 5, 2011, the Township entered into a capital lease agreement for a trailer, with a value of \$16,900. The lease is payable in monthly installments of \$306, including interest at 3.25%. The final payment is due on December 5, 2016. The outstanding balance at December 31, 2011 was \$16,900.

PNC Leasing - Capital Lease Obligation

On December 5, 2011, the Township entered into a capital lease agreement for a Case loader, with a value of \$56,101. The lease is payable in monthly installments of \$1,014, including interest at 3.25%. The final payment is due on December 5, 2016. The outstanding balance at December 31, 2011 was \$56,101.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Note 5: Long - Term Debt: (Continued)

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$205,807	\$698,214	\$904,021
2013	4,945,529	691,838	5,637,367
2014	597,770	579,325	1,177,095
2015	480,133	548,421	1,028,554
2016	388,531	526,338	914,869
2017 - 2021	1,901,000	2,341,290	4,242,290
2022 - 2026	2,330,000	1,794,478	4,124,478
2027 - 2031	2,885,000	1,122,467	4,007,467
2032 - 2035	<u>2,080,703</u>	<u>346,973</u>	<u>2,427,676</u>
 Total	 <u>\$15,814,473</u>	 <u>\$8,649,344</u>	 <u>\$24,463,817</u>

Interest paid on long-term debt during 2011 was \$582,275.

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.

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.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

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

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, 2011, 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, 2011, there were fifteen employees vested in the plan.

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2011 was \$684,272.

Employer contributions shall be an amount equal to 8% of each participant's compensation. Forfeitures shall be applied to reduce the employer's contribution.

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

Participants of the plan were not required to contribute to the plan for the year ended December 31, 2011. 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 (65th) 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, 2011

Note 6: Pocono Township Non-Uniformed Pension Plan: (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, 2012 Valuation Report was due on or before March 31, 2012.

Financial Requirement and Minimum Municipal Obligation:

Total Annual Payroll	\$684,272
Total Normal Cost Percentage	<u>8%</u>
Normal Cost	53,922
Total Administrative Expense	0
Total Financial Requirements	53,922
Total Members' Contributions	<u>0</u>
Minimum Municipal Obligation	<u>\$53,922</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.

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

Custodial Credit Risk

As of December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011, 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 ($\$410,264 \times .05 = \$20,513$):

MetLife Moderate Allocation (27.0%)	\$110,832
MetLife Moderate to Aggressive Allocation (39.6%)	\$162,439
Fixed Interest Account (9.2%)	\$37,541
MetLife Conservative to Moderate Allocation (5.4%)	\$22,218
M6 (10.6%)	\$43,436
MetLife Conservative to Aggressive Allocation (5.5%)	\$22,432

Note 7: Pocono Township Police Pension Plan:

Reporting Entity

The Pocono Township Police Pension 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. The Township Supervisors have delegated the authority to manage certain plan assets to an investment advisor, the Bank of New York Mellon. Standalone financial statements are not publicly available.

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

The Plan has adopted, the Governmental Accounting Standards Board 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.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

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

Description of Plan

The effective date of this plan is May 1, 1979. The provisions of Ordinance No. 145, 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, 2011 consisted of the following:

Active employees	17
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total Membership	<u>20</u>

Employees are vested after 12 years of service. For the year ended December 31, 2011 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, 2011 was \$1,312,937.

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.

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

Retirement Benefits (Continued)

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.

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.

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

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.

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.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

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

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 2011.

Investments

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

At December 31, 2011, 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 ($\$3,182,967 \times .05 = \$159,148$):

Investments	Fair Market Value <u>2011</u>
EB Mellon Total Return Fund	\$636,045
PE US Large Capital Core Equity Fund	232,384
EB DV Active Bond Fund	636,794
EB DV ENH Large Capital Core Fund	475,687
EB DV NSL Aggregate Bond Index Fund	954,375
EB US Large Capitalization Core Fund	233,090

At December 31, 2011, the plan held \$14,590 in the Mellon Bank, N.A. EB Temporary Investment Fund. The duration of the Fund is 0.13 years and the average credit quality is P1.

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.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

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

Custodial Credit Risk

As of December 31, 2011 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	6.57	AA	Not Rated
EB DV Aggregate Bond Index Fund	7.12	AA	Not Rated
EB Mellon Total Return Fund	6.20	AA	Not Rated

Foreign Currency Risk

As of December 31, 2011, and throughout the year, the investments held were not exposed to foreign currency risk.

Funded Status and Funding Progress

As of January 1, 2011, the date of the most recent actuarial valuation, the funded status of the plan was as follows:

Actuarial Value of Assets (a)	\$3,023,484
Actuarial Accrued Liability (AAL) Entry Age (b)	\$3,357,598
Unfunded (Assets in Excess of) AAL (UAAL) (b-a)	\$334,114
Funded Ratio (a/b)	90.0%
Covered Payroll (c)	\$1,296,233
UAAL as a Percentage of Covered Payroll ((b-a)/c)	25.8%

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.

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, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	16 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	BC RP-2000
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, 2011

Note 8: Sewer Project: (Continued)

During 2011, 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 2011, construction of the regional wastewater treatment plant was ongoing and is expected to be completed by September of 2012. The plant is expected cost approximately \$42,000,000. 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</u>	<u>Method Managed</u>	<u>Risk of Loss</u>
<u>Retained</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 three fiscal years.

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 the past several years, the Township entered into contracts for the project. At December 31, 2011, the balance remaining on these contracts was approximately \$10,500,000.

As at December 31, 2011, a backhoe and a dump truck had been ordered, but not received or paid, for at a total cost of approximately \$216,000. As of the date of the auditor's report, both items have been received and paid for.

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 for 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 and Other Legal Actions

Bond Claim

The Township filed a performance bond claim against a sewer project contractor whose work was determined by the Township's engineer to be defective and who had breached its contractual obligations with the Township. Payments to that contractor of approximately \$1,100,000 have been withheld and the Township, the contractor, the Township's engineer and several other subcontractors have been joined in a civil action. The claims by the sewer project contractor against the Township include contractual claims, increased work claims and additional cost claims in a total amount of \$5.9 million.

As of the date of the auditor's report, this claim is in mediation.

Note 10: Commitments and Contingencies: (Continued)

Unauthorized Payments

During 2011, there were unauthorized payments made to two employees upon their retirement for accumulated leave time and longevity pay for a grand total of unauthorized payments of \$35,292. One employee was compensated \$18,265 for accumulated sick and vacation leave and an additional \$1,461 towards their pension, for total unauthorized payments of \$19,726. The \$19,726 of payments were in violation of Pennsylvania's Second Class Township Code, 53 P.S. 65606. These payments were also specifically excluded to this employee in the Township's Human Resource Policies and Employee Manual. A second employee was compensated \$10,650 for accumulated sick leave and \$4,916 for longevity payments, for a total of \$15,566 in unauthorized payments. This employee was specifically excluded from inclusion in the police collective bargaining agreement, and as per the Township's general employee policies manual, was subject to compensation for fifty percent (50%) of accumulated sick leave, instead of one-hundred percent (100%) of compensation for accumulated sick hours that was paid. The manual does not authorize payment in any amount for longevity.

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 any 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 \$3,113,299, based upon the current year millage rate of 17.6 (\$17.60 per \$1,000 of assessed valuation) multiplied by the adjusted assessed property value of \$176,697,910. Total regular real estate taxes collected were \$2,902,157 which represents the face amount less discounts plus penalties. Current regular tax collections for the year ended December 31, 2011 were approximately ninety percent (93%) of the tax levy.

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

Levy Date March 1st
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 turned over to Monroe County Tax Claim Bureau for delinquent tax collection.

Pocono Township participates in a Tax Increment Financing 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" project. Real estate tax revenues derived from millage exceeding 6.215 mills will remain with Pocono Township.

POCONO TOWNSHIP
Notes to Basic Financial Statements
As at December 31, 2011

Note 11: Property Taxes: (Continued)

For the year ended December 31, 2011, the following was remitted by Pocono Township to the "TIF" program:

2011 Total Assessed Value	\$7,586,620
Less: Tax Increment Base	<u>(4,702,580)</u>
New Construction Assessment	2,884,040
"TIF" Millage Rate	<u>0.006215</u>
Base Amount - "TIF" Program	17,924
Discount	<u>0.98</u>
Amount Remitted By Township	<u><u>\$17,566</u></u>

Note 12: Subsequent Events:

Management has evaluated subsequent events through April 29, 2013, the date the financial statements were available to be issued.

POCONO TOWNSHIP

Required Supplementary Information

As at December 31, 2011

POCONO TOWNSHIP
Schedule of Budget to Actual - Cash Basis
General Fund
For the Year Ended December 31, 2011

Schedule 1
Page 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:				
Real estate taxes	\$2,267,000	\$2,306,402	\$2,323,133	\$16,731
Real estate transfer taxes	140,000	107,373	116,269	8,896
Earned income taxes	1,060,000	1,096,260	1,071,017	(25,243)
Emergency and municipal services tax	<u>300,000</u>	<u>320,000</u>	<u>328,215</u>	<u>8,215</u>
Total Taxes	<u>3,767,000</u>	<u>3,830,035</u>	<u>3,838,634</u>	<u>8,599</u>
Licenses and Permits	<u>140,600</u>	<u>45,290</u>	<u>45,315</u>	<u>25</u>
Fines and Forfeits	<u>76,000</u>	<u>69,020</u>	<u>71,794</u>	<u>2,774</u>
Interest, Rents and Royalties:				
Interest earnings	6,000	4,450	4,268	(182)
Rents and royalties	<u>24,000</u>	<u>20,300</u>	<u>20,300</u>	<u>0</u>
Total Interest, Rents, and Royalties	<u>30,000</u>	<u>24,750</u>	<u>24,568</u>	<u>(182)</u>
Charges for Services:				
Public safety	<u>358,400</u>	<u>219,006</u>	<u>221,959</u>	<u>2,953</u>
Intergovernmental Revenue:				
State capital and operating grants	31,000	0	0	0
Public utility reality tax	5,000	5,629	5,629	0
Alcoholic beverage licenses	5,700	3,900	3,900	0
General municipal pension system state aid	177,000	172,013	172,013	0
State payments in lieu of taxes	400	5,854	5,854	0
All other state shared revenues and entitlements	<u>95,000</u>	<u>157,786</u>	<u>157,786</u>	<u>0</u>
Total Intergovernmental Revenue	<u>314,100</u>	<u>345,182</u>	<u>345,182</u>	<u>0</u>
Other Financing Sources:				
Interfund operating transfers	0	9,894	3,941	(5,953)
Proceeds of debt	1,000,000	0	961	961
Refunds of prior year expenditures	58,500	64,480	61,799	(2,681)
Fund balance to be used	<u>412,500</u>	<u>322,428</u>	<u>0</u>	<u>(322,428)</u>
Total Other Financing Sources	<u>1,471,000</u>	<u>396,802</u>	<u>66,701</u>	<u>(330,101)</u>
Unclassified Operating Revenues	<u>10,000</u>	<u>11,242</u>	<u>11,992</u>	<u>750</u>
Total Revenues	<u>\$6,167,100</u>	<u>\$4,941,327</u>	<u>\$4,626,145</u>	<u>(\$315,182)</u>

POCONO TOWNSHIP
Schedule of Budget to Actual - Cash Basis
General Fund
For the Year Ended December 31, 2011

Schedule 1
Page 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government:				
Financial administration	\$148,500	\$137,486	\$126,540	(\$10,946)
Tax collection	110,500	143,683	160,298	16,615
Solicitor	65,000	80,500	75,584	(4,916)
Secretary/clerk	123,000	142,753	143,159	406
Other general government administration	118,000	73,900	72,952	(948)
Engineering	80,000	67,566	65,073	(2,493)
Buildings and plant	1,048,000	111,658	105,798	(5,860)
Information Technology	36,000	41,417	42,661	1,244
Executive	<u>61,000</u>	<u>500</u>	<u>0</u>	<u>(500)</u>
Total General Government	<u>1,790,000</u>	<u>799,463</u>	<u>792,065</u>	<u>(7,398)</u>
Public Safety:				
Police	1,853,500	1,802,239	1,783,523	(18,716)
Fire	95,000	157,787	157,786	(1)
Ambulance/rescue	70,000	750	25,750	25,000
Protective inspection	313,000	229,403	232,071	2,668
Planning and zoning	61,900	32,342	26,938	(5,404)
Emergency management	<u>700</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Safety	<u>2,394,100</u>	<u>2,222,521</u>	<u>2,226,068</u>	<u>3,547</u>
Public Works - Highways and Streets:				
General services	783,500	744,046	693,644	(50,402)
Snow and ice removal	96,500	103,584	102,804	(780)
Traffic signals and street signs	43,500	14,394	26,779	12,385
Road and bridge maintenance	45,000	55,000	50,486	(4,514)
Storm Sewers and Drains	<u>23,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Works - Highways and Streets	<u>991,500</u>	<u>917,024</u>	<u>873,713</u>	<u>(43,311)</u>
Public Works - Sanitation:				
Solid waste collection and treatment	<u>3,500</u>	<u>4,976</u>	<u>4,996</u>	<u>20</u>
Debt Service:				
Principal	0	0	36,219	36,219
Interest	<u>0</u>	<u>0</u>	<u>7,135</u>	<u>7,135</u>
Total Debt Service	<u>0</u>	<u>0</u>	<u>43,354</u>	<u>43,354</u>
Culture and Recreation	<u>\$62,000</u>	<u>\$59,520</u>	<u>\$61,020</u>	<u>\$1,500</u>

POCONO TOWNSHIP
Schedule of Budget to Actual - Cash Basis
General Fund
For the Year Ended December 31, 2011

Schedule 1
Page 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employer Paid Benefits and Withholding Items:				
Group insurance and other benefits	\$594,000	\$576,415	\$614,219	\$37,804
Pension/retirement fund contributions	181,000	129,866	187,390	57,524
Workers compensation insurance	76,000	75,728	82,855	7,127
Employer paid withholding taxes	<u>14,000</u>	<u>14,000</u>	<u>7,144</u>	<u>(6,856)</u>
 Total Employer Paid Benefits and Withholding Items	 <u>865,000</u>	 <u>796,009</u>	 <u>891,608</u>	 <u>95,599</u>
 Insurance	 61,000	 62,876	 62,924	 48
All Other Unclassified Expenditures	0	28,938	28,938	0
Interfund Operating Transfers	<u>0</u>	<u>50,000</u>	<u>1,731</u>	<u>(48,269)</u>
Total Expenditures	<u>6,167,100</u>	<u>4,941,327</u>	<u>4,986,417</u>	<u>45,090</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$0</u>	 <u>\$0</u>	 <u>(\$360,272)</u>	 <u>(\$360,272)</u>

POCONO TOWNSHIP
 Required Supplementary Information
 Police Pension Plan
 As at December 31, 2011

Schedule 2

Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll (4)/(5)
1/1/99	\$1,215,012	\$723,050	168.04%	(\$491,962)	\$492,848	(99.8%)
1/1/01	\$1,352,136	\$931,431	145.17%	(\$420,705)	\$606,912	(69.3%)
1/1/03	\$1,555,295	\$1,274,508	122.03%	(\$280,787)	\$660,163	(42.5%)
1/1/05	\$1,703,882	\$1,632,252	104.39%	(\$71,630)	\$816,096	(8.8%)
1/1/07	\$2,083,086	\$2,146,648	97.04%	\$63,562	\$954,876	6.7%
1/1/09	\$2,538,667	\$2,666,732	95.20%	\$128,065	\$1,150,806	11.1%
1/1/11	\$3,023,484	\$3,357,598	90.05%	\$334,114	\$1,296,233	25.8%

Schedule of Contributions (Unaudited)

Year Ended December 31	Annual Required Contribution	Contribution from Employer	State Aid	Percentage Contributed
2000	\$9,946	\$0	\$12,325	124%
2001	\$16,439	\$0	\$37,628	229%
2002	\$32,404	\$0	\$35,166	109%
2003	\$26,581	\$0	\$36,222	136%
2004	\$71,087	\$0	\$79,649	112%
2005	\$81,147	\$0	\$82,894	102%
2006	\$84,693	\$0	\$102,827	121%
2007	\$88,252	\$0	\$107,552	122%
2008	\$106,763	\$0	\$106,763	100%
2009	\$115,716	\$0	\$115,716	100%
2010	\$131,421	\$0	\$131,421	100%
2011	\$129,866	\$0	\$129,866	100%

POCONO TOWNSHIP
 Required Supplementary Information
 Non-Uniformed Employees' Pension Plan
 As at December 31, 2011

Schedule 3

Schedule of Contributions (Unaudited)

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Contribution from Employer</u>	<u>State Aid</u>	<u>Percentage Contributed</u>
2000	\$12,258	\$12,258	\$0	100%
2001	\$22,003	\$22,003	\$0	100%
2002	\$23,165	\$810	\$22,355	100%
2003	\$26,266	\$6,024	\$20,242	100%
2004	\$28,150	\$1,234	\$26,916	100%
2005	\$32,479	\$2,620	\$29,859	100%
2006	\$32,122	\$130	\$32,992	100%
2007	\$34,369	\$224	\$34,145	100%
2008	\$42,400	\$14,092	\$28,308	100%
2009	\$46,092	\$13,952	\$32,140	100%
2010	\$45,107	\$11,551	\$33,556	100%
2011	\$53,922	\$11,775	\$42,147	100%

Since a Schedule of Funding Progress was not prepared by the Actuary, it has not been presented as Required Supplementary Information.

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
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**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, 2011, which collectively comprise Pocono Township's basic financial statements and have issued my report dated October 8, 2012 (except for Note 10, as to which the date is April 29, 2013). 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, Pennsylvania'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, Pennsylvania's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Pocono Township, Pennsylvania's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2011-1) to be a material weakness.

Page Two

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. I consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2011-2) to be a significant deficiency.

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.

Andi Lin C.P.A., LLC

Stroudsburg, Pennsylvania
October 8, 2012
(except for Note 10, as to
which the date is April 29, 2013)

JULIAN KIRK, C.P.A., LLC
CERTIFIED PUBLIC ACCOUNTANT
907 MAIN STREET, STE 202
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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, 2011. 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, 2011.

PAGE TWO

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
October 8, 2012

Pocono Township
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2011

Schedule 4

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U. S. Department of Health And Human Services, Health Resources and Services Administration			
Health Care and Other Facilities	93.887	N/A	\$2,070,491
U. S. Environmental Protection Agency			
Congressionally Mandated Projects	66.202	N/A	<u>174,215</u>
		Total	<u>\$2,244,706</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Pocono Township
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Note 1. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Pocono Township under programs of the federal government for the year ended December 31, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Pocono Township, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pocono Township.

Note 2. Significant Accounting Policies:

Basis of Accounting

Expenditures reported in the Schedule are presented on the cash basis of accounting, which is consistent with Pocono Township's overall basis of accounting. 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.

Grant expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pocono Township
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

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 - Yes

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

Cluster of Federal Awards- Sewer Expansion Project

CFDA Number 93.887 - United States Department of Health and Humans Services, Health
Resources and Services Administration and CFDA Number 66.202, U.S. Environmental Protection
Agency, Congressionally Mandated Projects.

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

Material Weakness:

Finding 2011-1

Condition: The Township paid out \$35,292.05 in unauthorized compensation for accumulated leave time and longevity pay during 2011.

Criteria: The payments were not authorized as per the Pennsylvania Second Class Township Code, the police collective bargaining agreement, nor the Township's general employee policies manual.

Cause: The Township Secretary/Treasurer made the payments in violation of the Pennsylvania Second Class Township Code and the Township's general employee policies manual.

Effect: The Township made unauthorized compensation payments of \$35,292.05 to two of its employees upon retirement without board approval and in violation of the Pennsylvania Second Class Township Code.

Recommendation: The Township's elected auditors should impose a surcharge on Helen J. Cilurso, in her capacity as both an elected supervisor and as the appointed Secretary/Treasurer of Pocono Township, for the loss attributable to the acts of Helen J. Cilurso for the total of \$35,292.05.

Significant Deficiency:

Finding 2011-2

Condition: A vehicle was purchased without formal approval at a public meeting.

Criteria: Formal approval of expenditures for non-routine purchases is generally a sound internal control practice.

Cause: The purchase was made without formal approval at a public meeting.

Effect: The Township acquired a vehicle without formal approval at a public meeting.

Recommendation: The Township should implement formal written policies and procedures for all expenditures, including non-routine asset purchases. The Township should also approve all non-routine expenditures at a public meeting before disbursement.

Section III - Findings and Questioned Costs for Federal Awards

None discovered.

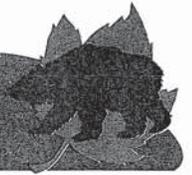
Section IV - Questioned Costs

No material questioned costs discovered.

Pocono Township
Schedule of Prior Year Findings
For the Year Ended December 31, 2011

There were no prior year findings.

POCONO TOWNSHIP



POCONO TOWNSHIP • BOX 197 • TANNERSVILLE, PA 18372 • TEL. 570-629-1922 • FAX 570-629-7325 • WWW.POCONOTOWNSHIP.ORG

CORRECTIVE ACTION PLAN October 8, 2012

Pocono Township respectfully submits the following corrective action plan for the year ended December 31, 2011.

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

Audit period: January 1, 2011 through December 31, 2011.

The findings from the year ended December 31, 2011 schedule of findings and questioned costs are discussed below.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2011-1

Condition: The Township did not have a formal approval process for payroll expenditures and for payouts of accrued sick time and longevity for the year ended December 31, 2011.

Criteria: Formal approval of payroll expenditures before disbursement is generally a sound internal control practice.

Cause: The Township Supervisors were unaware that a formal approval process for payroll expenditures was necessary.

Effect: The Township did not formally approve payroll expenditures for the year ended December 31, 2011. Expenditures were also paid to two employees that did not comply with the Township's employee policy manuals.

Recommendation: The Township should implement formal review and approval policies for payroll and benefit expenditures before disbursement.

Frank Hess
Chairman
Secretary & Treasurer
Ext. 212 • fhess@poconotownship.org

Harold Werkheiser
Vice Chairman/ Director Public Works
Assistant Secretary / Treasurer
Ext. 220 • hwerkheiser@poconotownship.org

Henry Bengel
Supervisor
Right-to-Know Officer
Ext. 221 • hbengel@poconotownship.org

Action Taken:

The Supervisors have referred this matter to the elected auditors for their review. The auditors will determine the action to be taken based on their review. It is anticipated that they will pursue restitution in the event that their investigation confirms that unapproved payment were made.

Regarding a formal process for payroll, the payroll will be prepared by a Township staff member and reviewed by an elected supervisor. In addition, all payments not covered by contract or the employee manual must be specifically approved by the Board of Supervisors at a duly authorized public meeting.

Finding 2011-2

Condition: A vehicle was purchased without formal approval at a public meeting.

Criteria: Formal approval of expenditures for non-routine purchases is generally a sound internal control practice.

Cause: The purchase was made without formal approval at a public meeting.

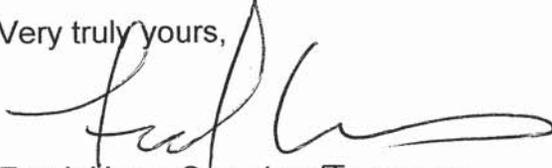
Effect: The Township acquired a vehicle without formal approval at a public meeting.

Recommendation: The Township should implement formal written policies and procedures for all expenditures, including non-routine asset purchases. The Township should also approve all non-routine expenditures at a public meeting before disbursement.

Action Taken:

The Township has entered into negotiations with the dealer regarding the return of the vehicle. In addition, prior to purchasing all capital assets valued in excess of \$10,000 must be specifically approved by the Board of Supervisors at a duly authorized public meeting.

If there are any questions regarding this plan, please contact Frank Hess at (570) 629-1922 or fhess@poconotownship.org.

Very truly yours,


Frank Hess, Secretary/Treasurer
Pocono Township

POCONO TOWNSHIP

Other Supplementary Information

As at December 31, 2011

POCONO TOWNSHIP
Combining Statements of Assets, Liabilities and Fund Balances - Cash Basis
Non Major Governmental Funds
As at December 31, 2011

Exhibit G

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Road Equipment Fund</u>	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets:							
Cash and cash equivalents	<u>\$4,897</u>	<u>\$6,978</u>	<u>\$88,664</u>	<u>\$80,416</u>	<u>\$15,516</u>	<u>\$11,035</u>	<u>\$207,506</u>
Total Assets	<u>\$4,897</u>	<u>\$6,978</u>	<u>\$88,664</u>	<u>\$80,416</u>	<u>\$15,516</u>	<u>\$11,035</u>	<u>\$207,506</u>
Fund Balance:							
Restricted	<u>\$4,897</u>	<u>\$6,978</u>	<u>\$88,664</u>	<u>\$80,416</u>	<u>\$15,516</u>	<u>\$11,035</u>	<u>\$207,506</u>
Total Fund Balance	<u>\$4,897</u>	<u>\$6,978</u>	<u>\$88,664</u>	<u>\$80,416</u>	<u>\$15,516</u>	<u>\$11,035</u>	<u>\$207,506</u>

POCONO TOWNSHIP
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis
Non Major Governmental Funds
For the Year Ended December 31, 2011

Exhibit H
Page 1

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Road Equipment Fund</u>	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:							
Taxes	\$206,638	\$81,507	\$125,139	\$80,375	\$0	\$229,646	\$723,305
Interest earnings	143	24	74	41	145	67	494
Intergovernmental revenue	0	0	25,052	0	290,322	0	315,374
Contributions and donations from private sector	<u>0</u>	<u>0</u>	<u>12,139</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,139</u>
Total Revenues	<u>206,781</u>	<u>81,531</u>	<u>162,404</u>	<u>80,416</u>	<u>290,467</u>	<u>229,713</u>	<u>1,051,312</u>
Expenses:							
Public safety	240,173	75,000	0	0	0	0	315,173
Public works	0	0	0	73,001	294,798	0	367,799
Culture and recreation	0	0	80,239	0	0	0	80,239
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>218,678</u>	<u>218,678</u>
Total Expenses	<u>\$240,173</u>	<u>\$75,000</u>	<u>\$80,239</u>	<u>\$73,001</u>	<u>\$294,798</u>	<u>\$218,678</u>	<u>\$981,889</u>

POCONO TOWNSHIP
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis
Non Major Governmental Funds
For the Year Ended December 31, 2011

Exhibit H
Page 2

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Park Fund</u>	<u>Road Equipment Fund</u>	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(\$33,392)</u>	<u>\$6,531</u>	<u>\$82,165</u>	<u>\$7,415</u>	<u>(\$4,331)</u>	<u>\$11,035</u>	<u>\$69,423</u>
Other Financing Sources (Uses):							
Proceeds of debt	0	0	0	73,001	0	0	73,001
Operating transfers out	<u>0</u>	<u>0</u>	<u>(3,941)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,941)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(3,941)</u>	<u>73,001</u>	<u>0</u>	<u>0</u>	<u>69,060</u>
Net Changes in Fund Balances	(33,392)	6,531	78,224	80,416	(4,331)	11,035	138,483
Fund Balance at Beginning of Year	<u>38,289</u>	<u>447</u>	<u>10,440</u>	<u>0</u>	<u>19,847</u>	<u>0</u>	<u>69,023</u>
Fund Balance at End of Year	<u>\$4,897</u>	<u>\$6,978</u>	<u>\$88,664</u>	<u>\$80,416</u>	<u>\$15,516</u>	<u>\$11,035</u>	<u>\$207,506</u>

POCONO TOWNSHIP
Combining Statements of Net Assets
Fiduciary Funds
As at December 31, 2011

Exhibit I

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$14,590	\$7,711	\$22,301
Investments	<u>3,168,378</u>	<u>402,664</u>	<u>3,571,042</u>
Total Assets	<u>\$3,182,968</u>	<u>\$410,375</u>	<u>\$3,593,343</u>
Net Assets:			
Net assets held in trust for pension benefits	<u>3,182,968</u>	<u>410,375</u>	<u>3,593,343</u>
Total Liabilities and Net Assets	<u>\$3,182,968</u>	<u>\$410,375</u>	<u>\$3,593,343</u>

POCONO TOWNSHIP
Combining Statements of Changes in Net Assets
Fiduciary Funds
For the Year Ended December 31, 2011

Exhibit J

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Additions:			
Investment income (loss)	\$131,311	(\$12,510)	\$118,801
State contributions	129,866	42,147	172,013
Employee contributions	65,793	0	65,793
Employer contributions	<u>0</u>	<u>11,775</u>	<u>11,775</u>
Total Additions	<u>326,970</u>	<u>41,412</u>	<u>368,382</u>
Deductions:			
Pension benefits	17,844	0	17,844
Administrative expenses	<u>21,239</u>	<u>0</u>	<u>21,239</u>
Total Deductions	<u>39,083</u>	<u>0</u>	<u>39,083</u>
Change in Net Assets	<u>287,887</u>	<u>41,412</u>	<u>329,299</u>
Net Assets at Beginning of Year	<u>2,895,081</u>	<u>368,963</u>	<u>3,264,044</u>
Net Assets at End of Year	<u>\$3,182,968</u>	<u>\$410,375</u>	<u>\$3,593,343</u>