

POCONO TOWNSHIP  
ANNUAL FINANCIAL REPORT  
AS AT DECEMBER 31, 2012

POCONO TOWNSHIP  
Index to Financial Statements  
As at December 31, 2012

---

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government - Wide Financial Statements:

Statement of Net Position - Cash Basis as at December 31, 2012	Exhibit A
Statement of Activities - Cash Basis for the Year Ended December 31, 2012	Exhibit B

Fund Financial Statements:

Governmental Funds:

Statement of Assets, Liabilities and Fund Balances - Cash Basis as at December 31, 2012	Exhibit C
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis for the Year Ended December 31, 2012	Exhibit D

Proprietary Funds:

Statement of Financial Position - Cash Basis as at December 31, 2012	Exhibit E
Statement of Revenues, Expenses, and Changes in Financial Position for the Year Ended December 31, 2012	Exhibit F

Fiduciary Funds:

Statement of Net Position as at December 31, 2012	Exhibit G
Statement of Changes in Net Position for the Year Ended December 31, 2012	Exhibit H

Notes to Financial Statements

POCONO TOWNSHIP  
Index to Financial Statements  
As at December 31, 2012

---

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 <i>Government Auditing Standards</i>	
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 1
Notes to Schedule of Expenditures of Federal Awards	
Schedule of Findings and Questioned Costs	
Schedule of Prior Year Findings	

Supplementary Information:

Schedule of Budget to Actual - Cash Basis - General Fund for the Year Ended December 31, 2012	Schedule 2
Schedule of Budget to Actual - Cash Basis – Sewer Design and Construction Fund for the Year Ended December 31, 2012	Schedule 3
Police Pension Plan - Schedule of Funding Progress as at December 31, 2012	Schedule 4
Non-Uniformed Employees' Pension Plan - Schedule of Contributions as at December 31, 2012	Schedule 5
Combining Financial Statements - Non Major Governmental Funds: Statements of Assets, Liabilities and Fund Balances - Cash Basis as at December 31, 2012	Exhibit I
Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis for the Year Ended December 31, 2012	Exhibit J
Combining Financial Statements - Fiduciary Funds: Statement of Net Position as at December 31, 2012	Exhibit K
Statement of Changes in Net Position for the Year Ended December 31, 2012	Exhibit L

**JULIAN KIRK, C.P.A., LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
907 MAIN STREET, STE 201  
STROUDSBURG, PA 18360

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

INDEPENDENT AUDITOR'S REPORT

To the Supervisors of  
Pocono Township  
Tannersville, Pennsylvania

I have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pocono Township, Pennsylvania, as of and for the year ended December 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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.

***Opinions***

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, the business-type activities, each major fund, and the aggregate remaining fund information of Pocono Township, Pennsylvania, as of December 31, 2012; the respective changes in cash-basis financial position in conformity with the basis of accounting described in Note 1.

***Report on Supplementary and Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Pocono Township's basic financial statements. The budgetary comparison information, the police pension fund's schedule of funding progress, the non-uniformed employees' pension plan schedule of contributions, and the combining nonmajor and fiduciary funds' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 budgetary comparison information presented on Schedules 1 and 2, the police pension fund's schedule of funding progress on Schedule 3, the non-uniformed employees' pension plan schedule of contributions on Schedule 4, the combining and individual nonmajor and fiduciary funds' financial statements on Exhibits I, J, K and L, and the schedule of expenditures of federal awards on Schedule 5 are the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 on the basis of accounting described in Note 1.

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on such information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2013, on my consideration of Pocono Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pocono Township's internal control over financial reporting and compliance.

***Basis of Accounting***

I draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

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

Stroudsburg, Pennsylvania  
November 8, 2013

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

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, 2012. 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 2012 are as follows:

In total net position was \$9,149,165 at the end of the year.

General revenues accounted for \$15,843,614 in 2012 or 56% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$12,512,000 or 44% of total revenues of \$28,355,614.

The Township has \$24,748,997 in expenses; \$12,512,000 of these expenses was 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 \$7,148,540, of which 99% represents cash and investments.

Federal and state intergovernmental revenues include allocations from the Commonwealth for pension funding for \$184,961 and liquid fuels tax for \$317,964.

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, 2012

---

The Statement of Net Position 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 Position 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 Position and the Statement of Activities answer this question.

These two statements report the Township's net position and changes in net position. The change in net position 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, 2012

---

In the Statement of Net Position 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 Position

Table 1  
Net Position

---

	<u>2012</u>	<u>2011</u>
Assets		
Cash and investments	<u>\$7,148,540</u>	<u>\$5,544,114</u>
Liabilities		
Payroll liabilities	<u>88</u>	<u>1,566</u>
Net Position		
Unrestricted	1,791,416	748,541
Restricted	<u>5,357,036</u>	<u>4,794,007</u>
Total Net Position	<u>\$7,148,452</u>	<u>\$5,542,548</u>

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Table 2  
Statement of Activities

	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for services	\$2,882,425	\$339,068
Operating grants and contributions	610,624	644,559
Capital grants and contributions	<u>9,018,951</u>	<u>11,616,679</u>
Total Program Revenues	<u>12,512,000</u>	<u>12,600,306</u>
General Revenues:		
Taxes	4,876,111	4,573,422
Investment earnings	14,125	27,809
Proceeds of debt	10,879,008	4,188,548
Other	<u>74,370</u>	<u>85,719</u>
Total General Revenues	<u>15,843,614</u>	<u>8,875,498</u>
Total Revenues	<u>28,355,614</u>	<u>21,475,804</u>
Program Expenses:		
General government	891,323	904,569
Public safety	2,968,189	3,150,111
Public works	19,546,586	16,448,807
Recreation	141,119	160,316
Other	73,718	91,862
Principal and interest	<u>1,128,062</u>	<u>811,401</u>
Total Program Expenses	<u>24,748,997</u>	<u>21,567,066</u>
Change in Net Position	<u>\$3,606,617</u>	<u>(\$91,262)</u>

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

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>2012</u>	<u>2011</u>
Governmental Activities		
General government	(\$606,756)	(\$764,587)
Public safety	(2,083,052)	(2,630,827)
Public works	(10,219,016)	(4,547,410)
Recreation	(126,394)	(120,673)
Other	(73,718)	(91,862)
Principal and interest	<u>(1,128,062)</u>	<u>(811,401)</u>
 Total	 <u>(\$14,236,998)</u>	 <u>(\$8,966,760)</u>
 Business-Type Activities:		
Wastewater Collection/Treatment	<u>\$2,000,001</u>	<u>\$0</u>

Defining the Classifications of Expenditure:

General Governmental activities include 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, 2012

---

Wastewater collection and treatment includes operation and maintenance of sewer lines within the Township, and the Township's share of operation expenses for the regional sewer plant. The lines were not operational as of December 31, 2012; however, the Township received connection fees during the year.

### 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 56% for 2012. 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 2012.

### 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 position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

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.

Summary of General Fund Revenues by Source and Prior Year Comparison

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>% Change</u>
Local:				
Taxes	\$4,126,515	\$3,838,634	\$287,881	7.5%
Licenses and permits	204,738	45,315	159,423	351.8%
Charges for services	610,822	221,959	388,863	175.2%
Interest, rents, and royalties	16,962	24,568	(7,606)	(31.0%)
Fines and forfeits	66,864	71,794	(4,930)	(6.9%)
Other	<u>88,214</u>	<u>11,992</u>	<u>76,222</u>	<u>635.6%</u>
Total Local	5,114,115	4,214,262	899,853	21.4%
Intergovernmental:				
State	532,109	345,182	186,927	54.2%
Other Financing Sources	<u>5,256</u>	<u>66,701</u>	<u>(61,445)</u>	<u>(92.1%)</u>
Total	<u>\$5,651,480</u>	<u>\$4,626,145</u>	<u>\$1,025,335</u>	<u>22.2%</u>

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

2012 was the first year the Township collected a cable television franchise fee for the entire year. The cable television franchise fee was enacted in 2011 during which only the fourth quarter revenue was received. The cable television franchise fee is recorded under licenses and permits.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

Increase in Charges for Services from the prior year was primarily due to the Northampton Community College project building and inspection fees.

Intergovernmental revenue increased as a result of the Township receiving several grants net of a decrease of the foreign fire insurance revenue.

Summary of General Fund Expenses by Source and Prior Year Comparison

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>% Change</u>
General Government	\$615,728	\$792,065	(\$176,337)	(22.3)%
Public Safety	2,155,850	2,226,068	(70,218)	(3.2)%
Public Works - Highways and Streets	947,228	878,709	68,519	7.8%
Culture - Recreation	1,350	61,020	(59,670)	(97.8)%
Employer Paid Benefits and Withholding Items	816,462	891,608	(75,146)	(8.4)%
Debt Service	0	43,354	(43,354)	(100.0)%
Other	<u>96,025</u>	<u>93,593</u>	<u>2,432</u>	<u>2.6%</u>
Total Expenses	<u>\$4,632,643</u>	<u>\$4,986,417</u>	<u>\$(353,774)</u>	<u>(7.1)%</u>

The decrease in General Government can be attributed to a significant reduction in the Tax Collection category and the implementation of a formal purchase requisition procedure resulting in a reduction of expenditures in this category.

Public Safety expenses decreased compared to the prior year due to the elimination of two full time employees and the outsourcing of those positions, net of increased costs incurred in Protective Inspection due to the Northampton Community College project.

Public Works - Highways and Streets expenses increased from the prior year primarily due to the replacement of the Frantz Hill Road culvert and an increase in capital road paving projects, net of a decrease for snow and ice removal costs.

Employer Paid Benefits and Withholding Items decreased compared to the prior year primarily due to the elimination of two full time employee positions.

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

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

Summary of General Fund Revenues and Expenses as Compared to Budget

	<u>Budget</u>	<u>2012</u>	<u>Variance</u>	<u>% Variance</u>
Local:				
Taxes	\$4,106,174	\$4,126,515	\$20,341	0.5%
Licenses and permits	204,190	204,738	548	0.3%
Charges for services	607,997	610,822	2,825	0.5%
Fines and forfeits	67,000	66,864	(136)	(0.2%)
Interest, rents and royalties	17,050	16,962	(88)	(0.5%)
Other	<u>52,129</u>	<u>88,214</u>	<u>36,085</u>	<u>69.2%</u>
Total Local	5,054,540	5,114,115	59,575	1.2%
Intergovernmental	531,640	532,109	469	0.1%
Other Financing Sources	<u>354,803</u>	<u>5,256</u>	<u>(349,547)</u>	<u>(98.5%)</u>
Total Revenues	<u>5,940,983</u>	<u>5,651,480</u>	<u>(289,503)</u>	<u>(4.9%)</u>
Expenditures:				
General government	616,195	615,728	(467)	(0.1%)
Public safety	2,176,418	2,155,850	(20,568)	(0.9%)
Public works	1,295,235	941,940	(353,295)	(27.3%)
Recreation	1,400	1,350	(50)	(3.6%)
Employer paid benefits and withholding items	811,316	816,462	5,146	0.6%
Other	<u>77,700</u>	<u>101,313</u>	<u>23,613</u>	<u>30.4%</u>
Total Expenditures	<u>4,978,264</u>	<u>4,632,643</u>	<u>(345,621)</u>	<u>(6.9%)</u>
Change in Fund Balance	<u>\$962,719</u>	<u>\$1,018,837</u>	<u>\$56,118</u>	<u>5.8%</u>

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, 2012

---

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 2012, the fund received \$8,741,345 in grant revenues and \$10,879,008 of debt proceeds used to pay for the cost of construction of the sewer collection system. In turn the fund paid out \$18,024,455 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, 2012

---

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 2012 the Township has expended approximately \$52,000,000 on this project.

In addition, the Township replaced the Frantz Hill Road culvert and did various capital road paving projects.

Long-term Debt Activity

During 2012, the Township incurred additional debt of \$10,878,971, all of which was to pay for the sewer construction costs. Of \$26,392,148 of long-term debt outstanding at December 31, 2012, \$25,827,127 relates to the sewer project.

POCONO TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

Financial Outlook

During 2010 through 2012, 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 by mid 2013 and to be fully functioning in mid 2014. 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 and the Camelback indoor water park and hotel construction projects which brings expanded opportunities for employment for local residents. There are currently a number of potential large scale tourist attractions beginning the permitting process to locate in / near 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, 112 Township Drive, Tannersville, PA 18372.

POCONO TOWNSHIP  
Statement of Net Position - Cash Basis  
As at December 31, 2012

Exhibit A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$1,779,652	\$2,000,713	\$3,780,365
Restricted cash	5,357,036	0	5,357,036
Due from other funds	<u>11,852</u>	<u>0</u>	<u>11,852</u>
 Total Assets	 <u>7,148,540</u>	 <u>2,000,713</u>	 <u>9,149,253</u>
Liabilities:			
Payroll liabilities	<u>88</u>	<u>0</u>	<u>88</u>
Net Position:			
Restricted	5,357,036	0	5,357,036
Unrestricted	<u>1,791,416</u>	<u>2,000,713</u>	<u>3,792,129</u>
 Total Net Position	 <u>\$7,148,452</u>	 <u>\$2,000,713</u>	 <u>\$9,149,165</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, 2012

Exhibit B

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
Licenses and permits	\$69,504	\$44,500	\$12,965	\$0	(\$606,756)	\$0	(\$606,756)
General Government	31,523	24,885	240,115	34,200	(2,083,052)	0	(2,083,052)
Public works	(19,546,586)	0	342,819	8,984,751	(10,219,016)	0	(10,219,016)
Recreation	(141,119)	0	14,725	0	(126,394)	0	(126,394)
Principal and interest	(1,128,062)	0	0	0	(1,128,062)	0	(1,128,062)
Other	(73,718)	0	0	0	(73,718)	0	(73,718)
Parks	2,001	2,000					
Total Governmental Activities	(20,786,457)	71,385	610,624	9,018,951	(14,236,998)	0	(14,236,998)
Business Type Activities							
Sewer Operations	0	2,000,001	0	0	0	2,000,001	2,000,001
Total Government	<u>(\$20,786,457)</u>	<u>\$2,071,386</u>	<u>\$610,624</u>	<u>\$9,018,951</u>	<u>(14,236,998)</u>	<u>2,000,001</u>	<u>(12,236,997)</u>
General Revenues:							
Taxes					4,876,111	0	4,876,111
Interest, Rents and Royalties					13,413	712	14,125
Proceeds of General Fixed Asset Disposition					10,879,008	0	10,879,008
Other					74,370	0	74,370
Total General Revenues					<u>15,842,902</u>	<u>712</u>	<u>15,843,614</u>
Change in Net Position					1,605,904	2,000,713	3,606,617
Net Position at Beginning of Year					<u>5,542,548</u>	<u>0</u>	<u>5,542,548</u>
Net Position at End of Year					<u>\$7,148,452</u>	<u>\$2,000,713</u>	<u>\$9,149,165</u>

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, 2012

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	\$1,779,652	\$0	\$250,721	\$2,030,373
Restricted cash	0	5,106,315	0	5,106,315
Due from other funds	<u>11,852</u>	<u>0</u>	<u>0</u>	<u>11,852</u>
 Total Assets	 <u>\$1,791,504</u>	 <u>\$5,106,315</u>	 <u>\$250,721</u>	 <u>\$7,148,540</u>
Liabilities:				
Payroll tax liabilities	<u>\$88</u>	<u>\$0</u>	<u>\$0</u>	<u>\$88</u>
Fund Balances:				
Restricted	0	5,106,315	250,721	5,357,036
Unassigned	<u>1,791,416</u>	<u>0</u>	<u>0</u>	<u>1,791,416</u>
 Total Fund Balances	 <u>1,791,416</u>	 <u>5,106,315</u>	 <u>250,721</u>	 <u>7,148,452</u>
 Total Liabilities and Fund Balances	 <u>\$1,791,504</u>	 <u>\$5,106,315</u>	 <u>\$250,721</u>	 <u>\$7,148,540</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, 2012

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	\$4,126,515	\$0	\$741,903	\$4,868,418
Licenses and permits	204,738	0	0	204,738
Fines and forfeits	66,864	0	0	66,864
Interest earnings	2,962	10,347	104	13,413
Intergovernmental revenue	532,109	8,741,345	317,964	9,591,418
Rents and royalties	14,000	0	0	14,000
Charges for services	610,822	0	0	610,822
Contributions and donations from private sector	34,200	0	11,649	45,849
Other	<u>54,014</u>	<u>0</u>	<u>0</u>	<u>54,014</u>
<b>Total Revenues</b>	<u><b>5,646,224</b></u>	<u><b>8,751,692</b></u>	<u><b>1,071,620</b></u>	<u><b>15,469,536</b></u>
Expenditures:				
General government	615,728	186,898	46	802,672
Public safety	2,155,850	0	305,670	2,461,520
Public works	947,228	18,024,455	365,111	19,336,794
Culture and recreation	1,350	0	128,418	129,768
Employee benefits and taxes	816,462	0	0	816,462
Insurance	66,280	0	0	66,280
Debt service	0	898,902	229,160	1,128,062
Other	<u>6,160</u>	<u>0</u>	<u>0</u>	<u>6,160</u>
<b>Total Expenses</b>	<u><b>\$4,609,058</b></u>	<u><b>\$19,110,255</b></u>	<u><b>\$1,028,405</b></u>	<u><b>\$24,747,718</b></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, 2012

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>\$1,037,166</u>	<u>(\$10,358,563)</u>	<u>\$43,215</u>	<u>(\$9,278,182)</u>
Other Financing Sources (Uses):				
Refunds of prior year expenditures	5,256	1,100	0	6,356
Operating transfers in	0	22,307	0	22,307
Proceeds of debt	0	10,879,008	0	10,879,008
Refund of Prior Year Revenues	(1,278)	0	0	(1,278)
Operating transfers out	<u>(22,307)</u>	<u>0</u>	<u>0</u>	<u>(22,307)</u>
Total Other Financing Sources (Uses)	<u>(18,329)</u>	<u>10,902,415</u>	<u>0</u>	<u>10,884,086</u>
Net Changes in Fund Balances	1,018,837	543,852	43,215	1,605,904
Total Fund Balances at Beginning of Year	<u>772,579</u>	<u>4,562,463</u>	<u>207,506</u>	<u>5,542,548</u>
Total Fund Balances at End of Year	<u>\$1,791,416</u>	<u>\$5,106,315</u>	<u>\$250,721</u>	<u>\$7,148,452</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 Position – Cash Basis  
Proprietary Fund  
As at December 31, 2012

Exhibit E

---

	Sewer Operating Fund
Assets:	
Cash and cash equivalents	<u>\$2,000,713</u>
Net Position:	
Unrestricted	<u>\$2,000,713</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 Position – Cash Basis  
Proprietary Fund  
For the Year Ended December 31, 2012

Exhibit F

---

	Sewer Operating <u>Fund</u>
Operating Revenues:	
Charges for services	\$2,000,001
Operating Expenses	<u>          0</u>
Operating Income	2,000,001
Non-Operating Revenues:	
Interest earnings	<u>          712</u>
Change in Net Position	2,000,713
Net Position at Beginning of Year	<u>          0</u>
Net Position at End of Year	<u><u>\$2,000,713</u></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 Position  
Fiduciary Funds  
As at December 31, 2012

Exhibit G

	<u>Trust Funds</u>	<u>Revolving Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$15,964	\$381,187	\$397,151
Investments	<u>3,972,358</u>	<u>0</u>	<u>3,972,358</u>
Total Assets	<u>\$3,988,322</u>	<u>\$381,187</u>	<u>\$4,369,509</u>
Liabilities:			
Amounts held on behalf of others	\$0	\$379,933	379,933
Due to other funds	<u>0</u>	<u>11,852</u>	<u>11,852</u>
Total Liabilities	<u>0</u>	<u>391,785</u>	<u>391,785</u>
Net Position:			
Net position held in trust for pension benefits	3,988,322	\$0	3,988,322
Unreserved	<u>0</u>	<u>(10,598)</u>	<u>(10,598)</u>
Total Net Position	<u>3,988,322</u>	<u>(10,598)</u>	<u>3,977,724</u>
Total Liabilities and Net Position	<u>\$3,988,322</u>	<u>\$381,187</u>	<u>\$4,369,509</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 Position  
Fiduciary Funds  
For the Year Ended December 31, 2012

Exhibit H

---

	<u>Trust Funds</u>
Additions:	
Investment income (loss)	\$326,899
State contributions	184,961
Employee contributions	66,617
Employer contributions	<u>0</u>
Total Additions	<u>578,477</u>
Deductions:	
Pension benefits	154,084
Administrative expenses	<u>29,414</u>
Total Deductions	<u>183,498</u>
Changes in Net Position	394,979
Net Position at Beginning of Year	<u>3,593,343</u>
Net Position at End of Year	<u><u>\$3,988,322</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, 2012

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.

Government - Wide Financial Statements

The Statement of Net Position 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.

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

Basis of Presentation

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 three categories: governmental, proprietary and fiduciary. 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.

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.

---

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

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.

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.

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

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.

Proprietary Funds

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Sewer Fund - Accounts for specific revenues and expenditures relating to operating and maintaining sewer service along Route 611 in Pocono Township and for the Township's share of the regional sewer project operating expenses.

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.

---

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

Fiduciary Funds (Continued):

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.

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 Position 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 Position 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 position/fund balance, 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.

---

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

Basis of Accounting (Continued)

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.

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

Net position is classified and displayed in two components:

- a) Restricted-Consists of restricted assets with constraints placed on their 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.

---

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

Government-Wide Statements (Continued)

- b) Unrestricted-Net amount of assets that do not meet the definition of "restricted", net of related debt.

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

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.

---

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

Fund Equity (Continued)

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 non-spendable 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.

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

It is the Township's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for which both restricted and unrestricted fund balances are available. Furthermore, it is the Township's policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications are available to be used.

Proprietary Funds

The difference between assets and liabilities of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

---

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

Revenues, Expenditures, and Expenses

Program Revenues

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

General Government - Licenses, permits, fines, and forfeits

Public Safety - Inspection fees and reimbursements for police services

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

Internal and Interfund Balances and Activities

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

Fund Financial Statements

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund loans - Amounts provided with are reported as interfund receivables and payables.

Interfund reimbursements - Repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures or expenses in the respective funds.

Interfund transfers - Flows of assets from one fund to another when repayment is not expected are reported as transfers in and out.

---

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

Government-Wide Financial Statements

Interfund activity resulting from cash transactions or events, 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 Statement of Activities except for the net amount of transfers between governmental and business-type activities which are reported as Transfers - Internal 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 Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

Note 2: Cash and Cash Equivalents:

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

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

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

---

Note 2: Cash and Cash Equivalents: (Continued)

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 2012.

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	\$8,759,033
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u>\$8,759,033</u>

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

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	\$8,759,033
Add: Amount Insured Under FDIC	968,675
Plus: Deposits in Transit	134
Less: Outstanding Checks	<u>(193,290)</u>
Carrying Amount	9,534,552
Add: Pooled Deposits - Cash Equivalents	0
Add: Petty Cash	<u>0</u>
Total Cash and Cash Equivalents	<u>\$9,534,552</u>

Note 3: Interfund Transfers:

Transfers between funds of the Township for the year ended December 31, 2012 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Reserve:		
Sewer Design and Construction	<u>\$0</u>	<u>\$22,307</u>
Sewer Design and Construction:		
Capital Reserve	<u>\$22,307</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.

Note 4: 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 \$75,500,000. 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.

During 2012, costs paid by the Township were primarily for the construction of the sewer collection system, the forced main to Stroudsburg, and capital contributions to the Joint Municipal Waste Water Treatment Plant. During 2012, construction of the regional wastewater treatment plant was ongoing and is expected to be completed by June of 2013. The plant is expected cost approximately \$42,000,000. Pocono Township's share of this cost is expected to be approximately \$26,000,000.

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.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

Note 5: Long - Term Debt:

Transactions relating to long-term debt were as follows:

	January 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2012</u>	Amount Due Within <u>1 Year</u>
Sewer Project:					
Guaranteed Sewer Revenue Bonds, Series A of 2010	\$5,874,702	\$1,440,400	\$0	\$7,315,102	\$5,000
Guaranteed Sewer Revenue Bonds, Series B of 2010	65,936	947,817	0	1,013,753	103,000
General Obligation Note, Series B of 2009	1,500,000	0	0	1,500,000	1,500,000
General Obligation Bond, Series 2010 #1	2,992,422	0	0	2,992,422	2,992,422
Guaranteed Sewer Revenue Note, Series 2010	4,500,000	0	0	4,500,000	188,000
General Obligation Note, Series 2010	50,961	922,176	(86,136)	887,000	0
Guaranteed Sewer Revenue Note, Series of 2011	50,271	1,659	0	51,930	0
PennVest Loan	0	7,566,920	0	7,566,920	0
Other:					
PNC Bank Note Payable	7,297	0	(7,297)	0	0
PNC Bank Note Payable	384,532	0	(85,006)	299,526	88,420
PNC Bank Note Payable	92,559	0	(26,570)	65,989	27,583
PNC Equipment Financing - Capital Lease Obligation	<u>11,678</u>	<u>0</u>	<u>(11,678)</u>	<u>0</u>	<u>0</u>
Subtotal	<u>\$15,530,358</u>	<u>\$10,878,971</u>	<u>(\$216,687)</u>	<u>\$26,192,642</u>	<u>\$4,904,425</u>

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

Note 5: Long - Term Debt: (Continued)

	January1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2012</u>	Amount Due Within <u>1 Year</u>
Subtotal	\$15,530,358	\$10,878,971	(\$216,688)	\$26,192,641	\$4,904,425
PNC Equipment Financing - Capital Lease Obligation	110,696	0	(35,711)	74,985	36,886
Bank Capital Services - Capital Lease Obligation	49,568	0	(15,544)	34,024	16,503
FNB Commercial Leasing	41,406	0	(10,277)	31,129	10,679
PNC Equipment Financing - Capital Lease Obligation	15,350	0	(1,579)	13,771	3,250
PNC Equipment Financing - Capital Lease Obligation	<u>56,101</u>	<u>0</u>	<u>(10,504)</u>	<u>45,597</u>	<u>10,850</u>
Total	<u>\$15,803,479</u>	<u>\$10,878,971</u>	<u>(\$290,302)</u>	<u>\$26,392,148</u>	<u>\$4,982,593</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, 2012, \$7,315,102 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, 2012, \$1,013,753 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, 2012 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, 2012, \$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, 2012 is \$4,500,000

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

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. The outstanding balance as of December 31, 2012 is \$ 887,000.

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, 2012 is \$51,930.

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, 2012 is \$7,566,920.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

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 was made during May 2012.

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, 2012 was \$299,526.

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, 2012 was \$65,989.

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 was made in May 2012.

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, 2012 was \$74,985.

---

Note 5: Long - Term Debt: (Continued)

Bank Capital Services - Capital Lease Obligation

On June 9, 2009, the Township entered into a capital lease agreement for a John Deere Tractor and Tiger Mower, with a value of \$78,000. The lease is payable in annual installments of \$18,602, including interest at 6.0%. The final payment is due on June 9, 2014. The outstanding balance at December 31, 2012 was \$34,024.

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, 2012 was \$31,129.

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, 2012 was \$13,771.

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, 2012 was \$45,597.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

Note 5: Long - Term Debt: (Continued)

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$4,982,593	\$920,500	\$5,903,093
2014	953,298	799,172	1,752,470
2015	970,109	720,927	1,691,036
2016	906,258	694,564	1,600,822
2017	871,367	692,275	1,563,642
2018 - 2022	4,391,056	3,138,011	7,529,067
2023 - 2027	4,564,792	2,401,712	6,966,504
2028 - 2032	5,316,056	1,468,017	6,784,073
2033 - 2035	<u>3,436,618</u>	<u>341,159</u>	<u>3,777,777</u>
 Total	 <u>\$26,392,147</u>	 <u>\$11,176,337</u>	 <u>\$37,568,484</u>

Interest paid on long-term debt during 2012 was \$837,760.

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.

---

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, 2012, the pension plan's membership consisted of:

Active Employees	13
Retired and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u>14</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, 2012, there were sixteen 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 \$510,817.

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, 2012. The Township funded the minimum municipal obligation due.

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

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

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

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

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

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

Act 205

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

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

---

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, 2013 Valuation Report is due on or before March 31, 2013.

Financial Requirement and Minimum Municipal Obligation:

Total Annual Payroll	\$510,917
Total Normal Cost Percentage	<u>8%</u>
Normal Cost	40,895
Total Administrative Expense	0
Total Financial Requirements	40,895
Total Members' Contributions	<u>0</u>
Minimum Municipal Obligation	<u>\$40,895</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 position.

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, 2012

---

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, 2012, and throughout the year then ended, the investments held were not exposed to foreign currency risk.

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

At December 31, 2012, 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 position available for benefits ( $\$418,875 \times .05 = \$20,944$ ):

MetLife Moderate Allocation (17.7%)	\$74,164
MetLife Moderate to Aggressive Allocation (49.1%)	\$205,760
Fixed Interest Account (10.4%)	\$43,716
MetLife Conservative to Moderate Allocation (6.7%)	\$27,946
MetLife Aggressive Strategy Portfolio (10.4%)	\$58,062

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 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, 2012

---

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, 2012 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. As of December 31, 2012 there were ten (10) officers vested in the Plan.

The payroll for Township employees covered by the Police Pension Plan for the year ended December 31, 2012 was \$1,308,005.

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.

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.

---

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

Survivor's Benefits

Post-Retirement

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.

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.

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.

---

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

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.

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 2012.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

---

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

Investments

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

At December 31, 2012, 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 position available for benefits ( $\$3,569,447 \times .05 = \$178,472$ ):

<u>Investments</u>	<u>Fair Market Value</u>
EB Mellon Total Return Fund	\$710,249
PE US Large Capital Core Equity Fund	\$268,918
EB DV Active Bond Fund	\$707,551
EB DV ENH Large Capital Core Fund	\$538,728
EB DV NSL Aggregate Bond Index Fund	\$1,061,716
EB US Large Capitalization Core Fund	\$269,729

At December 31, 2012, the plan held \$12,555 in the Mellon Bank, N.A. EB Temporary Investment Fund. The duration and average credit quality of the Fund are not available.

Credit Risk

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

Custodial Credit Risk

As of December 31, 2012 and throughout the year, mutual fund investments held by the Plan were not exposed to custodial credit risk.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

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

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	6.7	AA	Not Rated
EB DV Aggregate Bond Index Fund	7.00	AA	Not Rated
EB Mellon Total Return Fund	5.8	AA	Not Rated

Foreign Currency Risk

As of December 31, 2012, 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.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

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

---

Note 8: Risk Management: (Continued)

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 9: 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, 2012, the balance remaining on these contracts was approximately \$1,700,000.

As at December 31, 2012, a dump truck had been received but not paid for costing approximately \$159,000. Subsequent to year end, the Township obtained financing for the truck.

Contingencies

Grant Program Involvement

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

Litigation 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 \$1,100,000.00 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 9: 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 was 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.

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 10: Property Taxes

The current year adjusted regular real estate taxes billed were \$3,229,066, 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 \$2,972,040, which represents the face amount less discounts plus penalties. Current regular tax collections for the year ended December 31, 2012 were approximately ninety two percent (92%) of the tax levy.

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

Note 10: Property Taxes: (Continued)

*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 remains with Pocono Township.

For the year ended December 31, 2012, the following was remitted by Pocono Township to the "TIF" program:

2012 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>

POCONO TOWNSHIP  
Notes to Basic Financial Statements  
As at December 31, 2012

Note 11: Subsequent Events:

Management has evaluated subsequent events through November 8, 2013, the date the financial statements were available to be issued.

## SINGLE AUDIT ACT

**JULIAN KIRK, C.P.A., LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
907 MAIN STREET, STE 201  
STROUDSBURG, PA 18360

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

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pocono Township, Pennsylvania, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Pocono Township, Pennsylvania's basic financial statements, and have issued my report thereon dated November 8, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Pocono Township, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of Pocono Township, Pennsylvania's internal control.

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. 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Stroudsburg, Pennsylvania  
November 8, 2013

**JULIAN KIRK, C.P.A., LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
907 MAIN STREET, STE 201  
STROUDSBURG, PA 18360

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Supervisors of Pocono Township  
Tannersville, Pennsylvania

**Report on Compliance for Each Major Federal Program**

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, 2012. Pocono Township, Pennsylvania's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Pocono Township, Pennsylvania's major federal programs based on my audit of the types of compliance requirements referred to above. 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, Pennsylvania's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Pocono Township, Pennsylvania's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Pocono Township, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### Report on Internal Control Over Compliance

Management of Pocono Township, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Pocono Township, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, Pennsylvania's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Stroudsburg, Pennsylvania  
November 8, 2013

Pocono Township  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

Schedule 1

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U. S. Department of Health and Human Services, Health Resources and Services Administration</b>			
Health Care and Other Facilities	93.887	N/A	\$391,775*
<b>U. S. Environmental Protection Agency</b>			
Congressionally Mandated Projects	66.202	N/A	66,385
Passed through the Commonwealth of Pennsylvania, Infrastructure Investment Authority			
PennVest Loan	66.458	71374	<u>7,566,920</u>
		Total	<u>\$8,025,080</u>

\*Immaterial amounts of prior year costs claimed and reimbursed during 2012 are included in grant expenditures.

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, 2012

---

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, 2012. 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 position, 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, 2012

---

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

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

Internal control over financial reporting:

Material weakness(s) identified - No

Significant Deficiencies identified that are not considered to be material weaknesses - No

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

Page Two

**Section II - Financial Statement Findings**

None

**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, 2012

---

There were no prior year findings.

POCONO TOWNSHIP

Supplementary Information

As at December 31, 2012

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2012

Schedule 2  
Page 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:				
Real estate taxes	\$2,302,237	\$2,466,174	\$2,466,448	\$274
Real estate transfer taxes	103,496	143,000	143,119	119
Earned income taxes	1,100,000	1,212,000	1,230,237	18,237
Emergency and municipal services tax	<u>300,000</u>	<u>285,000</u>	<u>286,711</u>	<u>1,711</u>
Total Taxes	<u>3,805,733</u>	<u>4,106,174</u>	<u>4,126,515</u>	<u>20,341</u>
Licenses and Permits	<u>160,800</u>	<u>204,190</u>	<u>204,738</u>	<u>548</u>
Fines and Forfeits	<u>70,500</u>	<u>67,000</u>	<u>66,864</u>	<u>(136)</u>
Interest, Rents and Royalties:				
Interest earnings	2,390	3,050	2,962	(88)
Rents and royalties	<u>14,670</u>	<u>14,000</u>	<u>14,000</u>	<u>0</u>
Total Interest, Rents, and Royalties	<u>17,060</u>	<u>17,050</u>	<u>16,962</u>	<u>(88)</u>
Charges for Services:				
Public safety	<u>138,074</u>	<u>607,997</u>	<u>610,822</u>	<u>2,825</u>
Intergovernmental Revenue:				
State capital and operating grants	0	243,000	243,406	406
Public utility reality tax	5,093	6,100	6,183	83
Alcoholic beverage licenses	6,240	5,240	5,250	10
General municipal pension system state aid	160,000	186,000	185,958	(42)
State payments in lieu of taxes	400	1,500	1,510	10
All other state shared revenues and entitlements	<u>94,860</u>	<u>89,800</u>	<u>89,802</u>	<u>2</u>
Total Intergovernmental Revenue	<u>266,593</u>	<u>531,640</u>	<u>532,109</u>	<u>469</u>
Other Financing Sources:				
Interfund operating transfers	0	1,563	0	(1,563)
Proceeds of debt	0	0	0	0
Refunds of prior year expenditures	28,995	5,240	5,256	16
Fund balance to be used	<u>449,129</u>	<u>348,000</u>	<u>0</u>	<u>(348,000)</u>
Total Other Financing Sources	<u>478,124</u>	<u>354,803</u>	<u>5,256</u>	<u>(349,547)</u>
Unclassified Operating Revenues	<u>2,500</u>	<u>52,129</u>	<u>88,214</u>	<u>36,085</u>
Total Revenues	<u>\$4,939,384</u>	<u>\$5,940,983</u>	<u>\$5,651,480</u>	<u>(\$289,503)</u>

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2012

Schedule 2  
Page 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government:				
Financial administration	\$73,151	\$120,559	\$119,310	(\$1,249)
Tax collection	188,812	60,651	65,353	4,702
Solicitor	35,000	76,000	76,734	734
Secretary/clerk	81,648	95,809	91,797	(4,012)
Other general government administration	79,658	50,795	49,762	(1,033)
Engineering	20,000	69,566	69,859	293
Buildings and plant	95,634	71,565	71,835	270
Information Technology	18,000	6,250	6,256	6
Executive	26,000	65,000	64,800	(200)
Legislative/governing body	<u>0</u>	<u>0</u>	<u>22</u>	<u>22</u>
Total General Government	<u>617,903</u>	<u>616,195</u>	<u>615,728</u>	<u>(467)</u>
Public Safety:				
Police	1,781,017	1,750,098	1,730,463	(19,635)
Fire	95,500	90,000	89,802	(198)
Ambulance/rescue	0	0	0	0
Protective inspection	239,110	315,485	314,683	(802)
Planning and zoning	23,400	20,835	20,902	67
Emergency management	<u>700</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Safety	<u>2,139,727</u>	<u>2,176,418</u>	<u>2,155,850</u>	<u>(20,568)</u>
Public Works - Highways and Streets:				
General services	677,545	584,035	581,339	(2,696)
Snow and ice removal	98,000	46,600	47,078	478
Traffic signals and street signs	365,800	376,600	25,940	(350,660)
Road and bridge maintenance	45,000	212,000	211,320	(680)
Construction and rebuilding projects	0	65,000	65,000	0
Storm sewers and drains	<u>23,000</u>	<u>11,000</u>	<u>11,263</u>	<u>263</u>
Total Public Works - Highways and Streets	<u>1,209,345</u>	<u>1,295,235</u>	<u>941,940</u>	<u>(353,295)</u>
Public Works - Sanitation:				
Solid waste collection and treatment	<u>2,000</u>	<u>5,200</u>	<u>5,288</u>	<u>88</u>
Culture and Recreation	<u>\$6,000</u>	<u>\$1,400</u>	<u>\$1,350</u>	<u>(\$50)</u>

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
General Fund  
For the Year Ended December 31, 2012

Schedule 2  
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	\$616,320	\$531,250	\$531,581	\$331
Pension/retirement fund contributions	192,416	184,066	189,182	5,116
Workers compensation insurance	80,173	89,000	88,679	(321)
Employer paid withholding taxes	<u>14,000</u>	<u>7,000</u>	<u>7,020</u>	<u>20</u>
 Total Employer Paid Benefits and Withholding Items	 902,909	 811,316	 816,462	 5,146
 Insurance	 61,500	 66,250	 66,280	 30
 All Other Unclassified Expenditures	 <u>0</u>	 <u>4,950</u>	 <u>6,160</u>	 <u>1,210</u>
 Other Financing Uses:				
All other financing uses	0	1,300	1,278	(22)
Interfund Operating Transfers	<u>0</u>	<u>0</u>	<u>22,307</u>	<u>22,307</u>
 Total Other Financing Uses	 <u>0</u>	 <u>1,300</u>	 <u>23,585</u>	 <u>22,285</u>
 Total Expenditures	 <u>4,939,384</u>	 <u>4,978,264</u>	 <u>4,632,643</u>	 <u>(345,621)</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u><u>\$0</u></u>	 <u><u>\$962,719</u></u>	 <u><u>\$1,018,837</u></u>	 <u><u>\$56,118</u></u>

POCONO TOWNSHIP  
Schedule of Budget to Actual - Cash Basis  
Sewer Design and Construction Fund  
For the Year Ended December 31, 2012

Schedule 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Interest, Rents and Royalties:				
Interest earnings	<u>\$500</u>	<u>\$500</u>	<u>\$10,347</u>	<u>\$9,847</u>
Intergovernmental Revenue:				
All other state shared revenues and entitlements	3,200,000	3,200,000	0	(3,200,000)
All other federal capital and operating grants	19,240,600	19,240,600	567,750	(18,672,850)
State capital and operating grants	<u>16,700,000</u>	<u>16,700,000</u>	<u>8,173,595</u>	<u>(8,526,405)</u>
Total Intergovernmental Revenue	<u>39,140,600</u>	<u>39,140,600</u>	<u>8,741,345</u>	<u>(30,399,255)</u>
Other Financing Sources:				
Interfund operating transfers	0	0	22,307	22,307
Proceeds of debt	30,962,000	30,962,000	10,877,349	(20,084,651)
Proceeds of short-term debt	4,787,000	4,787,000	1,659	(4,785,341)
Fund balance to be used	72,991	72,991	0	(72,991)
Refunds of prior year expenditures	<u>0</u>	<u>0</u>	<u>1,100</u>	<u>1,100</u>
Total Other Financing Sources	<u>35,821,991</u>	<u>35,821,991</u>	<u>10,902,415</u>	<u>(24,919,576)</u>
Total Revenues	<u>74,963,091</u>	<u>74,963,091</u>	<u>19,654,107</u>	<u>(55,308,984)</u>
General Government:				
Solicitor	0	0	261	261
Other general government administration	0	0	23,035	23,035
Engineering	<u>0</u>	<u>0</u>	<u>163,602</u>	<u>163,602</u>
Total General Government	<u>0</u>	<u>0</u>	<u>186,898</u>	<u>186,898</u>
Public Works - Sanitation:				
Wastewater/Sewage collection and treatment	<u>72,078,318</u>	<u>72,078,318</u>	<u>18,024,455</u>	<u>(54,053,863)</u>
Debt Service:				
Principal	37,000	37,000	86,137	49,137
Interest	<u>2,847,773</u>	<u>2,847,773</u>	<u>812,765</u>	<u>(2,035,008)</u>
Total Debt Service	<u>2,884,773</u>	<u>2,884,773</u>	<u>898,902</u>	<u>(1,985,871)</u>
Total Expenditures	<u>74,963,091</u>	<u>74,963,091</u>	<u>19,110,255</u>	<u>(55,852,836)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$543,852</u>	<u>\$543,852</u>

POCONO TOWNSHIP  
Supplementary Information  
Police Pension Plan  
As at December 31, 2012

Schedule 4

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%
2012	\$144,006	\$0	\$144,066	100%

POCONO TOWNSHIP  
 Supplementary Information  
 Non-Uniformed Employees' Pension Plan  
 As at December 31, 2012

Schedule 5

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%
2012	\$40,895	\$0	\$40,895	100%

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

POCONO TOWNSHIP  
Combining Statements of Assets, Liabilities and Fund Balances - Cash Basis  
Non Major Governmental Funds  
As at December 31, 2012

Exhibit I

---

	<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>\$2</u>	<u>\$1</u>	<u>\$99,548</u>	<u>\$35,070</u>	<u>\$1,703</u>	<u>\$114,397</u>	<u>\$250,721</u>
Total Assets	<u>\$2</u>	<u>\$1</u>	<u>\$99,548</u>	<u>\$35,070</u>	<u>\$1,703</u>	<u>\$114,397</u>	<u>\$250,721</u>
Fund Balance:							
Restricted	<u>\$2</u>	<u>\$1</u>	<u>\$99,548</u>	<u>\$35,070</u>	<u>\$1,703</u>	<u>\$114,397</u>	<u>\$250,721</u>
Total Fund Balance	<u>\$2</u>	<u>\$1</u>	<u>\$99,548</u>	<u>\$35,070</u>	<u>\$1,703</u>	<u>\$114,397</u>	<u>\$250,721</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, 2012

Exhibit J  
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	\$210,700	\$83,094	\$127,606	\$83,095	\$0	\$237,408	\$741,903
Interest earnings	3	1	47	6	0	47	104
Intergovernmental revenue	0	0	0	0	317,964	0	317,964
Contributions and donations from private sector	<u>0</u>	<u>0</u>	<u>11,649</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,649</u>
Total Revenues	<u>210,703</u>	<u>83,095</u>	<u>139,302</u>	<u>83,101</u>	<u>317,964</u>	<u>237,455</u>	<u>1,071,620</u>
Expenses:							
General government	0	0	0	0	0	46	46
Public safety	215,598	90,072	0	0	0	0	305,670
Public works	0	0	0	33,334	331,777	0	365,111
Culture and recreation	0	0	128,418	0	0	0	128,418
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,113</u>	<u>0</u>	<u>134,047</u>	<u>229,160</u>
Total Expenses	<u>\$215,598</u>	<u>\$90,072</u>	<u>\$128,418</u>	<u>\$128,447</u>	<u>\$331,777</u>	<u>\$134,093</u>	<u>\$1,028,405</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, 2012

Exhibit J  
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>(\$4,895)</u>	<u>(\$6,977)</u>	<u>\$10,884</u>	<u>(\$45,346)</u>	<u>(\$13,813)</u>	<u>\$103,362</u>	<u>\$43,215</u>
Other Financing Sources (Uses):							
Proceeds of debt	0	0	0	0	0	0	0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(4,895)	(6,977)	10,884	(45,346)	(13,813)	103,362	43,215
Fund Balance at Beginning 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>
Fund Balance at End of Year	<u><u>\$2</u></u>	<u><u>\$1</u></u>	<u><u>\$99,548</u></u>	<u><u>\$35,070</u></u>	<u><u>\$1,703</u></u>	<u><u>\$114,397</u></u>	<u><u>\$250,721</u></u>

POCONO TOWNSHIP  
Combining Statements of Net Position  
Fiduciary Funds  
As at December 31, 2012

Exhibit K

---

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$12,555	\$3,409	\$15,964
Investments	<u>3,556,892</u>	<u>415,466</u>	<u>3,972,358</u>
Total Assets	<u>\$3,569,447</u>	<u>\$418,875</u>	<u>\$3,988,322</u>
Net Position:			
Net position held in trust for pension benefits	<u>\$3,569,447</u>	<u>\$418,875</u>	<u>\$3,988,322</u>
Total Liabilities and Net Position	<u>\$3,569,447</u>	<u>\$418,875</u>	<u>\$3,988,322</u>

POCONO TOWNSHIP  
Combining Statements of Changes in Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2012

Exhibit L

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Additions:			
Investment income (loss)	\$280,893	\$46,006	\$326,899
State contributions	144,066	40,895	184,961
Employee contributions	<u>66,617</u>	<u>0</u>	<u>66,617</u>
Total Additions	<u>491,576</u>	<u>86,901</u>	<u>578,477</u>
Deductions:			
Pension benefits	75,683	78,401	154,084
Administrative expenses	<u>29,414</u>	<u>0</u>	<u>29,414</u>
Total Deductions	<u>105,097</u>	<u>78,401</u>	<u>183,498</u>
Changes in Net Position	386,479	8,500	394,979
Net Position at Beginning of Year	<u>3,182,968</u>	<u>410,375</u>	<u>3,593,343</u>
Net Position at End of Year	<u>\$3,569,447</u>	<u>\$418,875</u>	<u>\$3,988,322</u>