

POCONO TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2014

**Pocono Township
Financial Statements
For the year ended December 31, 2014**

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Pocono Township
Financial Statements
For the year ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Pocono Township
Tannersville, Pennsylvania

I have audited the accompanying modified accrual-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, 2014, 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 modified accrual basis of accounting described in Note 1. This includes determining that the modified accrual 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 the 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 modified cost basis of accounting requires that the fiduciary funds be stated at modified 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 modified 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, 2014, and the respective changes in modified accrual-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 and schedule of contributions, the non-uniformed employees' pension plan schedule of contributions, and the combining non major and fiduciary funds' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information presented on pages 47 and 48, the police pension fund's schedule of funding progress and schedule of contributions on pages 49 and 50, the non-uniformed employees' pension plan schedule of contributions on page 51, and the combining and individual non major and fiduciary funds' financial statements on pages 54-57 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 June 22, 2015, 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 *Governmental 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 modified accrual 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
June 22, 2015

**Pocono Township
Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2014**

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, 2014. 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 themselves to enhance their understanding of the Township's financial performance. Pocono Township is a First Class Township of Monroe County, Pennsylvania.

Financial Highlights for 2014

Total net position was \$10,722,985 at December 31, 2014.

General revenues of \$21,559,844 accounted for 84% of all revenues for the year ended December 31, 2014. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,058,402 or 16% of total revenues for the year ended December 31, 2014.

The Township has \$24,995,348 in expenses for the year ended December 31, 2014. Of this total, \$4,058,402 was offset by program specific charges for services, grants or contributions.

Cash and investments of \$10,113,083 equaled 93% of the total assets of \$10,890,228.

Federal and state intergovernmental revenues include allocations from the Commonwealth of Pennsylvania for pension funding of \$193,634 and liquid fuels revenues of \$337,527.

Using the Modified Accrual 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 and entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position - Modified Accrual Basis, and Statement of Activities - Modified Accrual Basis, and the fund financial statements provide financial information in order for the reader to 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 reported as major funds.

**Pocono Township
Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2014**

Reporting for the Township as a Whole

Statement of Net Position - Modified Accrual Basis, and the Statement of Activities - Modified Accrual Basis

The Township uses a number of funds to manage various aspects of its finance. These Statement of Net Position - Modified Accrual Basis and the Statement of Activities - Modified Accrual Basis 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 of which are financial, and some not financial. 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.

In the Statement of Net Position - Modified Accrual Basis, and the Statement of Net Activities - Modified Accrual Basis, the Township reports the financial information relating to governmental and business-type activities. Governmental activities include the Township's operations including general government, public works, public safety, and recreation. Business-type activities include the user fees and expenses for the Township's portion of the sewer system.

Prior year comparative data was not included with this year's Management's Discussion and Analysis because the prior year's financial statements were issued using the cash basis of accounting. Comparative data will be included in future years' financial statements.

Defining the Classifications of Expenditures:

General governmental activities - include the activities of the Board of Commissioners, financial administration, legal counsel, insurance, and physical plant.

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

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

Cultural and recreation activities - include parks operations and maintenance.

Other activities - include employer payroll taxes, employee benefits and 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.

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.

**Pocono Township
Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2014**

Governmental Activities

The Township depends heavily upon real estate and earned income tax revenues to fund its operations. For all activities, tax revenues accounting for 25% of all governmental revenues for 2014. The community, as a whole, is the primary support for the Township. These taxes are collected from the Township residents. The tax on real estate, as levied by the Commissioners, was 17.35 mills (\$17.35 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 \$183,646,560 for 2014.

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, the 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 which is available for spending in future periods. The governmental funds' statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources than can be spent in the near future to finance programs.

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's fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of the Commonwealth of Pennsylvania.

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

**Pocono Township
Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2014**

Capital Projects Fund

The Township's Capital Projects Fund accounts 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 one capital projects fund. The Sewer Design and Construction Fund accounts for funds being used to finance the current major sewer project. The fund balance at year-end is restricted for this use only. Although the project was substantially completed in 2013, there are still some ongoing maintenance costs and debt service payments that are accounted for in this fund.

Special Revenue Funds

The Township's special revenue funds account for specified revenue sources legally restricted for expenditures for specified purposes. The Township has three special revenue funds, which include Emergency Management Services, Park, and Liquid Fuels, all of which are nonmajor funds.

Debt Service Fund

The Township's Debt Service Fund accounts for specified revenue sources legally restricted for 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

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

The Pension Trust Funds are used to account for the Township's two pension plans as follows:

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

Non-Uniformed Employees' Pension Plan - This plan is a single-employer defined contribution plan established by the Township which covers all full-time, nonuniformed employees of the Township.

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

**Pocono Township
Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2014**

Long-term Debt Activity

During 2014, the Township incurred additional debt of \$15,968,784, of which most of the proceeds were to refinance existing debt incurred for the sewer system expansion project. Of the \$28,148,669 of long-term debt outstanding at December 31, 2014, \$27,931,136 relates to the sewer project.

Significant Financial Information

Several refinancing initiatives occurred in 2014 for the sewer collection system resulting in significant savings. Earned income tax received was higher than projected. A significant amount of grant revenue was not received in 2014 due to timing issues.

Financial Outlook

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

The Township is seeing continued growth in revenues from property tax, earned income tax, and permits. Continued commercial development of the SR 611 corridor is expected to occur further increasing the tax base. Numerous projects including hotels and a hospital have either been approved or are in the advanced planning stages.

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 grant opportunities and explore possible cost savings that we believe will not adversely affect residents, employees or the community.

Requests for Information

The 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 Commissioners at the Pocono Township Municipal Building, PO Box 197, 112 Township Drive, Tannersville, PA, 18372.

POCONO TOWNSHIP
 Monroe County, Pennsylvania

STATEMENT OF NET POSITION - MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2014

Assets	Governmental Activities	Business-type Activities	Totals
Cash:			
Unrestricted	\$ 3,440,003	\$ 5,307,165	\$ 8,747,168
Restricted	1,365,915	-	1,365,915
Total Cash	<u>4,805,918</u>	<u>5,307,165</u>	<u>10,113,083</u>
Certificate of deposit	80,326	-	80,326
Taxes receivable	198,424	-	198,424
Other receivables	73,913	-	73,913
User fees receivable	-	357,174	357,174
Prepaid expenses	2,044	64,156	66,200
Due from Escrow Fund	1,108	-	1,108
Total Assets	<u>5,161,733</u>	<u>5,728,495</u>	<u>10,890,228</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	88,815	20,578	109,393
Payroll withholding liabilities	17,041	-	17,041
Accrued wages	40,809	-	40,809
Total Liabilities	<u>146,665</u>	<u>20,578</u>	<u>167,243</u>
Net Position			
Restricted	1,434,182	-	1,434,182
Unrestricted	3,580,886	5,707,917	9,288,803
Total Net Position	<u>\$ 5,015,068</u>	<u>\$ 5,707,917</u>	<u>\$ 10,722,985</u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government administration	\$ 732,707	\$ -	\$ 58,652	\$ -	\$ (674,055)	\$ -	\$ (674,055)
Public safety and protective inspection	2,851,466	282,914	270,285	-	(2,298,267)	-	(2,298,267)
Public works - other	1,025,544	11,401	-	264,817	(749,326)	-	(749,326)
Highways, roads and streets	2,170,970	-	337,527	-	(1,833,443)	-	(1,833,443)
Parks and recreation	165,745	17,500	-	-	(148,245)	-	(148,245)
Debt service	15,783,305	-	-	-	(15,783,305)	-	(15,783,305)
General government administration - other	310,232	-	-	-	(310,232)	-	(310,232)
Total governmental activities	23,039,969	311,815	666,464	264,817	(21,796,873)	-	(21,796,873)
Business-type activities							
Sewer Operations	1,955,379	2,815,306	-	-	-	859,927	859,927
Total government	<u>\$ 24,995,348</u>	<u>\$ 3,127,121</u>	<u>\$ 666,464</u>	<u>\$ 264,817</u>	(21,796,873)	859,927	(20,936,946)
General revenues:							
					5,276,681	-	5,276,681
					198,695	-	198,695
					71,001	-	71,001
					17,441	13,239	30,680
					15,968,784	-	15,968,784
					190,856	(190,856)	-
					14,003	-	14,003
					<u>21,737,461</u>	<u>(177,617)</u>	<u>21,559,844</u>
					(59,412)	682,310	622,898
					5,074,480	5,025,607	10,100,087
					<u>\$ 5,015,068</u>	<u>\$ 5,707,917</u>	<u>\$ 10,722,985</u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
 Monroe County, Pennsylvania

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED ACCRUAL BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	General Fund	Sewer Design and Construction Fund	Other Governmental Funds	Totals
ASSETS				
Cash:				
Unrestricted	\$3,440,003	\$ -	\$ -	\$3,440,003
Restricted	-	1,202,237	163,678	1,365,915
Total cash	<u>3,440,003</u>	<u>1,202,237</u>	<u>163,678</u>	<u>4,805,918</u>
Certificate of deposit	-	-	80,326	80,326
Taxes receivable	188,793	-	9,631	198,424
Other receivables	73,913	-	-	73,913
Prepaid expenses	2,044	-	-	2,044
Due from Escrow Fund	1,108	-	-	1,108
Total Assets	<u>\$3,705,861</u>	<u>\$ 1,202,237</u>	<u>\$ 253,635</u>	<u>\$5,161,733</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 67,125	\$ 21,690	\$ -	\$ 88,815
Payroll withholding liabilities	17,041	-	-	17,041
Accrued wages	40,809	-	-	40,809
Total Liabilities	124,975	21,690	-	146,665
FUND BALANCES				
Restricted	-	1,180,547	253,635	1,434,182
Unassigned	3,580,886	-	-	3,580,886
Total Fund Balances	<u>3,580,886</u>	<u>1,180,547</u>	<u>253,635</u>	<u>5,015,068</u>
Total Liabilities and Fund Balances	<u>\$3,705,861</u>	<u>\$ 1,202,237</u>	<u>\$ 253,635</u>	<u>\$5,161,733</u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED ACCRUAL BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Sewer Design and Construction Fund	Other Governmental Funds	Totals
Revenues:				
Taxes	\$ 4,569,585	\$ -	\$ 707,096	\$ 5,276,681
Licenses, permits and fees	198,695	-	-	198,695
Fines	71,001	-	-	71,001
Interest earnings	13,076	3,099	1,266	17,441
Intergovernmental	328,937	264,817	337,527	931,281
Charges for services	294,315	-	17,500	311,815
Other revenues	8,660	-	25	8,685
Total Revenues	5,484,269	267,916	1,063,414	6,815,599
Other Financing Sources:				
Interfund transfers in	-	190,856	-	190,856
Proceeds from sale of surplus assets	60	-	-	60
Refund of prior year expenditures	3,478	1,780	-	5,258
Proceeds from borrowings	-	15,968,784	-	15,968,784
Total Revenues and Other Financing Sources	5,487,807	16,429,336	1,063,414	22,980,557
Expenditures:				
General government and administration	732,707	-	-	732,707
Public safety and protective inspection	2,576,420	-	275,046	2,851,466
Public works - other	39,534	986,010	-	1,025,544
Highways, roads and streets	1,531,769	-	639,201	2,170,970
Parks and recreation	3,000	-	162,745	165,745
Debt principal	-	15,078,660	250,088	15,328,748
Debt interest	-	446,263	8,294	454,557
Employee benefits and taxes	138,342	-	-	138,342
Insurance	83,853	-	-	83,853
Miscellaneous	3	-	-	3
Total Expenditures	5,105,628	16,510,933	1,335,374	22,951,935
Other Financing Uses:				
Refunds of prior year revenues	88,034	-	-	88,034
Total Other Financing Uses	88,034	-	-	88,034
Total Expenditures and Other Financing Uses	5,193,662	16,510,933	1,335,374	23,039,969
Net Changes in Fund Balances	294,145	(81,597)	(271,960)	(59,412)
Fund Balances at Beginning of Year	3,286,741	1,262,144	525,595	5,074,480
Fund Balances at End of Year	\$ 3,580,886	\$ 1,180,547	\$ 253,635	\$ 5,015,068

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENT OF NET POSITION - MODIFIED ACCRUAL BASIS
PROPRIETARY FUND
DECEMBER 31, 2014

	<u>Sewer Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,307,165
User fees receivable	357,174
Prepaid expenses	<u>64,156</u>
Total Assets	<u>5,728,495</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	<u>20,578</u>
Total Liabilities	<u>20,578</u>
NET POSITION	
Unrestricted	<u><u>\$ 5,707,917</u></u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENT OF CHANGES IN NET POSITION - MODIFIED ACCRUAL BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Operating Fund</u>
Operating Revenues:	
User fees	\$ 2,277,806
Connection fees	537,500
Total Operating Revenues	<u>2,815,306</u>
Operating Expenses	
Sewer treatment operating costs	<u>847,434</u>
Net Operating Income	1,967,872
Non-Operating Revenues (Expenditures):	
Interest earnings	13,239
Debt service principal	(361,219)
Debt service interest	(746,726)
Transfers to Sewer Construction Fund	(190,856)
Total Non-Operating Revenues (Expenditures)	<u>(1,285,562)</u>
Net Change in Net Position	682,310
Net Position at Beginning of Year	<u>5,025,607</u>
Net Position at End of Year	<u><u>\$ 5,707,917</u></u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENTS OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Pension Trust Funds	Escrow Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 17,266	\$ 525,279	\$ 542,545
Investments	5,012,864	-	5,012,864
Interest receivable	3	-	3
	<u>5,030,133</u>	<u>525,279</u>	<u>5,555,412</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due to General Fund	-	1,108	1,108
Amounts held on behalf of others	-	524,171	524,171
Total Liabilities	<u>-</u>	<u>525,279</u>	<u>525,279</u>
NET POSITION			
Held in trust for pension benefits	5,030,133	-	5,030,133
Total Net Position	<u>\$ 5,030,133</u>	<u>\$ -</u>	<u>\$ 5,030,133</u>

See accompanying notes to the basic financial statements.

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENTS OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Trust Funds</u>
Additions and Investment Income	
Additions:	
State contributions	\$ 193,634
Employer contributions	<u>101,796</u>
Total Additions	295,430
Total investment income	<u>335,844</u>
Total Additions and Investment Income	631,274
Deductions:	
Pension benefits	61,223
Administrative expense	<u>29,156</u>
Total Deductions	<u>90,379</u>
Net Change in Net Position	540,895
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>4,489,238</u>
End of Year	<u><u>\$ 5,030,133</u></u>

See accompanying notes to the basic financial statements.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of the Government

Pocono Township is a First Class Township of Monroe County, Pennsylvania. Pocono Township's citizens elected in November of 2013 to change the Township from a second class township to a first class township beginning January 1, 2014. Subsequently the Commissioners of Monroe County, Pennsylvania appointed Five Commissioners to Pocono Township's with terms beginning on January 1, 2014. Future commissioners will be elected by the Township's citizens. The Township's services provided include public safety, maintenance of its highways, roads and streets, planning and zoning, parks and recreation, and general governmental administrative services.

Basis of Accounting

The Government-wide, governmental-type funds', and the business-type fund's financial statements are presented using the modified accrual basis of accounting, which is an other comprehensive basis of accounting (OCBOA) as applied to governmental units. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment has matured and will be payable shortly after year-end.

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.

As a result of the use of the modified accrual basis of accounting, certain assets and their related revenues, and certain liabilities and their related expenditures 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 had utilized the basis of accounting recognized as generally accepted in the United States of America, the government-wide financials would be presented on the accrual basis of accounting.

The Township's Police Pension Fund and Non-Uniformed Employees' Pension Fund are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues and deferred inflows are recognized when earned. Expenses and deferred outflows are recognized at the time the liability is incurred.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies-continued

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Township follows all GASB pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected to apply the FASB statements and interpretations issued after November 30, 1989, which do not conflict with or contradict GASB statements to its financial statements.

Discretely Presented Component Units

The criteria for which to include organizations as component units within the Township's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The Township holds the corporate powers of the organization;
- The Township appoints a voting majority of the organization's board;
- The Township is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the Township;
- There is fiscal dependency by the organization on the Township.

Based on the aforementioned criteria, Pocono Township has no component units.

Basis of Presentation

The Government-wide Financial Statements report information on all the non-fiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by mainly general purpose taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not properly included among program revenues are reported instead as general revenues.

Expenses reported on the statement of activities are allocated to functions based on the budget classifications.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies-continued

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personal and contractual services and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounts of the Township are organized on the basis of funds or account groups, each of which is considered a separate entity. Thus, the operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. 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 expenditures of that individual fund are at least ten percent (10%) 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 five percent (5%) of the corresponding total for all funds combined.

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

Governmental-type Funds

Major Funds:

General Fund - The general fund serves as the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Sewer Design and Construction Fund - 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.

Nonmajor Funds:

State Liquid Fuels Fund - This fund is used to account for funding from the Pennsylvania Municipal Liquid Fuels Program which funds a range of projects to support municipalities' construction, reconstruction, maintenance and repair of public roads or streets.

Emergency Management Services Fund - Accounts for the real estate taxes levied for the benefit of the Township's volunteer fire company an ambulance service and financial support provided by the Township.

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

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies-continued

Debt Service Fund - The Township's debt service fund is used to account for the real estate taxes levied and accumulation of resources restricted for the payment of debt service.

Proprietary Funds

Major Funds:

Sewer Operating Fund - Accounts for the 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's operating expenses.

Fiduciary Funds

Police Pension Fund - Accounts for the contributions by the Township and its police department's employees to the Township's police pension plan and related investment transactions. Benefit payments and plan administrative expenses are paid from this fund.

Non-uniformed Employees' Pension Fund - Accounts for contributions by the Township and its non-uniformed employees to the Township's non-uniformed employee pension plan. Benefit payments and plan administrative expenses are paid from this fund.

Escrow Fund - Accounts for funds held by the Township which belong to other parties which have been deposited by the Township for various purposes including payment of professional fees required for development projects and other such purposes.

Measurement Focus

The Government-wide financial statements utilize the "economic resources" measurement focus, within the limitations of the modified accrual basis of accounting.

The fund financial statements 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 financial resources at the end of the period.

Cash and Cash Equivalents

For the purposes of financial reporting, the Township considers cash and cash equivalents which include 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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies-continued

Long-term Debt

The Township's long-term debt arising from modified accrual basis transactions to be repaid from governmental resources are not reported as liabilities in the government-wide statements. Long-term debt arising from the modified accrual basis transactions of governmental funds are not reported as liabilities in the fund financial statements or the government-wide 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 different components:

- 1) Restricted Net Position – consists of restricted assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.
- 2) Unrestricted Net Position – consists of net amount of assets that do not meet the definition of restricted, net of related debt.

The Township's policy is 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 Equity

The Township reports its fund equity in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (i.e., Township Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the highest level action to remove or change the constraint.
- Assigned fund balance - amounts the Township intends to use for a specific purpose. Intent can be expressed by the Township Commissioners or by an official or body to which the Township Commissioner's delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies-continued

Currently, the Township uses only the restricted and unassigned classifications.

The Township's Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as the purchase of fixed assets, construction, debt service, or other purposes).

Restricted Fund Balance

The Township's policy is 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 fund balances when expenditures are incurred for purposes for which amounts in any of those classifications are available to be used.

Property Tax Levy

Property taxes, which were levied during the fiscal year ended December 31, 2014, are recognized as revenue in the fund financial statements when received by the Township during the fiscal year. The schedule for property taxes levied for the 2014 Township year is as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

Payments not made by December 31st are turned over to the Monroe County Tax Claim Bureau for delinquent tax collection.

Joint Venture

The Township is a member of a joint venture with the Hamilton Jackson Pocono Park & Open Space Commission. The Commission is represented by Hamilton Township, Jackson Township, Pocono Township, and the Pocono Mountain and Stroudsburg Area School Districts. The Commission has been in operation since December 2005. The nature of the joint venture is to provide residents and visitors with recreation facilities within the community that celebrates the great natural and cultural heritage that is the cornerstone of the quality of life in the region. Pocono Township does not have an equity interest in the joint venture. The Commission is not currently financially distressed. Annual financial information can be obtained from the Commission's office.

Pocono Township
 Notes to Basic Financial Statements
 As of and for the Year Ended December 31, 2014

Note 2 - Cash and Investments

Cash and Deposits

The Township can deposit or invest funds as authorized for local government units by the Local Governmental 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.

Stated below is a summary of the Township's cash deposits and time deposits, which are insured by the Federal Depository Insurance Company or which were not insured or collateralized in the Township's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

The following is a summary of cash and cash equivalents at December 31, 2014:

	Balances
Cash and deposits - in bank	\$ 10,812,721
Outstanding items	(156,823)
Cash and cash equivalents - book balance	<u>\$ 10,655,898</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation (FDIC) insured limits relies on Act 72 of 1971. This 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.

Pocono Township
 Notes to Basic Financial Statements
 As of and for the Year Ended December 31, 2014

Note 2 - Cash and Investments-continued

Foreign Currency Risk

The Township was not exposed to foreign currency risk during 2014.

A summary of the Township’s bank deposit collateralization is as follows:

Amount insured Under FDIC	\$ 940,792
Uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Township’s name	9,854,543
Uninsured and collateralized with securities held by the pledging financial institution	-
Uninsured and collateralized	17,386
Total	<u>\$ 10,812,721</u>

Note 3 - Real Estate Taxes

Based upon taxable assessed valuation provided by the County (\$183,646,560 in 2014), the Township bills and collects its own property taxes through an elected tax collector. The Township’s tax rate for all purposes for 2014 was 17.35 mills (17.35 per \$1,000 of assessed valuations).

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 contributes 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 valuation 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, which is 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. The amount remitted to the TIF program by the Township was \$17,566 for the year ended December 31, 2014.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 4 - Long-term Debt

Pocono Township's long-term debt activity for the year ended December 31, 2014 is as follows:

	Balance January 1, 2014	Additions	Payments/ Deductions	Balance December 31, 2014	Amount Due Within 1 Year
<u>Sewer Project:</u>					
Guaranteed Sewer Revenue Bonds, Series A of 2010	\$ 7,343,535	\$ 122,503	\$ 7,466,038	\$ -	\$ -
Guaranteed Sewer Revenue Bonds, Series B of 2010	3,867,412	526,588	4,394,000	-	-
Guaranteed Sewer Revenue Note, Series 2010	4,312,000	-	113,000	4,199,000	117,000
Guaranteed Obligation Note, Series 2010	887,000	-	40,000	847,000	37,000
Guaranteed Sewer Revenue Note, Series of 2011	3,107,284	67,540	3,174,824	-	-
PennVest Loan	7,885,000	415,000	252,017	8,047,983	236,441
Wayne Line of Credit	-	2,808,819	-	2,808,819	-
Guaranteed Sewer Revenue Note, Series of 2014	-	7,677,334	-	7,677,334	5,000
Guaranteed Sewer Revenue Note, Series A of 2014	-	4,351,000	-	4,351,000	-
<u>Other:</u>					
PNC Bank Note Payable	211,265	-	91,643	119,622	93,598
PNC Bank Note Payable	40,738	-	28,534	12,204	12,204
Total Long-term Debt	27,654,234	15,968,784	15,560,056	28,062,962	501,243
<u>Capital Leases:</u>					
PNC Equipment Financing	38,878	-	38,878	-	-
Bank Capital Services	18,602	-	18,602	-	-
FNB Commercial Leasing	21,372	-	12,213	9,159	9,159
PNC Equipment Financing	11,521	-	4,233	7,289	7,289
PNC Equipment Financing	34,746	-	10,737	24,009	11,810
CNH Capital	90,500	-	45,249	45,250	22,625
Total Capital Leases	215,619	-	129,912	85,707	50,883
Total Outstanding Debt	\$ 27,869,853	\$ 15,968,784	\$ 15,689,968	\$ 28,148,669	\$ 552,126

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 4 - Long-term Debt-continued

The following are descriptions of outstanding debt obligations as of December 31, 2014:

Guaranteed Sewer Revenue Note, Series of 2010 - Issued on December 30, 2010 to finance the 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 2014. The interest rate is 6.6%. The term of the bond is 25 years, and is scheduled to mature on December 1, 2035. The outstanding balance as of December 31, 2014 was \$4,199,000.

General Obligation Note, Series 2010 - Issued on December 10, 2010 to finance the purchase of 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 finance 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 until 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 due in December. The interest rate is currently 4.7%. This rate will apply until the "Rate Reset Date" occurs in 2020 and 2025. At the Rate Reset Date, the interest rates 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 20 years, and is scheduled to mature on December 1, 2030. The outstanding balance as of December 31, 2014 was \$847,000.

PENNVEST Note Payable - Issued on May 4, 2011 to finance the 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 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, 2014 was \$8,047,983.

Guaranteed Sewer Revenue Note, Series of 2014 - Issued on August 4, 2011, is a line of credit issued to finance the additional construction of the Township's sewer facilities, and pay related expenses. The maximum amount borrowable is \$3,900,000 with interest payments due semi-annually. The interest rate is 1.44%. The Note is due in full by September 1, 2016. The outstanding balance as of December 31, 2014 was \$2,808,819.

Guaranteed Sewer Revenue Note, Series A of 2014 - Issued on May 4, 2011 to refund the principal balance of the \$7,500,000 original principal amount Guaranteed Sewer Revenue Bond, Series A of 2010, dated December 30, 2010, and pay related expenses. The loan is for \$7,677,334 with interest payments due semi-annually. The interest rate from the initial date through December 1, 2019 is 1.72%, and then shall be continuously variable to equal 67% of the "Wall Street Journal Prime Rate" not to exceed at any time an effective annual rate of 4.50% for the remaining life of the loan. The loan is scheduled to mature on April 1, 2034. The outstanding balance as of December 31, 2014 was \$7,677,334.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 4 - Long-term Debt-continued

Guaranteed Sewer Revenue Note, Series B of 2014 - Issued on May 4, 2011 to refund the principal balance of the \$4,500,000 original principal amount Guaranteed Sewer Revenue Bond, Series B of 2010, dated December 30, 2010, and pay related expenses. The loan is for \$4,351,000 with interest payments due semi-annually. The interest rate from the initial date through December 1, 2019 is 1.85%, and then shall be continuously variable to equal 66% of the "Wall Street Journal Prime Rate" not to exceed at any time an effective annual rate of 4.50% for the remaining life of the loan. The loan is scheduled to mature on April 1, 2034. The outstanding balance as of December 31, 2014 was \$4,351,000.

PNC Bank Note Payable - Issued on May 15, 2002 to purchase the property formerly known as the 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 as of December 31, 2014 was \$119,622.

PNC Bank Note Payable - Issued on January 22, 2008 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 as of December 31, 2014 was \$12,204.

Bank Capital Services - Entered into on October 6, 2010 to finance the purchase of 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 as of December 31, 2014 was \$9,159.

PNC Equipment Financing - Entered into on December 5, 2011 to finance the purchase of 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 as of December 31, 2014 was \$7,289.

PNC Equipment Financing - Entered into on December 5, 2011 to finance the purchase of 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 as of December 31, 2014 was \$24,009.

CNH Capital Lease - Entered into on August 9, 2013 to finance the purchase of a Case Wheel Loader, with a value of \$90,500. The lease is payable in four installments of \$22,624.74, at a zero interest rate. The final payment is due on June 9, 2015. The outstanding balance as of December 31, 2014 was \$45,251.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 4 - Long-term Debt-continued

Future debt service maturities are as follows:

December 31,	Principal	Interest	Total
2015	\$ 552,126	\$ 641,767	\$ 1,193,893
2016	3,808,296	609,102	4,417,398
2017	1,093,222	584,486	1,677,708
2018	1,120,367	571,172	1,691,539
2019	1,088,872	546,169	1,635,041
2020-24	5,158,533	3,058,217	8,216,750
2025-29	5,979,274	2,324,547	8,303,821
2030-34	7,309,810	1,202,266	8,512,076
2035	2,082,169	67,765	2,149,934
Totals	<u>\$ 28,192,669</u>	<u>\$ 9,605,491</u>	<u>\$ 37,798,160</u>

Interest paid on long-term debt for the year ended December 31, 2014 was \$1,201,283.

Note 5 - Interfund Transfers

The Township approved the following transfers between funds for the year ended December 31, 2014:

Fund	To	From
Sewer Operating Fund	\$ -	\$ 190,856
Sewer Construction Fund	190,856	-
Totals	<u>\$ 190,856</u>	<u>\$ 190,856</u>

The funds were transferred to reimburse expenses paid from the other fund.

Note 6 - Non-Uniformed Pension Plan

Reporting Entity

Pocono Township's Non-Uniformed Employee's Pension Plan (hereafter referred to as the "Plan") is a single employer defined contribution plan. The Plan is governed by the Township's Board of Commissioners. The Township's Commissioners 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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 6 - Non-Uniformed Pension Plan-continued

Method Used to Value Investments

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

Description of the Plan

As stated above, the Township maintains a defined contribution 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, 2014, the pension plan's membership consisted of:

Active members	11
Retirees and beneficiaries currently receiving benefits	0
Inactive employees entitled to benefits but not yet receiving them	<u>4</u>
Total	<u>15</u>

Employees are 100% vested after the first day of the month following the completion of six months of employment.

The payroll for the Township's employees covered by the Plan for the year ended December 31, 2014 was \$581,045.

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

Participants of the plan were not required to contribute to the plan for the year ended December 31, 2014. The Township funded the minimum municipal obligation due.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 6 - Non-Uniformed Pension Plan-continued

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 their sixty-fifth (65th) birthday. Early retirement date is the first day of the month coincident with or next following the attainment of age 55. Disability retirement date is the date a participant is determined to have a total and permanent disability as defined by the Plan.

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

Distributions will be made in a lump-sum cash payment or cash installment payments. The normal forms of distribution shall be 1) Lump sum cash payment, or 2) Cash installment payments, or 3) 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.

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's Commissioners are responsible to file the Act 205 Actuarial Valuation Report (Form PC-201C) with the Public Employee Retirement Commission.

Investments

The Township's Commissioners 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 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 of and for the Year Ended December 31, 2014

Note 6 - Non-Uniformed Pension Plan-continued

Custodial Credit Risk

As of December 31, 2014, 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, 2014, 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, 2014, 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:

MetLife Moderate Allocation	\$ 110,243
MetLife Moderate to Aggressive Allocation	\$ 311,785
Fixed Interest Account	\$ 64,782
MetLife Conservative to Moderate Allocation	\$ 39,643
MetLife Aggressive Strategy Portfolio	\$ 88,331

Note 7 - Police Pension Plan

Reporting Entity

The Pocono Township Police Pension Plan is a single-employer defined benefit pension plan (hereafter referred to as the "Plan") for full-time police employees and accordingly is included in the Township's basic financial statements as a Pension Trust. The Township's Commissioners 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.

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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 7 - Police Pension Plan-continued

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 Standards Board Statement Number (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 the 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. 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.

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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 7 - Police Pension Plan-continued

Plan Membership

As of December 31, 2014, the pension plan's membership consisted of:

Active members	17
Retirees and beneficiaries currently receiving benefits	2
Inactive employees entitled to benefits but not yet receiving them	<u>2</u>
Total	<u>21</u>

Employees are vested after 12 years of service.

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.

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 pension the participant was receiving or would have been receiving had they been retired at the time of their 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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 7 - Police Pension Plan-continued

Killed-in-Service

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

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

Disability Benefit

In the event of a permanent service-related injury, the benefit shall be equal to 50% of the average monthly compensation of the participant. The benefit would be payable as if the date of disability had been their 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's 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. Contributions to the plan for the year ended December 31, 2014 were \$231,855.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 7 - Police Pension Plan-continued

Investments

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

At December 31, 2014, 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:

Investment	Fair Market Value
EB Mellon Total Return Fund	\$ 875,564
PE SMAM Core Bond Plus Fund	\$ 874,344
EB DV ENH Large Capital Core Fund	\$ 660,661
EB DV NSL Aggregate Bond Index Fund	\$ 1,307,946
EB US Large Capitalization Core Fund	\$ 668,338

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, 2014, and throughout the year, mutual fund investments held by the Plan were not exposed to custodial credit risk.

Interest Rate Risk

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

Name	Duration (Years)	Average Credit Quality	Morningstar Rating
EB DV Active Bond Fund	6.7	AA	Not Rated
EB DV Aggregate Bond Index Fund	7.0	AA	Not Rated
EB Mellon Total Return Fund	5.8	AA	Not Rated

Foreign Currency Risk

As of December 31, 2014, and throughout the year, the investments held were not exposed to foreign currency risk.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 8 - Other Postemployment Benefits

Early Retirement Incentive

The Township maintains a postemployment benefit plan for its employees for coverage for medical insurance benefits to its qualified retirees and beneficiaries based on eligibility requirements set for each group of employees pursuant to the Government Accounting Standards Board Statement No. 45. The costs of retiree health care benefits are recognized as expenditures and a net other postemployment benefit liability based on an actuarial valuation. For the year ended December 31, 2014, the Township's net OPEB obligation (underfunding in year one (1) of implementation) is \$134,431 and will continue to increase in each future year.

The following are the Township's OPEB Actuarial Valuation Results:

Number of Participants Covered:	
Active Participants	15
Retired Participants	0
Total Participants	<u>15</u>
Total Actuarial Value of Projected Benefits	\$ 2,184,070
Total Actuarial Accrued Liability	1,131,478
Actuarial Value of Assets	0
Total Unfunded Actuarial Accrued Liability	1,131,478
Annual OPEB Cost	
Annual Required Contribution of Township (ARC)	
Normal Cost	80,807
Amortization of UAAL*	62,917
Interest on ARC	5,749
Total ARC	<u>149,473</u>
Pay-As-You-Go Employer Contribution for Current Year**	14,723
Interest on Employer Contribution	319
Total Employer Contribution for Current Year	<u>15,042</u>
Net OPEB at Beginning of Year (January 1)	0
Expected Net OPEB Obligation at End of Year (December 31)	\$ 134,431

* The UAAL is amortized over 30 years as a level dollar amount.

** Contributions are on an age-adjusted basis.

Measurement Date

January 1, 2014

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 8 - Other Postemployment Benefits-continued

Actuarial Methods

A. Actuarial Cost Method

Actuarial costs can be developed using any one of six different methods. The results of the actuarial valuation are based on the Entry Age Normal Cost Method. This cost method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data and claims/premium information supplied.

B. Discount Rate

The discount rate is based upon the funding method that the sponsor employs. Since the Township uses the pay-as-you-go method of funding, benefits are expected to be paid out of the general fund of the Township, which is expected to earn a short-term investment rate of 4%.

C. Pre-Retirement Mortality

None assumed.

D. Post-Retirement Mortality

RP-2000 with Blue Collar Adjustment.

E. Retirement

Retirement is assumed to occur at normal retirement eligibility, which is a minimum of age 55 with 25 years of service.

F. Withdrawal

Not applicable.

G. Disability

None Assumed.

Pocono Township
 Notes to Basic Financial Statements
 As of and for the Year Ended December 31, 2014

Note 8 - Other Postemployment Benefits-continued

H. Participation

100% of retirees who are eligible to participate are assumed to do so.

I. Marital Status

80% of all future retirees are assumed to be married with only 50% of those spouses

Summary of Participant Data

Summary of Lives	
Active Lives	
Fully Eligible	1
Not Fully Eligible	<u>14</u>
Total Active Lives	15
Retire Lives	<u>0</u>
Total Lives	15
Other Participant Data	
Avg. Svc. Years to Full Eligibility	16.5
Avg. Svc. Years to Assumed Retirement	15.4

Salient Features of Post-Employment Benefits & Eligibility

Employee Group	Police Only
Eligibility	Minimum of Age 55 with 25 years of service
Coverage	Medical, prescription drug, dental and vision coverage same as when Active. Coverage ends when the retiree becomes eligible for Medicare.
Retiree Contributions	Retiree must pay 50% of the premium.
Spousal Coverage	Yes, provided the spouse pays 100% of the premium. Coverage ends For the spouse when the retiree becomes eligible for Medicare.
Dependent Child Coverage	No.
Survivor Benefits	No.
Disability	If it is a service-related disability, the officer will receive 100% Township paid coverage until normal retirement age. At normal retirement age, the Township will pay 50% of the cost of coverage. Coverage ends when the Retiree becomes eligible for Medicare.
Life Insurance	No

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 9 - Risk Management

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

The Township manages these various risks of loss as follows:

Type of Loss Retained	Method Managed	Risk of Loss
Torts, errors, and omissions	Purchased commercial insurance	None
Workers compensation, health and life	Purchased commercial insurance	None
Physical Property Loss and Natural Disasters	Purchased commercial insurance	None

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

Note 10 - Commitments and Contingencies

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 had filed a performance bond claim against a sewer project contractor whose work was determined by the Township's engineer to be defective and who has breached its contractual obligations with the Township prior to 2014. The ongoing, multi-party litigation involving construction of the sewer collection system was settled in June of 2015 with Pocono Township receiving \$250,000.

Litigation

The Township is a party to various legal proceedings that normally occur in the course of governmental operations. While the outcome of any proceedings cannot be predicted, due to the insurance coverage maintained by the Township and the Commonwealth's statute of 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.

Pocono Township
Notes to Basic Financial Statements
As of and for the Year Ended December 31, 2014

Note 11 - Fund Balances

Governmental-type funds reports restricted fund balances of \$1,434,182 at December 31, 2014. The State Liquid Fuels Fund reports restricted fund balance of \$71, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets. The Emergency Services Tax Fund reports restricted fund balance of \$32,068, which is restricted by the ordinance for emergency services expenditures. The Park Fund reports restricted fund balance of \$188,496, which is restricted by the ordinance for park, cultural and recreation expenditures. The Debt Service Fund reports restricted fund balance of \$33,000, which is restricted by the ordinance for debt service expenditures. The Sewer Design and Construction Fund reports restricted fund balance of \$1,180,547, which is restricted for future expenditures related to the Township’s sewer expansion and construction project expenditures.

Note 12 - Beginning Equity Adjustments

The Township elected to change its basis of accounting during 2014 from the cash basis of accounting to the modified accrual basis of accounting. A total beginning net assets/fund balance adjustment resulted in a net decrease of opening equity of \$498,762 due to adjustments of prior year’s accruals to convert from the cash basis of accounting to the modified accrual basis of accounting. Individual fund’s equity adjustments are as follows:

Fund	Increase (Decrease)
General Fund	\$ (10,708)
Emergency Services Fund	6,869
Park Fund	3,806
Debt Service Fund	4,229
Sewer Design & Construction Fund	(504,925)
Sewer Operating Fund	1,966
Total	<u>\$ (498,763)</u>

Note 13 - Subsequent Events

Management has evaluated subsequent events through June 22, 2015, the date the financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Events Topics of the FASB Accounting Standards Codification, management of the Township is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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**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 Commissioners 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, 2014, 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 June 22, 2015.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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
June 22, 2015

REQUIRED SUPPLEMENTARY INFORMATION

POCONO TOWNSHIP
Monroe County, Pennsylvania

REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,126,000	\$ 4,126,000	\$ 4,569,585	\$ 443,585
Licenses, permits and fees	190,100	190,100	198,695	8,595
Fines	60,500	60,500	71,001	10,501
Interest earnings	4,000	4,000	13,076	9,076
Intergovernmental	768,265	768,265	328,937	(439,328)
Charges for services	223,750	223,750	294,315	70,565
Other revenues	4,600	4,600	8,660	4,060
Total Revenues	<u>5,377,215</u>	<u>5,377,215</u>	<u>5,484,269</u>	<u>107,054</u>
Other Financing Sources:				
Proceeds from sale of surplus assets	3,000	3,000	60	(2,940)
Refunds of prior year's expenditures	-	-	3,478	3,478
Total Revenues and Other Financing Sources	<u>5,380,215</u>	<u>5,380,215</u>	<u>5,487,807</u>	<u>107,592</u>
Expenditures:				
General government and administration	795,389	795,389	732,707	62,682
Public safety and protective inspection	2,646,424	2,646,424	2,576,420	70,004
Public works - other	39,525	39,525	39,534	(9)
Highways, roads and streets	1,584,051	1,584,051	1,531,769	52,282
Parks and recreation	3,000	3,000	3,000	-
Employee benefits and taxes	138,731	138,731	138,342	389
Insurance	85,897	85,897	83,853	2,044
Miscellaneous	104	104	3	101
Total Expenditures	<u>5,293,121</u>	<u>5,293,121</u>	<u>5,105,628</u>	<u>187,493</u>
Other Financing Uses				
Interfund operating transfers out	789,660	789,660	-	789,660
Refunds of prior year's revenues	88,034	88,034	88,034	-
Total Expenditures and Other Financing Uses	<u>6,170,815</u>	<u>6,170,815</u>	<u>5,193,662</u>	<u>977,153</u>
Net Changes in Fund Balance	(790,600)	(790,600)	294,145	<u>\$ 1,084,745</u>
Fund Balance at Beginning of Year	<u>790,600</u>	<u>790,600</u>	<u>3,286,741</u>	
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,580,886</u>	

POCONO TOWNSHIP
 Monroe County, Pennsylvania

REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL - SEWER CONSTRUCTION FUND - MODIFIED ACCRUAL BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest earnings	\$ 3,000	\$ 3,000	\$ 3,099	\$ 99
Intergovernmental	1,676,767	1,676,767	264,817	(1,411,950)
Total Revenues	<u>1,679,767</u>	<u>1,679,767</u>	<u>267,916</u>	<u>(1,411,851)</u>
Other Financing Sources:				
Interfund transfers in	-	-	190,856	(190,856)
Refunds of prior year expenditures	-	-	1,780	(1,780)
Proceeds from borrowings	2,226,345	2,226,345	15,968,784	13,742,439
Total Revenues and Other Financing Sources	<u>3,906,112</u>	<u>3,906,112</u>	<u>16,429,336</u>	<u>13,742,439</u>
Expenditures:				
Public works - Sewer	1,552,030	1,552,030	986,010	566,020
Debt principal	15,077,798	15,077,798	15,078,660	(862)
Debt interest	447,188	447,188	446,263	925
Total Expenditures	<u>17,077,016</u>	<u>17,077,016</u>	<u>16,510,933</u>	<u>566,083</u>
Net Changes in Fund Balance	(13,170,904)	(13,170,904)	(81,597)	<u>13,176,356</u>
Fund Balance at Beginning of Year	<u>13,170,904</u>	<u>13,170,904</u>	<u>1,262,144</u>	
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,547</u>	

POCONO TOWNSHIP
Monroe County, Pennsylvania

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POLICE PENSION PLAN
DECEMBER 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (UAAL) Entry Age	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll
1/1/2007	\$ 2,083,086	\$ 2,146,648	\$ 63,562	97.04%	\$ 954,876	6.7%
1/1/2009	\$ 2,538,667	\$ 2,666,732	\$ 128,065	95.20%	\$ 1,150,806	11.1%
1/1/2011	\$ 3,023,484	\$ 3,357,598	\$ 334,114	90.05%	\$ 1,296,233	25.8%
1/1/2013	\$ 3,567,230	\$ 4,030,530	\$ 463,300	88.50%	\$ 1,284,000	36.1%

The above information was determined as part of the actuarial valuations as listed by date. Additional information as of the most recent actuarial valuation:

Latest Actuarial Valuation Date:	1/1/2013
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Dollar
Remaining Amortization Period:	14 years
Asset Valuation Method:	Actuarial value
Actuarial Assumptions:	
Investment Rate of Return:	6.75%
Projected Salary Increases	5.00%
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

POCONO TOWNSHIP
Monroe County, Pennsylvania

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN
DECEMBER 31, 2014

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>State Aid Contributions</u>	<u>Percentage of Annual Required Contribution</u>
2008	\$ 106,763	\$ 106,763	100%
2009	\$ 115,716	\$ 115,716	100%
2010	\$ 131,421	\$ 131,421	100%
2011	\$ 129,866	\$ 129,866	100%
2012	\$ 144,006	\$ 144,066	100%
2013	\$ 148,468	\$ 149,564	101%

POCONO TOWNSHIP
Monroe County, Pennsylvania

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - NON-UNIFORMED EMPLOYEES' PENSION PLAN
DECEMBER 31, 2014

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Contribution From Employer</u>	<u>State Aid Contributions</u>	<u>Percentage of Annual Required Contribution</u>
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	\$ -	\$ 40,895	100%
2013	\$ 44,005	\$ 31,132	\$ 12,873	100%
2014	\$ 60,142	\$ 36,200	\$ 23,942	100%

Pocono Township
Notes to Required Supplementary Information
As of and for the Year Ended December 31, 2014

Budgetary Information

The annual budget is prepared and adopted by the Township's Commissioners. Subsequent amendments are also prepared and adopted by the Township's Commissioners. Unexpended appropriations lapse at year-end. Encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund and the Sewer Construction Fund. The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31st, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

There were no significant expenditures in excess of budgeted amounts in the General Fund or Sewer Construction Fund for the year ended December 31, 2014.

Police and Non-uniform Pension Plans

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor. Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (amounts in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

SUPPLEMENTARY INFORMATION

POCONO TOWNSHIP
Monroe County, Pennsylvania

COMBINING BALANCE SHEETS - NON MAJOR GOVERNMENTAL FUNDS -
MODIFIED ACCRUAL BASIS
DECEMBER 31, 2014

	Emergency Services Tax Fund	Park Fund	Liquid Fuels Fund	Debt Service Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 27,982	\$105,543	\$ 71	\$ 30,082	\$ 163,678
Certificate of deposit	-	80,326	-	-	80,326
Taxes receivable	4,086	2,627	-	2,918	9,631
Total Assets	\$ 32,068	\$188,496	\$ 71	\$ 33,000	\$ 253,635
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Restricted	32,068	188,496	71	33,000	253,635
Total Fund Balances	32,068	188,496	71	33,000	253,635
Total Liabilities and Fund Balances	\$ 32,068	\$188,496	\$ 71	\$ 33,000	\$ 253,635

POCONO TOWNSHIP
 Monroe County, Pennsylvania

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS -
 MODIFIED ACCRUAL BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Emergency Services Tax Fund	Park Fund	Liquid Fuels Fund	Debt Service Fund	Totals
Revenues:					
Taxes	\$ 299,980	\$ 192,950	\$ -	\$ 214,166	\$ 707,096
Interest earnings	163	288	744	71	1,266
Intergovernmental	-	-	337,527	-	337,527
Charges for services	-	17,500	-	-	17,500
Other revenues	-	25	-	-	25
Total Revenues	300,143	210,763	338,271	214,237	1,063,414
Expenditures:					
Public safety and protective inspection	275,046	-	-	-	275,046
Highways, roads and streets	-	-	639,201	-	639,201
Parks and recreation	-	162,745	-	-	162,745
Debt service principal	-	-	-	250,088	250,088
Debt service interest	-	-	-	8,294	8,294
Total Expenditures	275,046	162,745	639,201	258,382	1,335,374
Net Changes in Fund Balances	25,097	48,018	(300,930)	(44,145)	(271,960)
Fund Balances at Beginning of Year	6,971	140,478	301,001	77,145	525,595
Fund Balances at End of Year	\$ 32,068	\$ 188,496	\$ 71	\$ 33,000	\$ 253,635

POCONO TOWNSHIP
Monroe County, Pennsylvania

COMBINING STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2014

	Police Pension Fund	Non-Uniform Pension Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 13,833	\$ 3,433	\$ 17,266
Investments	4,386,854	626,010	5,012,864
Interest receivable	3	-	3
Total Assets	4,400,690	629,443	5,030,133
LIABILITIES AND NET POSITION			
LIABILITIES			
Total Liabilities	-	-	-
NET POSITION			
Held in trust for pension benefits	4,400,690	629,443	5,030,133
Total Net Position	\$ 4,400,690	\$ 629,443	\$ 5,030,133

POCONO TOWNSHIP
Monroe County, Pennsylvania

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Police Pension Fund	Non-Uniform Pension Fund	Totals
Additions:			
Investment earnings	\$ 313,309	\$ 22,535	\$ 335,844
State contributions	169,692	23,942	193,634
Employer contributions	62,163	39,633	101,796
Total Additions	<u>545,164</u>	<u>86,110</u>	<u>631,274</u>
Deductions:			
Pension benefits	61,223	-	61,223
Administrative expenses	29,156	-	29,156
Total Deductions	<u>90,379</u>	<u>-</u>	<u>90,379</u>
Net Changes in Fund Position	454,785	86,110	540,895
Net Position at Beginning of Year	<u>3,945,905</u>	<u>543,333</u>	<u>4,489,238</u>
Net Position at End of Year	<u><u>\$4,400,690</u></u>	<u><u>\$ 629,443</u></u>	<u><u>\$ 5,030,133</u></u>