

**POCONO MOUNTAIN**  
**REGIONAL POLICE DEPARTMENT**  
*MONROE COUNTY, PENNSYLVANIA*

**FINANCIAL STATEMENTS**  
**AND AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED  
**DECEMBER 31, 2012**





# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

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C E R T I F I E D P U B L I C A C C O U N T A N T S

## INDEPENDENT AUDITOR'S REPORT

### POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pocono Mountain Regional Police Department as of and for the year ended December 31, 2012 and 2011, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pocono Mountain Regional Police Department's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *U.S. generally accepted auditing standards* and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pocono Mountain Regional Police Department's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information, as of and for the year then ended December 31, 2012 and 2011, in conformity with *U.S. generally accepted accounting principals*.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2012 on our consideration of Pocono Mountain Regional Police Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ameiding, Blizard, Bushta & Company, LLP*

ALLENTOWN, PA  
JUNE 24, 2013



HOWARD D. GNEIDING, CPA  
ROBERT E. BLIZARD, JR., CPA  
TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T 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**

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

We have audited the financial statements of the Pocono Mountain Regional Police Department, as of and for the year ended December 31, 2012, and have issued our report thereon dated June 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Pocono Mountain Regional Police Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pocono Mountain Regional Police Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pocono Mountain Regional Police Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we did identify the following certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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. *Due to a relatively small staff, accounting, administrative and asset custody functions are not properly segregated consistent with appropriate control objectives.*

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pocono Mountain Regional Police Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

### **Auditor Reporting and Other Communication Considerations**

Pocono Mountain Regional Police Department's response to the findings identified in our audit are as follows: *Management believes that with the oversight of the board of directors, internal financial statement monitoring and budget monitoring process, the significant deficiency described above is sufficiently mitigated to a level acceptable by management.* We did not audit Pocono Mountain Regional Police Department's response and, accordingly, we express no opinion on it. This report is intended solely for the information and use of management and that of government oversight bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Ameiding, Blizard, Bushta & Company, LLP*

ALLENTOWN, PA  
JUNE 24, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**





# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

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The discussion and analysis of Pocono Mountain Regional Police Department's financial performance provides an overall review of the Department's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the Department's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Department's financial performance.

### FINANCIAL HIGHLIGHTS

*Key government-wide financial highlights for 2012 are as follows:*

- In total, net assets were \$4,300,972
- General revenues accounted for \$395 (interest income). Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,751,789 of total revenues.
- Total assets were \$5,015,522 of which \$1,071,957 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$2,996,318.
- The Department had \$5,720,783 in expenses; all of which was offset by program specific charges for services, grants, or contributions.
- Revenue, after program expenses were \$31,006.
- Net Assets increased by \$31,401 for the year.
- Charges to the member municipalities for police protection services were \$4,824,819.

Township of Coolbaugh ..... 41.4%  
Township of Tobyhanna..... 32.9%  
Borough of Mt. Pocono..... 13.2%  
Township of Tunkhannock... 12.5%

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

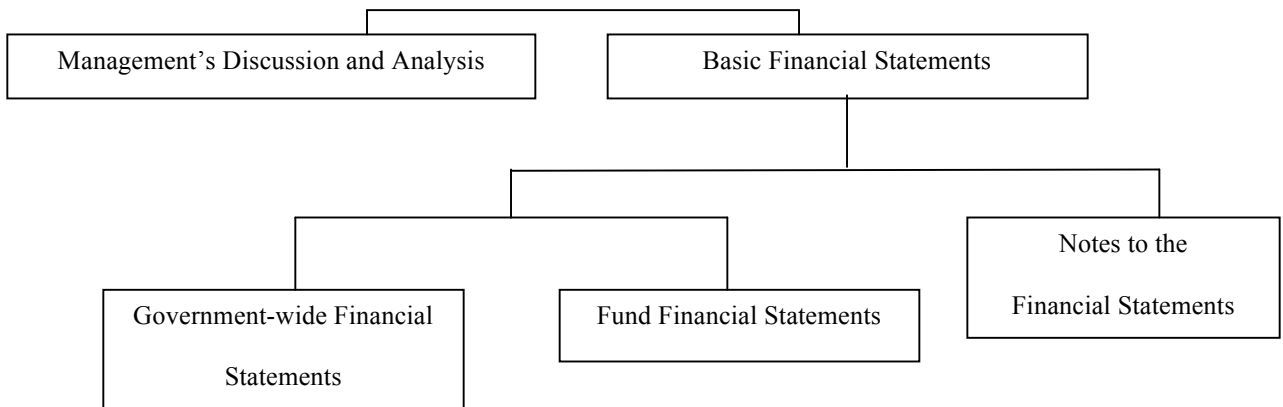
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### THE COMMISSION

The Pocono Mountain Regional Police Department is a police department governed by The Pocono Mountain Regional Police Commission formed in 1993 under the Department of the act of July 1972, P.L. 180 with the purpose of providing police services to its present and future member municipalities. The Department commenced operations in 1994. Member municipalities are billed quarterly for their proportionate share of the adopted budget as determined by hours of police protection services provided.

### USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

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



The Statement of Net Position and Statement of Activities provide information about the activities of the whole Department, presenting both an aggregate view of the Department's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Department's most significant funds with all other non-major funds presented in total in one column. In the case of The Department, the General Fund is by far the most significant fund.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

### REPORTING THE DEPARTMENT AS A WHOLE

#### *Statement of Net Position and the Statement of Activities*

While this document contains the of funds used by the Department to provide programs and activities, the view of the Department as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Department's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Department as a whole, the financial position of the Department has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Department's facility condition and other factors. You will note that the majority of the Department's net assets are "locked up" in fixed assets or restricted for specified projects or uses.

*Table 1 provides a summary of the Department's net Position:*

	2012	2011	2010	2009	2008
<b>Assets</b>					
Current and Other Assets	\$ 2,019,204	\$ 1,870,767	\$ 1,971,026	\$ 2,061,573	\$ 1,783,130
Capital Assets, net	<u>2,996,318</u>	<u>3,046,347</u>	<u>2,873,631</u>	<u>2,623,905</u>	<u>2,616,140</u>
	<u>5,015,522</u>	<u>4,917,114</u>	<u>4,844,657</u>	<u>4,685,478</u>	<u>4,399,270</u>
<b>Liabilities</b>					
Current Liabilities	286,892	236,918	310,275	200,603	275,583
Long-Term Liabilities	<u>396,257</u>	<u>379,224</u>	<u>370,897</u>	<u>311,268</u>	<u>311,321</u>
	<u>683,149</u>	<u>616,142</u>	<u>681,172</u>	<u>511,871</u>	<u>586,904</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Debt	2,906,003	3,000,401	2,710,302	2,485,907	2,463,036
Restricted	540,515	533,479	554,066	680,184	689,324
Unrestricted	<u>885,855</u>	<u>767,092</u>	<u>899,117</u>	<u>1,007,516</u>	<u>660,006</u>
	<u>\$ 4,332,373</u>	<u>\$ 4,300,972</u>	<u>\$ 4,163,485</u>	<u>\$ 4,173,607</u>	<u>\$ 3,812,366</u>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

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

	2012	2011	2010	2009	2008
<b>Program Revenues</b>					
Charges for Services	\$ 5,093,737	\$ 5,232,826	\$ 5,353,546	\$ 5,382,144	\$ 5,043,344
Operating Grants and Contributions	658,052	746,385	516,631	558,118	791,459
Capital Grants and Contributions	0	298,756	22,218	16,421	0
<b>General Revenues</b>					
Investment Earnings	<u>395</u>	<u>478</u>	<u>1,183</u>	<u>5,929</u>	<u>25,086</u>
<i>Total Revenues</i>	<u>5,752,184</u>	<u>6,278,445</u>	<u>5,893,578</u>	<u>5,962,612</u>	<u>5,859,889</u>
<b>Program Expenses</b>					
Public Safety – Police protection	5,576,022	5,933,060	5,677,174	5,372,116	5,310,155
Interest on debt	1,166	10,203	10,640	13,369	7,107
Unallocated depreciation	<u>143,595</u>	<u>197,695</u>	<u>215,886</u>	<u>215,886</u>	<u>191,691</u>
<i>Total Expenses</i>	<u>5,720,783</u>	<u>6,140,958</u>	<u>5,903,700</u>	<u>5,601,371</u>	<u>5,508,953</u>
<i>Increase in Net Assets</i>	<u>\$ 31,401</u>	<u>\$ 137,487</u>	<u>\$ (10,122)</u>	<u>\$ 361,241</u>	<u>\$ 350,936</u>

### ***Defining the classification of expenditures:***

Public Safety activities includes police protection services

Table 3 shows the total cost of services and the net (cost) Revenue of services.

	2012	2011	2010	2009	2008
Public Safety – Police protection	<u>\$ 31,006</u>	<u>\$ 137,009</u>	<u>\$ (11,305)</u>	<u>\$ 355,312</u>	<u>\$ 325,849</u>

## **BUDGETING**

The Department budget is prepared according to the laws of Pennsylvania and is based on accounting for certain transactions on a cash basis of accounting. Once adopted, the budget is generally not amended.

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

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

DECEMBER 31, 2012

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### **REPORTING THE DEPARTMENT'S MOST SIGNIFICANT FUNDS**

#### *Fund Financial Statements*

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

#### *Governmental Funds*

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

#### *Fund activities*

Fund financial reports provide detailed information about the Department's major funds. The funds are accounted for on a modified accrual basis of accounting. Governmental funds have total revenues of \$5,752,184 and expenditures of \$5,703,793. Other financing sources (uses) totaled \$93,566 due to lease obligations for vehicle purchases.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

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The following are the Department's funds:

### **General Fund (Major Fund)**

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

### **Capital Projects Fund (Major Fund)**

The capital projects fund accounts to be used for the acquisition, construction, or improvement of capital facilities.

### **Special Revenue Fund (Non-major Fund)**

The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Department accounts for asset forfeiture and other grants in this fund.

### **Debt Service Fund (Non-major Fund)**

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

**Internal Service Fund (Non-major Fund)** is used to accumulate resources to fund The Department's prescription drug benefit program.

**Trust Funds** are used to account for assets held by the Department in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

### CAPITAL ASSETS

Table 4 Capital Assets

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31</b>
<b>CAPITAL ASSETS</b>				
Land	\$ 250,000	\$	\$	\$ 250,000
Building and Building Improvements	2,271,057			2,271,057
Vehicles	1,266,643	93,566	(108,000)	1,252,209
Equipment	328,083		(5,390)	322,693
Office equipment	313,832			313,832
	<u>\$ 4,429,615</u>	<u>\$ 93,566</u>	<u>\$ (113,390)</u>	<u>\$ 4,409,791</u>
<b>ACCUMULATED DEPRECIATION</b>	<u>\$ 1,383,268</u>	<u>\$ 143,595</u>	<u>\$ (113,390)</u>	<u>\$ 1,413,473</u>

### CAPITAL LEASES

The Department has several capital leases. The leases are for the purchase of police vehicles. Lease continue to be used to acquire vehicles each year.

### DEBT OF THE POLICE COMMISSION

In 2001, the Commission had a 21,862 sq. ft. building constructed to house the main operations of the Department. The Commission borrowed \$2,000,000 at a rate of 4.9% 20 year note for construction. The four member municipalities of the Commission are responsible for their pro-rata share of the outstanding debt and repayment. The Department is not responsible for the repayment of the debt. The outstanding balance as of December 31, 2012 and 2011, respectively is \$1,189,014 and \$1,285,153. Interest paid by the Commission for the year was \$60,927 and \$65,656.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

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### HOURS AND ACTIVITY FOR THE YEAR

*Table 5 Hours of Services*

	<b>Tobyhanna</b>	<b>Mt. Pocono</b>	<b>Tunkhannock</b>	<b>Coolbaugh</b>
Patrol	9,210	1,329	2,161	6,234
Investigation	7,280	5,029	3,753	14,042
Vascar	178	57	117	95
Court	632	386	386	1,244

*Table 6 Activities*

	<b>Tobyhanna</b>	<b>Mt. Pocono</b>	<b>Tunkhannock</b>	<b>Coolbaugh</b>
Complaints	3,580	2,109	1,772	5,415
Accidents	243	251	146	286
Criminal Arrests	307	365	204	629
Traffic Arrests	886	544	340	878
Vehicle Code Warnings	1,145	409	291	705
Ordinance Arrests	37	43	11	48

*Table 7 Other Time*

Training	4,306
Time in Assists	146
Administration	19,299
Tobyhanna	7,790
Mt. Pocono	3,135
Tunkhannock	2,968
Coolbaugh	9,856



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2012

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### CURRENT FINANCIAL ISSUES AND CONCERNS

In conclusion, the Pocono Mountain Regional Police Department has committed itself to being fiscally responsible over the years and appropriately addressing Department needs. In addition, the Department's system of financial planning, budgeting, and internal financial controls are well regarded, as official audits have demonstrated. The Department plans to continue its sound fiscal management to meet the challenges of the future.

#### *Contacting the Department's Financial Management*



This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department's financial office.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities	
	2012	2011
<i>ASSETS</i>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,071,957	\$ 818,633
Prepaid expenses	44,359	52,063
Purchase advances	10,600	10,600
Accounts Receivable	289,467	385,620
	<u>1,416,383</u>	<u>1,266,916</u>
<i>Non-current Assets</i>		
General Fixed Assets		
Land	250,000	250,000
Building & Building Improvements	2,271,057	2,271,057
Vehicles	1,252,209	1,266,643
Equipment	322,693	328,083
Office equipment	313,832	313,832
	<u>4,409,791</u>	<u>4,429,615</u>
Accumulated Depreciation	<u>(1,413,473)</u>	<u>(1,383,268)</u>
Net General Fixed Assets	2,996,318	3,046,347
Restricted Cash and Cash Equivalents	602,821	603,851
	<u>3,599,139</u>	<u>3,650,198</u>
	<u>5,015,522</u>	<u>4,917,114</u>
<i>LIABILITIES</i>		
<i>Current Liabilities</i>		
Accounts payable	32,762	35,911
Accrued payroll	55,476	46,447
Evidence Liability	103,266	103,541
Deferred Revenue	5,073	5,073
Current Portion of Long-Term Debt		
Capital Leases	90,315	45,946
	<u>286,892</u>	<u>236,918</u>
<i>Non-current Liabilities</i>		
Capital Leases	0	0
Compensated Absences Provision	396,257	379,224
	<u>683,149</u>	<u>616,142</u>
<i>NET ASSETS</i>		
Investment in Capital Assets Net of Related Debt	2,906,003	3,000,401
Restricted for:		
Capital Projects	499,555	499,435
Specified use	40,960	34,044
Unrestricted	885,855	767,092
	<u>\$ 4,332,373</u>	<u>\$ 4,300,972</u>

The accompanying notes are an integral part of the financial statements.

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>					<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Capital</b>		<b>2011</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>						
Public safety	\$ 5,576,022	\$ 5,093,737	\$ 658,052	\$	\$ 175,767	\$ 344,907
Interest on Long-Term debt	1,166				(1,166)	(10,203)
Unallocated Depreciation	143,595				(143,595)	(197,695)
	\$ 5,720,783	\$ 5,093,737	\$ 658,052	\$ 0	31,006	137,009
<b>General revenues:</b>						
Interest Income					395	478
<i>Total general revenues, special items, and transfers</i>					395	478
					31,401	137,487
					4,300,972	4,163,485
					\$ 4,332,373	\$ 4,300,972

**Change in Net Assets**

*Net Assets—beginning*

*Net Assets—ending*

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
 DECEMBER 31, 2012

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***Total Fund Balances - Governmental Funds*** \$ 1,822,627

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in funds.

<i>Capital Assets</i>	4,409,791
<i>Accumulated Depreciation</i>	(1,413,473)

Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

<i>Compensated Absences</i>	(396,257)
<i>Capital Leases</i>	(90,315)

<b><i>Total Net Assets - Governmental Activities</i></b>	\$ 4,332,373
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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

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***Total net change in fund balances - governmental funds*** \$ 141,957

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

<i>Depreciation</i>	(143,595)
<i>Capital Outlay</i>	93,566

The current change in the provision for compensated absences is not recorded in the in the governmental funds, but is an expense and a change in the liability provision in the statement of net assets. (17,033)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<i>Capital Leases</i>	50,072
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Proceeds from issuance of debt is a current resource as a financing source in the governmental funds, but an increase in a liability on the statement of net assets. (93,566)

<b><i>Change in net assets of governmental activities</i></b>	<u>\$ 31,401</u>
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**FUND FINANCIAL STATEMENTS**



**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINED BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	<u>Major Funds</u>		<u>Non-Major Fund</u>		2011 Memorandum Total
	General	Capital Projects	Special Revenue	Internal Service	
	<b>2012 Total</b>				
<b>ASSETS</b>					
Cash - unrestricted	\$ 1,033,203	\$ 499,555	\$ 17,072	\$ 21,682	\$ 1,571,512
Cash - restricted	103,266				103,266
Accounts receivable	289,467				289,467
Purchase advances	10,600				10,600
Prepaid expenses	44,359				44,359
Due from other funds	0		2,206		2,206
	<u>\$ 1,480,895</u>	<u>\$ 499,555</u>	<u>\$ 19,278</u>	<u>\$ 21,682</u>	<u>\$ 2,021,410</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 32,762				\$ 32,762
Accrued Payroll	55,476				55,476
Evidence Liability	103,266				103,266
Deferred revenue	5,073				5,073
Due to other funds	2,206				2,206
	<u>198,783</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>198,783</u>
<b>FUND BALANCE</b>					
Committed		479,151			479,023
Assigned		20,404			22,966
Unassigned	1,282,112		19,278	21,682	1,323,072
	<u>1,282,112</u>	<u>499,555</u>	<u>19,278</u>	<u>21,682</u>	<u>1,822,627</u>
	<u>\$ 1,480,895</u>	<u>\$ 499,555</u>	<u>\$ 19,278</u>	<u>\$ 21,682</u>	<u>\$ 2,021,410</u>

The accompanying notes are an integral part of the financial statements.



**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Major Funds			Non-Major Funds			2011 Memorandum Total
	General	Capital Projects	Special Revenue	Internal Service	Debt Service	2012 Total	
<b>REVENUES</b>							
Interest income	\$ 254	\$ 130	\$ 8	\$ 3	\$ 3	\$ 395	\$ 478
Intergovernmental revenue	658,052					658,052	1,045,141
Charges for services	4,981,819		7,254			4,981,819	5,182,302
Other	104,664					111,918	50,524
	<u>5,744,789</u>	<u>130</u>	<u>7,262</u>	<u>3</u>	<u>0</u>	<u>5,752,184</u>	<u>6,278,445</u>
<b>EXPENDITURES</b>							
Current							
Public safety	5,635,821	885	4,451	11,398		5,652,555	6,253,047
Debt service					50,072	50,072	117,383
Principal					1,166	1,166	10,203
Interest					51,238	51,238	6,380,633
	<u>5,635,821</u>	<u>885</u>	<u>4,451</u>	<u>11,398</u>	<u>51,238</u>	<u>5,703,793</u>	<u>6,380,633</u>
	<u>108,968</u>	<u>(755)</u>	<u>2,811</u>	<u>(11,395)</u>	<u>(51,238)</u>	<u>48,391</u>	<u>(102,188)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>							
	93,566					93,566	0
<b>OTHER FINANCING (USES) SOURCES</b>							
Proceeds from issuing debt					51,238	66,738	151,086
Operating transfers in	(66,738)					(66,738)	(151,086)
Operating transfers out	26,828	0	0	15,500	51,238	93,566	0
	<u>135,796</u>	<u>(755)</u>	<u>2,811</u>	<u>4,105</u>	<u>0</u>	<u>141,957</u>	<u>(102,188)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>							
	1,146,316	500,310	16,467	17,577	0	1,680,670	1,781,983
<b>FUND BALANCES, JANUARY 1</b>							
	<u>\$ 1,282,112</u>	<u>\$ 499,555</u>	<u>\$ 19,278</u>	<u>\$ 21,682</u>	<u>\$ 0</u>	<u>\$ 1,822,627</u>	<u>\$ 1,679,795</u>
<b>FUND BALANCES, DECEMBER 31</b>							

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2012

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	<u>Pension Trust</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Investments - unrestricted	<u>\$ 11,346,799</u>	<u>\$ 9,915,341</u>
 <b>LIABILITIES</b>	 <u>\$ 0</u>	 <u>\$ 0</u>
 <b>NET ASSETS</b>		
Reserved for retirement benefits	<u>11,346,799</u>	<u>9,915,341</u>
	<u>\$ 11,346,799</u>	<u>\$ 9,915,341</u>

The accompanying notes are an integral part of the financial statements.

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

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	Pension Trust	
	2012	2011
<b>ADDITIONS</b>		
Township contribution	\$ 680,400	\$ 828,822
Employee Contributions	158,073	155,483
Interest, dividends, and net unrealized gains/losses	974,432	236,226
	<u>1,812,905</u>	<u>1,220,531</u>
<b>DEDUCTIONS</b>		
Administrative fees	56,534	51,353
Pension benefits	324,913	293,742
	<u>381,447</u>	<u>345,095</u>
<b>CHANGE IN NET ASSETS</b>	1,431,458	875,436
<b>NET ASSETS, JANUARY 1</b>	<u>9,915,341</u>	<u>9,039,905</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 11,346,799</u>	<u>\$ 9,915,341</u>

The accompanying notes are an integral part of the financial statements.

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	Originally adopted budget	Final budget	Actual (budgetary cash basis)	Budgetary adjustments to GAAP	Actual GAAP Basis (modified accrual)	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Interest income	\$ 500	\$ 500	\$ 254	\$	\$ 254	\$ (246)
Intergovernmental revenue	692,583	692,583	658,052		658,052	(34,531)
Charges for services	4,958,321	4,958,321	4,981,819		4,981,819	23,498
Other	0	0	104,664		104,664	104,664
	<u>5,651,404</u>	<u>5,651,404</u>	<u>5,744,789</u>	<u>0</u>	<u>5,744,789</u>	<u>93,385</u>
<b>EXPENDITURES</b>						
Public safety	5,705,904	5,705,904	5,635,821	0	5,635,821	70,083
	<u>(54,500)</u>	<u>(54,500)</u>	<u>108,968</u>	<u>0</u>	<u>108,968</u>	<u>163,468</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>						
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuing debt	0	0	93,566		93,566	93,566
Operating transfers in	0	0	0		0	0
Operating transfers out	(15,500)	(15,500)	(66,738)		(66,738)	(51,238)
	<u>(15,500)</u>	<u>(15,500)</u>	<u>(66,738)</u>	<u>0</u>	<u>26,828</u>	<u>42,328</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>						
	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ 42,230</u>	<u>\$ 0</u>	<u>\$ 135,796</u>	<u>\$ 205,796</u>

**NOTES TO THE FINANCIAL STATEMENTS**



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pocono Mountain Regional Police Department is a police department governed by the Pocono Mountain Regional Police Commission formed in 1993 under the authority of the Act of July 1972, P.L. 180 with the purpose of providing police services to its present and future member municipalities. The Department commenced operations 1994. Member municipalities are billed quarterly for their proportionate share of the adopted budget as determined by hours of service.

The years allocation was:

Township of Coolbaugh .....	41.4%
Township of Tobyhanna.....	32.9%
Borough of Mt. Pocono.....	13.2%
Township of Tunkhannock...	12.5%

#### PRINCIPLES DETERMINING SCOPE OF REPORTING ENTITY

The accounting policies and accompanying general purpose financial statements of The Pocono Mountain Regional Police Department conform to U.S. generally accepted accounting principles as applicable to governmental units. The general purpose financial statements of the Department consist only of the funds and account groups of the Department.

#### *BASIS OF PRESENTATION*

The Department's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the Department as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the Department at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Department's governmental activities.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED):

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the Department. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Department.

#### FUND FINANCIAL STATEMENTS:

During the year, the Department segregates transactions related to certain Department functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Department at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

#### BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### **Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Revenues - Exchange and Non-exchange Transactions (continued):**

For the Department, available means expected to be received within sixty days of fiscal year-end. Non-exchange transactions, in which the Department receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Department must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

#### **Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

#### **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

#### MEASUREMENT FOCUS:

#### **Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Department are included on the Statement of Net Assets.



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### MEASUREMENT FOCUS (CONTINUED):

##### **Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

##### **Reporting Entity**

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is governed by applying criteria as set forth in Generally Accepted Accounting Principles (GAAP). The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no other entities includable in Department's financial reporting as a component unit.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***GOVERNMENTAL FUND TYPES***

**General Fund (Major Fund)** is the general operating fund of the Department. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

**Capital Projects Funds (Major Fund)** account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds and is used in meeting the Department's general capital outlay requirements.

**Special Revenue Funds (Non-Major Fund)** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Included in these funds are State Liquid Fuels Highway Aid and Grants.

#### **Internal Service (Non-major Fund)**

The internal service Fund accounts for resources accumulated for the purpose of funding the employee's prescription drug benefit.

**Debt Service Fund (Non-Major Fund)** is used to account for the accumulation of resources for, and the payment of, general long-term debt of the Department not accounted for in other funds.

#### ***FIDUCIARY FUND TYPES***

**Trust Funds** are used to account for assets held by the Department in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

#### **Budgets and Budgetary Accounting**

The Department adopts annual budgets for the General Fund. All budgets are adopted on a budgetary (cash basis), which is not consistent with generally accepted accounting principles. All budget amounts included in the accompanying general purpose financial statements and supplementary information are as originally adopted or as amended by the Board of Commissioners. Budget information is presented only for the general fund, as required by generally accepted accounting principles.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Cash and Cash Equivalents**

The Department considers the funds held in the Pennsylvania Local Government Investment Trust (PLGIT) as cash equivalents. The trust acts as a money market mutual fund investing in obligations of the United States of America, federal government agencies, and the Commonwealth of Pennsylvania.

#### **Restricted Assets**

Cash and investments have been restricted to the extent of pension reserves and specific uses.

#### **Investments**

The Department invests its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository. In addition, the Department may invest its funds in obligations of the United States of America or the Commonwealth of Pennsylvania, including their agencies or instrumentalities, and political subdivisions of the Commonwealth of Pennsylvania. Investment of monies in Pension Funds are restricted by the Fiduciaries Investment Act. The Act allows the trustee to invest in securities which a prudent person would purchase.

#### **Comparative Information**

Certain reclassifications have been made to conform to the current years financial statement presentation.

#### **Inter-fund Receivables, Payables, and Transfers**

Advances between funds are accounted for in the appropriate inter-fund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available expendable resources". Inter-fund activity between governmental funds is eliminated in the government wide financial statements.

#### **Capital Assets**

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized (those exceeding \$10,000) and depreciated using the straight-line method over the estimated useful life. Estimated useful lives are as follows:

Building and plant .....	40 years
Machinery and equipment .....	5-7 years
Vehicles .....	3-5 years

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Compensated Absences Provision**

Vested or accumulated sick and vacation leave that is expected to be liquidated with expendable available financial resources is reported as a expenditure and a fund liability of the fund that will pay it. Amounts of vested or accumulated sick and vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government wide financial statements.

#### **Fund Balance Reserves**

Specific fund balance reserves represent resources restricted for specific purposes. Standard fund balance reserve is used to segregate a portion of the fund balance to indicate that assets equal to the amount of the reserve are tied up in expenses and are, therefore, not available for appropriation.

#### **Pension Plans**

The Department has a defined benefit pension plans. Pension costs for the plans include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over 30 years.

#### **Transfers**

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions.

#### **Budgets and Financial Plans**

The Department uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. The budget is adopted by ordinance and subject to change only by ordinance. The Department utilizes substantially the cash basis of accounting for budgetary purposes.

#### **Capital lease obligations**

The Department has entered into contracts for the lease/purchase of equipment. The terms of the agreements provide for the purchase of the equipment at the end of the lease term. The leases meet the criteria of capital leases as defined by the Statement of Financial Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

#### **Long-Term Liabilities**

Long-term obligations are reported in the government wide statement of activities as a governmental activity. Long-term liabilities expected to be financed from operations of proprietary fund types are accounted for in those funds and as a business type activity.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Use of Estimates

The preparation of general purpose financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves us from the current standard of reporting three main classifications of fund balance (reserved, designated, and unreserved/undesignated) to five new fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned). It's going to take all of us a while to get used to these new definitions, and you can plan on us updating you more in the future as the implementation date gets closer. The statement also modifies the definition of existing governmental fund types. GASB 54 is required to be implemented for financial statements for periods beginning after June 15, 2011. Retroactive restatement are required for all periods presented, although there is an exception for the statistical section in a CAFR. At a minimum, governments will need to apply this change at the beginning of the year of implementation so that the MD&A disclosures are comparative.

### NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Department, under the Pennsylvania First Class Department Code Act, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Department adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Department. To the extent the Department's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

***Custodial credit risk*** – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The remaining balances was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by

***Credit risk*** The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the Department's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk. Investments in PLGIT have received an AAAM rating from Standards & Poors. The Department maintains investments for its pension funds.

***Custodial credit risk investments*** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities.

The Department's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the Department's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

#### ***External Investment Pool - Pennsylvania Local Government Investment Trust***

The Trust (PLGIT) is authorized to invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies, instrumentalities and political subdivisions. The Trust is also authorized to invest in certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law. For a more complete description of the Trust's operations and investments, please refer to its Annual Audit Report or Information Statement. Government Pool investments are not categorized in accordance with GASB No. 3, because they are not evidenced by securities that exist in physical or book entry form.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### NOTE 3 CAPITAL ASSETS

The following is a summary of changes in the capital assets for  
*governmental Activities:*

	Balance January 1	Additions	Deletions	Balance December 31
<b>CAPITAL ASSETS</b>				
Land	\$ 250,000	\$	\$	\$ 250,000
Building and Building Improvements	2,271,057			2,271,057
Vehicles	1,266,643	93,566	(108,000)	1,252,209
Equipment	328,083		(5,390)	322,693
Office equipment	313,832			313,832
	<u>\$ 4,429,615</u>	<u>\$ 93,566</u>	<u>\$ (113,390)</u>	<u>\$ 4,409,791</u>
<b>ACCUMULATED DEPRECIATION</b>	<u>\$ 1,383,268</u>	<u>\$ 143,595</u>	<u>\$ (113,390)</u>	<u>\$ 1,413,473</u>

### NOTE 4 CAPITAL LEASES

The Department has several capital leases on vehicles. The economic substance of these leases is that the Department is financing the acquisition of vehicles through the lease and accordingly, the vehicles are recorded as assets and the leases as liabilities in the government wide financial statements.

### NOTE 5 COMPENSATED ABSENCES

The Department allows its employees to be paid for the accumulated vacation leave which is earned and unused. As employees are paid such benefits, the liability is reduced accordingly.

### NOTE 6 COMMITMENTS AND CONTINGENCIES

In 2001, the Commission had a 21,862 sq. ft. building constructed to house the main operations of the Department. The Commission borrowed \$2,000,000 at a rate of 4.9% 20 year note for construction. The four member municipalities of the Commission are responsible for their pro-rata share of the outstanding debt and repayment. The Department is not responsible for the repayment of the debt. The outstanding balance as of December 31, 2012 and 2011, respectively is \$1,189,014 and \$1,285,153. Interest paid by the Commission for the year was \$60,927 and \$65,656.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### **NOTE 7 LITIGATION**

The Department is involved in various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be covered under the Department's liability insurance policy and would not have a material effect on the financial position of the Department.

### **NOTE 8 POST RETIREMENT BENEFITS OTHER THAN PENSION**

Employees who retire under normal circumstances are eligible for 50% reimbursement of single or family health insurance coverage from their retirement date to the date of Medicare eligibility. Any officer reaching age 46 having 12 years on the force is entitled to benefit. The Department elected to "pay as you go" for the purposes of GASB # 45 and is classified as a small program as there are less than 100 potential participants.

### **NOTE 9 DEFINED BENEFIT PENSION PLANS**

#### **Summary of Significant Accounting Policies and Plan Asset Matters**

#### **Funding Status and Progress of the Plans**

The pension benefit obligations were computed as part of an actuarial valuation performed as of January 1, 2012.

Because the standardized measure is used only for disclosure purposes by the Pocono Mountain Regional Police Department's plans, the measurement is independent of the actuarial computation made to determine contributions to the Plans. The actuarial funding method used to determine contributions to the Plan is explained later in this note.

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- The present value of future pension payments was computed by using a discount rate of 7%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- Future pension payments reflect an assumption of a 5% (compounded annually) salary increase as a result of inflation and merit (seniority).
- Future pension payments reflect no post-retirement benefit increases, which is consistent with the terms of the pension agreement.



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### **NOTE 9    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

#### **Plan Description – Non-uniform Plans**

The pension plans provide pension and death benefits. A member may retire after reaching the age of 65 and accumulating 10 years of service. Benefits vest after on a percentage basis based on years of service with 100% vesting after 12 years of service.

The plan is a defined contribution plan with contributions each December by the Department equal to 4% of each members pay. Each member's account earns a prorated share of the annual return on the trust fund credited each December.

The Department pays the full cost of the Plan. Member contributions are not required.

#### **Plan Description - Police Pension Plan**

The pension plan provides pension benefits and death and disability benefits. A member may retire after reaching the age of 50 and accumulating 25 years of service. Benefits vest after 12 or more years of service. Employees who retire at or after age 50 with 25 or more years of service are entitled to pension payments for the remainder of their lives equal to 65% of their final, three-year average monthly salary.

Pension provisions include death and disability benefits. A disabled employee is entitled to receive a monthly amount equal to the benefit based on the normal retirement formula. The surviving spouse or dependent children under the age of 18 receive 50% of the amount otherwise payable to the participant. The disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry. Employees of the Department are required to pay 5.0% of their gross earnings to the pension plan. The payments are deducted from the employee's wages or salary and remitted by the Department to the Pension Fund on a monthly basis. If an employee leaves the employment of the Department before 12 years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary. The Department makes annual contributions to the pension plan equal to any minimum municipal obligation, as calculated. Those contributions are funded in part through amounts received from the Pennsylvania General Municipal Pension System as state aid.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

### NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

#### Reporting Entity

The Department maintains four single-employer, defined benefit pension plans which cover all full-time classed employees. The Plans are part of the Pocono Mountain Regional Police Department financial reporting entity and are included in the Department's general purpose financial statements as a Pension Trust Fund.

#### Plan Valuation

The pension plan descriptions and actuarial valuations are available at the Department offices.

#### Trend Information

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Department's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Department's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System. Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

#### Schedule of Contributions from Employers and Other Contributing Entities

	Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
<u>Police Pension Plan</u>	2012	\$ 672,667	\$ 672,667	100.0 %
	2011	\$ 821,122	\$ 821,122	100.0 %
	2010	\$ 481,085	\$ 481,085	100.0 %

	Value of Assets	Entry Age Actuarial Liability (AAL)	AAL (UAAL)	Fund Ratio	Covered Payroll	UAAL as of Covered Payroll
<u>Police Pension Plan</u>						
2013	\$11,270,956	\$12,363,753	\$ 1,092,797	91.2%	\$ 2,827,186	38.7%
2011	\$ 8,986,308	\$10,546,009	\$ 1,559,701	85.2%	\$ 2,921,295	53.4%
2009	\$ 6,504,607	\$ 9,783,837	\$ 3,279,230	66.5%	\$ 2,417,546	135.6%

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### **NOTE 8 NEWLY IMPLEMENTED ACCOUNTING STANDARDS (A CHANGE IN ACCOUNTING PRINCIPAL)**

#### **GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves the Department from the current standard of reporting three main classifications of fund balance (*reserved, designated, and unreserved/undesignated*) to five new fund balance classifications (*nonspendable, restricted, committed, assigned, and unassigned*). The hierarchy of five possible classifications of fund balance is:

#### **Nonspendable Fund Balance**

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually.

#### **Restricted Fund Balance**

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

#### **Committed Fund Balance**

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

#### **Assigned Fund Balance**

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.
- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

#### **Unassigned Fund Balance**

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

**COMBINING SCHEDULES**



**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINING BALANCE SHEET**  
**ALL CAPITAL PROJECTS FUNDS**  
**DECEMBER 31, 2012**

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	Capital Reserve	Capital Projects	Totals
<b>ASSETS</b>			
Cash - unrestricted	\$ 479,151	\$ 20,404	\$ 499,555
Due from other funds			0
Cash - restricted			0
	<u>\$ 479,151</u>	<u>\$ 20,404</u>	<u>\$ 499,555</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$	\$	\$
Due to other funds			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE</b>			
Committed	479,151		479,151
Assigned		20,404	20,404
	<u>\$ 479,151</u>	<u>\$ 20,404</u>	<u>\$ 499,555</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Capital Reserve	Capital Projects	Totals
<b>REVENUES</b>			
Interest income	\$ 128	\$ 2	\$ 130
Intergovernmental revenue			0
	<u>128</u>	<u>2</u>	<u>130</u>
<b>EXPENDITURES</b>			
Current			
Public safety		885	885
	<u>0</u>	<u>885</u>	<u>885</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>128</u>	<u>2</u>	<u>(755)</u>
<b>OTHER FINANCING (USES) SOURCES</b>			
Operating transfers in			0
Operating transfers out			0
	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES</b>	128	(883)	(755)
<b>FUND BALANCES, JANUARY 1</b>	<u>479,023</u>	<u>21,287</u>	<u>500,310</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 479,151</u>	<u>\$ 20,404</u>	<u>\$ 499,555</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINING BALANCE SHEET**  
**ALL SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2012**

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	<u>Asset Forfeiture</u>	<u>Grants</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash - unrestricted	\$ 17,072	\$	\$ 17,072
Due from other funds		2,206	2,206
Accounts receivable			0
	<u>\$ 17,072</u>	<u>\$ 2,206</u>	<u>\$ 19,278</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>FUND BALANCE</b>			
Unassigned	<u>17,072</u>	<u>2,206</u>	<u>19,278</u>
	<u>\$ 17,072</u>	<u>\$ 2,206</u>	<u>\$ 19,278</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

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	<u>Asset Forfeiture</u>	<u>Grants</u>	<u>Totals</u>
<b>REVENUES</b>			
Interest income	\$ 8	\$	\$ 8
Intergovernmental revenues			0
Other	<u>2,733</u>	<u>4,521</u>	<u>7,254</u>
	<u>2,741</u>	<u>4,521</u>	<u>7,262</u>
<b>EXPENDITURES</b>			
Current			
Public safety	<u>1,703</u>	<u>2,748</u>	<u>4,451</u>
	<u>1,703</u>	<u>2,748</u>	<u>4,451</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,038	1,773	2,811
<b>OTHER FINANCING USES</b>			
Operating transfers out	<u>          </u>	<u>          </u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,038	1,773	2,811
<b>FUND BALANCES, JANUARY 1</b>	<u>16,034</u>	<u>433</u>	<u>16,467</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 17,072</u>	<u>\$ 2,206</u>	<u>\$ 19,278</u>



**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINED STATEMENTS OF FIDUCIARY NET ASSETS**  
 FIDUCIARY FUNDS (PENSION TRUST)  
 DECEMBER 31, 2012

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	<u>Police</u>	<u>Non-Uniform</u>	<u>Totals</u>
<b>ASSETS</b>			
Investments - unrestricted	<u>\$ 11,270,956</u>	<u>\$ 75,843</u>	<u>\$ 11,346,799</u>
<b>LIABILITIES</b>			
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET ASSETS</b>			
Reserved for retirement benefits	<u>11,270,956</u>	<u>75,843</u>	<u>11,346,799</u>
	<u>\$ 11,270,956</u>	<u>\$ 75,843</u>	<u>\$ 11,346,799</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**  
**COMBINED STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS (PENSION TRUST)**  
**YEAR ENDED DECEMBER 31, 2012**

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	Police	Non-Uniform	Totals
<b>ADDITIONS</b>			
Department contribution	\$ 672,667	\$ 7,733	\$ 680,400
Employee Contributions	158,073		158,073
Interest, dividends, and net unrealized gains/(losses), net	967,388	7,044	974,432
	<u>1,798,128</u>	<u>14,777</u>	<u>1,812,905</u>
<b>DEDUCTIONS</b>			
Administrative	56,534		56,534
Return of employee contributions			0
Pension benefits	324,913		324,913
	<u>381,447</u>	<u>0</u>	<u>381,447</u>
<b>CHANGE IN NET ASSETS</b>	1,416,681	14,777	1,431,458
<b>NET ASSETS, JANUARY 1</b>	<u>9,854,275</u>	<u>61,066</u>	<u>9,915,341</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 11,270,956</u></u>	<u><u>\$ 75,843</u></u>	<u><u>\$ 11,346,799</u></u>

**DETAILED BUDGET AND ACTUAL**



**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**SCHEDULE OF BUDGET AND ACTUAL**

GENERAL FUND (Budgetary Cash Basis)

YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b>INTERGOVERNMENTAL REVENUE</b>			
Federal funds -			
Grants	\$ 0	\$ 0	\$ 0
State funds -			
Grants	12,000	9,800	(2,200)
State Aid - Pension	325,425	325,425	0
Local funds -			
Pension contribution	355,158	322,827	(32,331)
	<u>692,583</u>	<u>658,052</u>	<u>(34,531)</u>
<b>INTEREST</b>	<u>500</u>	<u>254</u>	<u>(246)</u>
<b>CHARGES FOR SERVICES</b>			
Police services -			
Township of Coolbaugh	1,998,853	1,998,853	0
Township of Tobyhanna	1,585,298	1,585,298	0
Borough of Mt. Pocono	637,565	637,565	0
Township of Tunkannock	603,103	603,103	0
Task force	10,765	28,896	18,131
DUI Checkpoint	15,000	11,879	(3,121)
DEA Reimbursements	15,000	13,938	(1,062)
School resource officer	80,737	80,737	0
Police reports	12,000	11,800	(200)
Other local fees			0
Police testing fees		9,750	
	<u>4,958,321</u>	<u>4,981,819</u>	<u>13,748</u>
<b>OTHER</b>			
Sale of property	0	11,890	11,890
Contributions	0		0
Insurance proceeds	0	85,295	85,295
Miscellaneous	0	7,479	0
	<u>0</u>	<u>104,664</u>	<u>104,664</u>
<b>TOTAL REVENUES</b>	<u>\$ 5,651,404</u>	<u>\$ 5,744,789</u>	<u>\$ 93,385</u>
<b>PUBLIC SAFETY</b>			
Police protection	\$ 5,126,875	\$ 5,069,949	\$ 56,926
Non-Uniformed	308,948	287,999	20,949
Operating	270,081	277,873	(7,792)
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,705,904</u>	<u>\$ 5,635,821</u>	<u>\$ 70,083</u>

