



## Pocono Mountain Regional Police Department

Financial Statements  
Year Ended December 31, 2016



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Philadelphia, PA 19103

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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## INDEPENDENT AUDITOR'S REPORT

**To the Police Commission  
Pocono Mountain Regional Police Department  
Pocono Summit, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pocono Mountain Regional Police Department, Pocono Summit, Pennsylvania as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Pocono Mountain Regional Police Department's 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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 of the Pocono Mountain Regional Police, Pocono Summit, Pennsylvania as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Summarized Comparative Information**

We have previously audited the Pocono Mountain Regional Police Department's 2015 financial statements, and our report dated October 6, 2016 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of change changes in net pension liability and Department contributions and the other post-employment benefits schedule of funding progress on pages 3 through 10 and pages 37 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocono Mountain Regional Police Department's basic financial statements. The combining and individual fund financial statements on pages 45 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Pocono Mountain Regional Police Department's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pocono Mountain Regional Police Department's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania**  
**August 31, 2017**

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2016**

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Management's discussion and analysis ("**MD&A**") of the Pocono Mountain Regional Police Department (the "**Department**") provides an overview of the Department's financial performance for 2016. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Department's financial performance.

The Department is governed by The Pocono Mountain Regional Police Commission, formed in 1993 under the authority of the Commonwealth of Pennsylvania Intergovernmental Cooperation Law for the purpose of providing police services to its present and future member municipalities. Current member municipalities include the Townships of Barrett, Coolbaugh, Tobyhanna and Tunkhannock and the Borough of Mount Pocono.

### **FINANCIAL HIGHLIGHTS**

- At December 31, 2016, the assets and deferred outflows of resources exceeded liabilities of the Department resulting in net position of \$5,164,012. During 2016, the Department's net position decreased by \$26,898.
- The General Fund reported an increase in fund balance of \$455,095, bringing the cumulative balance to \$2,448,279 at the conclusion of the 2016 fiscal year.
- Member municipalities are billed monthly for their proportionate share of the adopted budget. Contributions from member municipalities totaled \$6,322,609 and were allocated as follows: Barrett Township 8%; Coolbaugh Township 37%; Mount Pocono Borough 12%; Tobyhanna Township 31% and Tunkhannock Township 12%.
- General Fund revenues were \$219,764 or 3.31% more than budgeted amounts and General Fund expenditures and other financing uses were \$335,331 or 4.97% less than budgeted amounts resulting in a net positive variance of \$555,095. The 2016 General Fund budget included the use of \$100,000 of fund balance to balance the budget.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The MD&A is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Department's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish the functions of the Department that are principally supported by municipal contributions and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED***

**December 31, 2016**

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### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Department's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Department's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

#### **Governmental Funds**

Most of the Department's basic services are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains four individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of its major funds.

The Department adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 13 through 16 of this report.

#### **Proprietary Funds**

The Department maintains one proprietary fund – an internal service fund. Internal service funds are used to accumulate and allocate certain costs internally among the Department's various functions. The Department uses an internal service fund to account for its participation in a consortium with other participating local governments and related agencies to provide self-insurance programs for employee health insurance. Because the internal service fund predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for the Internal Service Fund and can be found on Pages 17 through 19 of this report.

### **FIDUCIARY FUNDS**

The Department is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are not reflected in the basic financial statements because the Department cannot use these assets to finance its operations. The Department is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Department has two pension trust funds (Police and Non-Uniform).

The fiduciary fund financial statements can be found on pages 20 and 21 of this report.

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2016**

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### **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on Pages 22 through 36 of this report.

### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule – General Fund, schedules concerning the Department's net pension liability and progress in funding its obligation to provide pension and other post-employment benefits, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 37 through 48 of this report.

### **FINANCIAL ANALYSIS**

As noted above, net position may serve over time as a useful indicator of an entity's financial condition. In the case of the Department, assets and deferred outflows exceeded liabilities by \$5,164,012 at December 31, 2016. A summary of the Statement of Net Position as of December 31, 2016 and 2015 is presented below.

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets</b>		
Current assets	\$3,597,629	\$3,158,983
Noncurrent assets	<u>2,333,132</u>	<u>2,321,541</u>
Total assets	<u>5,930,761</u>	<u>5,480,524</u>
<b>Deferred outflows</b>		
Deferred investment earnings - pensions	<u>848,364</u>	<u>849,282</u>
<b>Liabilities</b>		
Current liabilities	267,818	262,640
Noncurrent liabilities	<u>1,347,295</u>	<u>876,256</u>
Total liabilities	<u>1,615,113</u>	<u>1,138,896</u>
<b>Net position</b>		
Net investment in capital assets	2,241,957	2,247,981
Restricted	537,849	600,264
Unrestricted	<u>2,384,206</u>	<u>2,342,665</u>
Total net position	<u>\$5,164,012</u>	<u>\$5,190,910</u>

The Department's total assets as of December 31, 2016 were \$5,930,761 of which \$2,905,258 or 48.99% consisted of cash and \$2,333,132 or 39.34% consisted of the Department's investment in capital assets.

Deferred outflows of resources as of December 31, 2016 consisted solely of the unamortized difference between projected and actual earnings on police pension investments.

The Department's total liabilities as of December 31, 2016 were \$1,615,113 of which \$453,014 or 28.03% consisted of a liability for compensated absences, \$417,961 or 25.86% consisted of the actuarially determined liability for other post-employment benefits and \$385,145 or 23.83% consisted of the actuarially determined net pension liability.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

Of the Department's total net position at December 31, 2016, \$2,384,206 is unrestricted and may be used to meet the Department's ongoing operational needs. The Department's unrestricted net position increased by \$41,541 during 2016 primarily due to the results of current year operations.

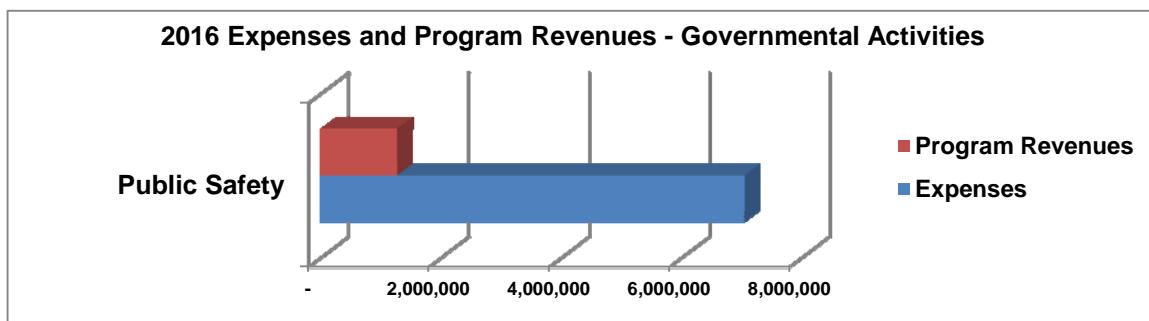
A portion of the Department's net position reflects its restricted net position which totaled \$537,849 as of December 31, 2016. All of the Department's restricted net position related to amounts restricted to capital projects and the U.S. Department of Justice asset forfeiture program.

As of December 31, 2016, a portion of the Department's net position in the amount of \$2,241,957 reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Department uses these capital assets to provide services; consequently, these assets are not available for future spending. For the year ended December 31, 2016, the Department's net investment in capital assets decreased by \$6,024.

During 2016, the Department's net position decreased by \$26,898. A summary of the Statement of Activities for the years ending December 31, 2016 and 2015 is presented below.

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
<b>Program revenues</b>		
Charges for services	\$ 393,862	\$ 341,094
Operating grants and contributions	768,444	996,513
Capital grants and contributions	106,400	112,045
<b>General revenues</b>		
Municipal contributions	5,730,262	5,392,175
Investment earnings	<u>6,509</u>	<u>848</u>
<b>Total revenues</b>	<u>7,005,477</u>	<u>6,842,675</u>
<b>EXPENSES</b>		
Public safety	<u>7,032,375</u>	<u>5,902,679</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (26,898)</u>	<u>\$ 939,996</u>

The *Statement of Activities* provides detail that focuses on how the Department finances its services. The *Statement of Activities* compares the costs of the Department's function with the resources that function generates itself in the form of program revenues. As demonstrated by the following graph, the Department's governmental activities are not self-supporting, raising enough program revenue to cover their costs.

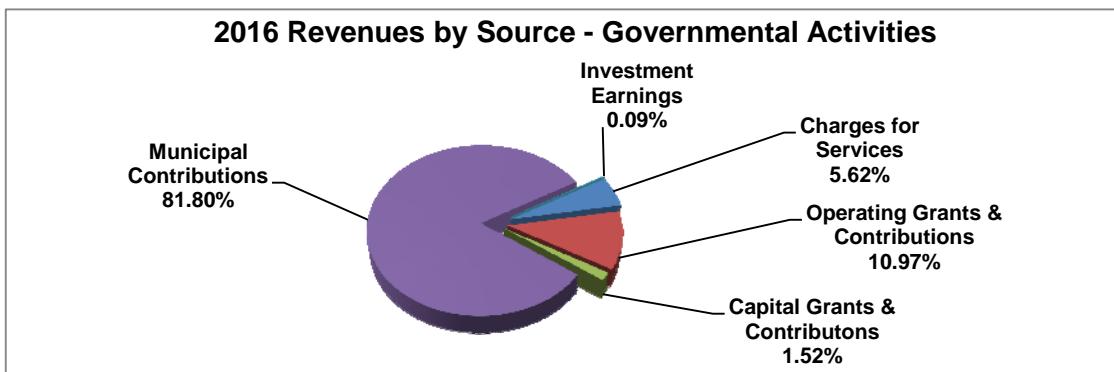


# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

To the degree that the Department's functions or programs cost more than they raise, the Statement of Activities shows how the Department chose to finance the difference through general revenues. The following chart shows that the Department relies on contributions from participating municipalities to finance its governmental activities.



## GOVERNMENTAL FUNDS

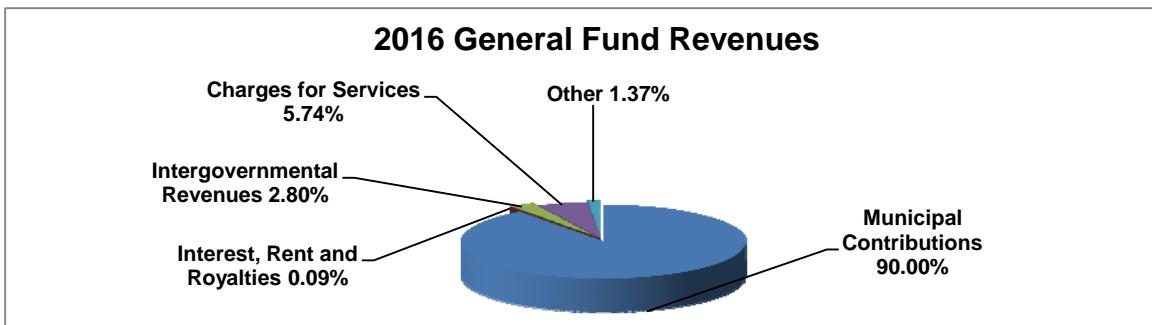
The governmental fund financial statements provide detailed information of the Department's major funds. Some funds are required to be established by State statute while other funds are established by the Department to manage monies restricted for a specific purpose. As of December 31, 2016, the Department's governmental funds reported a combined fund balance of \$2,986,128 which is an increase of \$393,311 from the prior year. The following table summarizes the Department's total governmental fund balances as of December 31, 2016 and 2015 and the total 2016 change in governmental fund balances.

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>
General Fund	\$2,448,279	\$1,993,184	\$ 455,095
Capital Projects Fund	161,213	270,162	(108,949)
Asset Forfeiture Fund	<u>376,636</u>	<u>329,471</u>	<u>47,165</u>
	<u><u>\$2,986,128</u></u>	<u><u>\$2,592,817</u></u>	<u><u>\$ 393,311</u></u>

## GENERAL FUND

The General Fund is the Department's primary operating fund. At the conclusion of the 2016 fiscal year the General Fund fund balance was \$2,448,279 representing an increase of \$455,095 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2016 fiscal year.

The Department's reliance upon municipal contributions is demonstrated by the graph below that indicates 90.00% of General Fund revenues are derived from these revenues.



# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

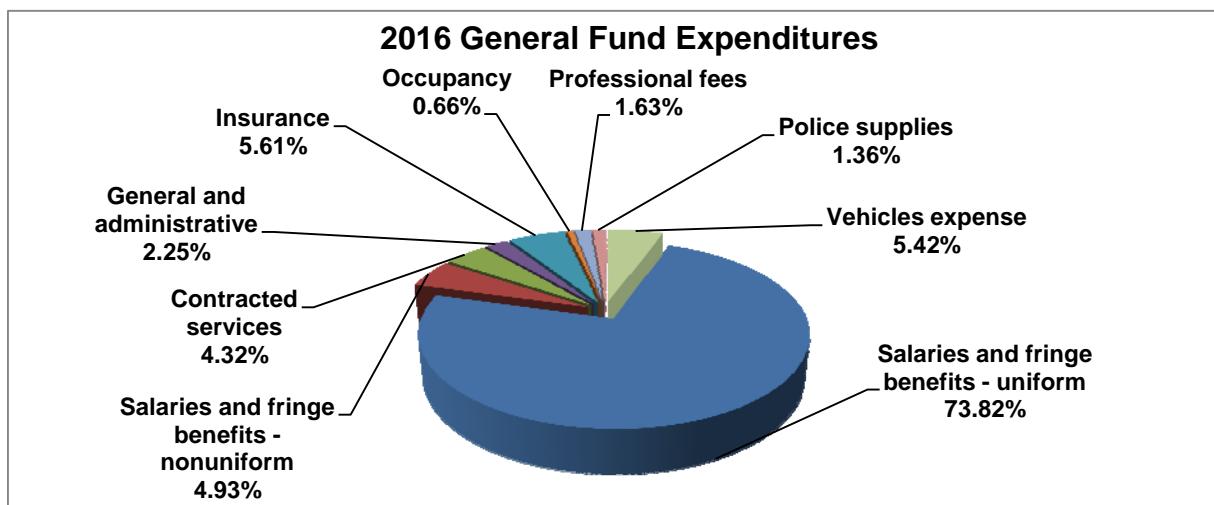
### General Fund Revenues

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Municipal contributions	\$6,176,152	\$6,052,715	\$123,437	2.04
Interest, rent and royalties	5,852	600	5,252	875.33
Intergovernmental revenues	192,279	62,455	129,824	207.87
Charges for services	393,559	326,779	66,780	20.44
Miscellaneous	<u>94,299</u>	<u>98,880</u>	<u>(4,581)</u>	<u>(4.63)</u>
	<u><b>\$6,862,141</b></u>	<u><b>\$6,541,429</b></u>	<u><b>\$320,712</b></u>	<u><b>4.90</b></u>

The largest source of General Fund revenues comes from contributions from the participating member municipalities to support the Department's programs. Contributions are apportioned to each participating member municipality based on a funding formula that is agreed upon by all member municipalities. The funding formula calculates municipal contributions based upon hours of police protection services provided which is revised on an annual basis. In addition, each member is responsible to fund its proportionate share of the Department's minimum municipal pension obligation for both the police and non-uniform pension plans.

Intergovernmental revenues increased by \$129,824 or 207.87% in 2016 compared to 2015 as a result of a one-time capital grant received in the amount of \$106,400 for the purpose of purchasing police vehicles.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Department is a service entity and as such is labor intensive.



### General Fund Expenditures

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and fringe benefits - uniform	\$4,646,630	\$4,505,749	\$140,881	3.13
Salaries and fringe benefits – non-uniform	310,588	304,165	6,423	2.11
Contracted services	272,100	262,933	9,167	3.49
General and administrative	141,456	139,951	1,505	1.08
Insurance	353,319	340,221	13,098	3.85
Occupancy	41,257	48,529	(7,272)	(14.98)
Professional fees	102,542	122,520	(19,978)	(16.31)
Police supplies	85,532	64,766	20,766	32.06
Vehicles expense	<u>341,342</u>	<u>177,341</u>	<u>164,001</u>	<u>92.48</u>
	<u><b>\$6,294,766</b></u>	<u><b>\$5,966,175</b></u>	<u><b>\$328,591</b></u>	<u><b>5.51</b></u>

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2016**

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Salaries and fringe benefits - uniform increased by \$140,881 or 3.13% in 2016 compared to 2015. This increase was the result of a full year of costs related to the merger of the Barrett Township police department in 2016 compared to only a half year in 2015 and contractually obligated pay increases in the police collective bargaining unit. These increases were offset by a decrease in the minimum municipal pension obligation for the police pension plan.

Vehicle expense increased by \$164,001 or 92.48% in 2016 compared to 2015 due to the purchase of three police vehicles with a one-time capital grant.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Projects Fund is primarily funded through municipal contributions, transfers from the General Fund and proceeds from general obligation debt. During 2016, the Capital Projects Fund fund balance decreased by \$108,949 for a cumulative balance of \$161,213 as of December 31, 2016.

### **ASSET FORFEITURE FUND**

The Asset Forfeiture Fund is a special revenue fund which is maintained to account for appropriations from the U.S. Department of Justice which are to be used to subsidize programs that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims and deters crime. During 2016, the Asset Forfeiture Fund fund balance increased by \$47,165 for a cumulative balance of \$376,636 as of December 31, 2016.

### **GENERAL FUND BUDGET INFORMATION**

The Department maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. An annual operating budget is prepared by management and the Treasurer and submitted to the Police Commission for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

General Fund revenues were \$219,764 or 3.31% more than budgeted amounts and General Fund expenditures and other financing uses were \$335,331 or 4.97% less than budgeted amounts resulting in a net positive variance of \$555,095. The 2016 General Fund budget included the use of \$100,000 of fund balance to balance the budget.

General Fund revenues were more than budgeted primarily due to a one time capital grant for the purchase of police vehicles in the amount of \$106,400 that was not budgeted and a refund received in excess of budget by \$34,631 related to the Department's participation in a health insurance consortium.

General Fund expenditures were less than budget primarily due to less than anticipated expenditures for uniform wages and health and workers compensation insurance and budgeted amounts for a technology capital lease that did not commence and were not expended in 2016.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 37 through 41. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues and expenditures for the current year.

### **CAPITAL ASSETS**

The Department's investment in capital assets as of December 31, 2016 amounted to \$2,333,132 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, vehicles, police equipment and office equipment. The total net increase in the Department's investment in capital assets for 2016 was \$11,591 or 0.50%. The increase was the result of current year capital additions in excess of depreciation expense.

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# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2016**

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Current year capital additions were \$234,325 and depreciation expense was \$222,734.

Capital additions for the current year consisted entirely of eight police vehicles.

### **NONCURRENT LIABILITIES**

The Department reports its defined benefit unfunded pension obligation and its unfunded net obligation for post-employment benefits on its statement of net position. The Department's unfunded net pension liability and other post-employment obligation are actuarially determined liabilities that totaled \$385,145 and \$417,961 respectively, as of December 31, 2016. These liabilities increased by \$441,891 or 122.33% for the current year.

The Department records a liability for unused vacation and sick days and compensatory leave based on provisions within the police collective bargaining agreement and the non-uniform employee handbook. The liability for compensated absences totaled \$453,014 as of December 31, 2016 and increased by \$11,533 or 2.61% during the current year.

The Department has entered into long-term lease agreements for the financing of police vehicles and technology equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The liability for capital leases totaled \$91,175 as of December 31, 2016 and increased by \$17,615 or 23.95% during the current year.

### **SUBSIDY AGREEMENT**

The Department has a subsidy agreement with the Townships of Coolbaugh, Tobyhanna and Tunkhannock and the Borough of Mount Pocono to finance the construction of the Central Headquarters for the Department. The subsidy agreement requires the participating municipalities in the subsidy agreement to make debt service payments sufficient to retire the debt issued through annual appropriations in the Department's budget. The balance of the note payable at December 31, 2016 was \$654,025.

### **FACTORS BEARING ON THE DEPARTMENT'S FUTURE**

Overall, the Department's financial position has been stable but challenges such as increased medical costs, pension contributions and negotiated contracts have a potential to offset this stability in future fiscal years. The Police Commission and management of the Department continue to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

The Department adopted a balanced 2017 General Fund budget totaling \$7,170,550 which used \$300,000 of the General Fund fund balance as of December 31, 2016 and the required contributions from participating member municipalities were increased by approximately 3.80%.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Pocono Mountain Regional Police Department, 2454 Route 940, Pocono Summit, Pennsylvania 18346.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## STATEMENT OF NET POSITION

December 31, 2016 with summarized comparative totals for 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,905,258	\$ 2,578,332
Accounts receivable	299,820	228,580
Prepaid expenses	<u>392,551</u>	<u>352,071</u>
<b>Total current assets</b>	<u>3,597,629</u>	<u>3,158,983</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net	<u>2,333,132</u>	<u>2,321,541</u>
<b>Total assets</b>	<u>5,930,761</u>	<u>5,480,524</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	<u>848,364</u>	<u>849,282</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	63,833	64,038
Accrual payroll and related liabilities	122,646	116,543
Evidence escrow	<u>81,339</u>	<u>82,059</u>
<b>Total current liabilities</b>	<u>267,818</u>	<u>262,640</u>
<b>NONCURRENT LIABILITIES</b>		
Due within one year -		
Capital leases payable	69,162	55,161
Due in more than one year -		
Capital leases payable	22,013	18,399
Accrued compensated absences	453,014	441,481
Post-employment benefits	417,961	211,882
Net pension liability	<u>385,145</u>	<u>149,333</u>
<b>Total noncurrent liabilities</b>	<u>1,347,295</u>	<u>876,256</u>
<b>Total liabilities</b>	<u>1,615,113</u>	<u>1,138,896</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,241,957	2,247,981
Restricted		
Capital projects	161,213	270,162
Asset forfeiture	376,636	329,471
Unrestricted		
	<u>2,384,206</u>	<u>2,343,296</u>
<b>Total net position</b>	<u>\$ 5,164,012</u>	<u>\$ 5,190,910</u>

See accompanying notes

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## STATEMENT OF ACTIVITIES

Year ended December 31, 2016 with summarized comparative totals for 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	<u>Expenses</u>	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
		<u>2016</u>	<u>2015</u>		
<b>GOVERNMENTAL ACTIVITIES</b>					
Public safety	\$7,032,375	\$393,862	\$768,444	\$106,400	\$(5,763,669) \$(4,453,027)
<b>GENERAL REVENUES</b>					
Municipal contributions					
Barrett Township				493,621	229,584
Coolbaugh Township				2,124,290	2,138,876
Mount Pocono Borough				694,590	682,034
Tobyhanna Township				1,760,009	1,696,324
Tunkhannock Township				657,752	645,357
Investment earnings				6,509	848
<b>Total general revenues</b>				<u>5,736,771</u>	<u>5,393,023</u>
<b>CHANGE IN NET POSITION</b>				(26,898)	939,996
<b>NET POSITION</b>					
Beginning of year				<u>5,190,910</u>	<u>4,250,914</u>
<b>End of year</b>				<u>\$ 5,164,012</u>	<u>\$ 5,190,910</u>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## **BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2016 with summarized comparative totals for 2015**

	<b>Major Funds</b>			<b>Totals</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Asset Forfeiture Fund</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>					
Cash	\$ 2,344,495	\$ 162,059	\$ 371,537	\$ 2,878,091	\$ 2,553,771
Accounts receivable	299,820	-	-	299,820	228,580
Due from other funds	-	6,017	5,099	11,116	1,083
Prepaid items	<u>74,416</u>	<u>-</u>	<u>-</u>	<u>74,416</u>	<u>71,471</u>
<b>Total assets</b>	<b><u>\$ 2,718,731</u></b>	<b><u>\$ 168,076</u></b>	<b><u>\$ 376,636</u></b>	<b><u>\$ 3,263,443</u></b>	<b><u>\$ 2,854,905</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenditures	\$ 55,351	\$ 6,863	\$ -	\$ 62,214	\$ 62,403
Accrued salaries and benefits	122,646	-	-	122,646	116,543
Due to other funds	11,116	-	-	11,116	1,083
Evidence escrow	<u>81,339</u>	<u>-</u>	<u>-</u>	<u>81,339</u>	<u>82,059</u>
<b>Total liabilities</b>	<b><u>270,452</u></b>	<b><u>6,863</u></b>	<b><u>-</u></b>	<b><u>277,315</u></b>	<b><u>262,088</u></b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid items	74,416	-	-	74,416	71,471
Restricted for					
Capital projects	-	161,213	-	161,213	270,163
Asset forfeiture	-	-	376,636	376,636	329,470
Committed to					
Balance 2016 budget	-	-	-	-	100,000
Balance 2017 budget	300,000	-	-	300,000	-
Unassigned	<u>2,073,863</u>	<u>-</u>	<u>-</u>	<u>2,073,863</u>	<u>1,821,713</u>
<b>Total fund balances</b>	<b><u>2,448,279</u></b>	<b><u>161,213</u></b>	<b><u>376,636</u></b>	<b><u>2,986,128</u></b>	<b><u>2,592,817</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,718,731</u></b>	<b><u>\$ 168,076</u></b>	<b><u>\$ 376,636</u></b>	<b><u>\$ 3,263,443</u></b>	<b><u>\$ 2,854,905</u></b>

**See accompanying notes**

## **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

### ***RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION***

**December 31, 2016**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 2,986,128
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	2,333,132
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(1,347,295)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	848,364
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities on the government-wide statement of net position	<u>343,683</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 5,164,012</u>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**Year ended December 31, 2016 with summarized comparative totals for 2015**

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Asset Forfeiture Fund	2016	2015
<b>REVENUES</b>					
Municipal contributions					
Barrett Township	\$ 516,864	\$ -	\$ -	\$ 516,864	\$ 273,480
Coolbaugh Township	2,298,408	38,135	-	2,336,543	2,433,202
Mount Pocono Borough	750,127	33,735	-	783,862	797,963
Tobyhanna Township	1,900,449	38,135	-	1,938,584	1,938,237
Tunkhannock Township	710,304	36,452	-	746,756	760,189
Interest, rent and royalties	5,852	485	172	6,509	848
Intergovernmental revenues	192,279	-	65,174	257,453	162,611
Charges for services	393,559	-	-	393,559	326,779
Miscellaneous	94,299	-	5,100	99,399	107,784
<b>Total revenues</b>	<u>6,862,141</u>	<u>146,942</u>	<u>70,446</u>	<u>7,079,529</u>	<u>6,801,093</u>
<b>EXPENDITURES</b>					
Current					
Public safety	6,294,766	255,891	23,281	6,573,938	6,199,692
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>567,375</u>	<u>(108,949)</u>	<u>47,165</u>	<u>505,591</u>	<u>601,401</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refund of prior year revenues	(112,280)	-	-	(112,280)	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>455,095</u>	<u>(108,949)</u>	<u>47,165</u>	<u>393,311</u>	<u>601,401</u>
<b>FUND BALANCES</b>					
Beginning of year	1,993,184	270,162	329,471	2,592,817	1,991,416
<b>End of year</b>	<u>\$ 2,448,279</u>	<u>\$ 161,213</u>	<u>\$ 376,636</u>	<u>\$ 2,986,128</u>	<u>\$ 2,592,817</u>

**See accompanying notes**

## **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

### **RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES**

**Year ended December 31, 2016**

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 393,311</b>
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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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 234,325
Depreciation expense	<u>(222,734)</u>

11,591

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. The amount is the net effect of these differences in the treatment of long-term debt.

Proceeds from extended-term financing	(101,508)
Repayment of extended-term financing	<u>83,893</u>

(17,615)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	(11,533)
Current year change in OPEB obligation	(206,079)
Current year change in net pension liability and related deferred outflows	<u>(236,730)</u>

(454,342)

The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities.

40,157

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ (26,898)**

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT****STATEMENT OF NET POSITION - PROPRIETARY FUND****December 31, 2016 with comparative totals for 2015**

	<b>Internal Service Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash	\$ 27,167	\$ 24,561
Prepaid expenses	<u>318,135</u>	<u>280,600</u>
<b>Total assets</b>	<b><u>345,302</u></b>	<b><u>305,161</u></b>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	<u>1,619</u>	<u>1,635</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 343,683</u>	<u>\$ 303,526</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUND**

**Year ended December 31, 2016 with comparative totals for 2015**

	<b>Internal Service Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 559,981	\$ 531,288
<b>OPERATING EXPENSES</b>		
Employee benefits	<u>519,880</u>	<u>464,803</u>
<b>Operating income</b>	<u>40,101</u>	<u>66,485</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	<u>56</u>	<u>5</u>
<b>CHANGE IN NET POSITION</b>	<b>40,157</b>	<b>66,490</b>
<b>NET POSITION</b>		
Beginning of year	<u>303,526</u>	<u>237,036</u>
<b>End of year</b>	<b><u>\$343,683</u></b>	<b><u>\$303,526</u></b>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**Year ended December 31, 2016 with comparative totals for 2015**

	<b>Internal Service Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for assessments made to other fund	\$ 559,981	\$ 467,656
Cash payments for insurance claims	(557,431)	(465,435)
<b>Net cash provided by operating activities</b>	<b>2,550</b>	<b>2,221</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	56	5
<b>Net increase in cash</b>	<b>2,606</b>	<b>2,226</b>
<b>CASH</b>		
Beginning of year	24,561	22,335
<b>Ending of year</b>	<b>\$ 27,167</b>	<b>\$ 24,561</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 40,101	\$ 66,485
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
(Increase) decrease in Prepaid expenses	(37,535)	(63,633)
Increase (decrease) in Accounts payable	(16)	(631)
<b>Net cash provided by operating activities</b>	<b>\$ 2,550</b>	<b>\$ 2,221</b>

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## ***STATEMENT OF NET POSITION - FIDUCIARY FUNDS***

**December 31, 2016 with summarized comparative totals for 2015**

	<b>Pension Trust Funds</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>ASSETS</b>		
Investments	<u>\$ 18,996,326</u>	<u>\$ 17,958,177</u>
<b>NET POSITION</b>		
Assets held in trust for pension benefits	<u>\$ 18,996,326</u>	<u>\$ 17,958,177</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

**Year ended December 31, 2016 with summarized comparative totals for 2015**

	<b>Pension Trust Funds</b>	
	<b>2016</b>	<b>2015</b>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 456,654	\$ 662,871
Member contributions	149,871	148,373
Transfers from other municipalities	-	3,156,295
<b>Total contributions</b>	<b>606,525</b>	<b>3,967,539</b>
<b>Investment income</b>		
Interest, dividends and investment income	1,160,542	89,101
<b>Total additions</b>	<b>1,767,067</b>	<b>4,056,640</b>
<b>DEDUCTIONS</b>		
Benefits paid	614,911	461,922
Refunds of member contributions	27,470	28,888
Administrative expenses	86,537	89,924
<b>Total deductions</b>	<b>728,918</b>	<b>580,734</b>
<b>CHANGE IN NET POSITION</b>	<b>1,038,149</b>	<b>3,475,906</b>
<b>NET POSITION</b>		
Beginning of year	17,958,177	14,482,271
<b>End of year</b>	<b>\$ 18,996,326</b>	<b>\$ 17,958,177</b>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pocono Mountain Regional Police Department (the "**Department**") have been prepared in conformity with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The significant accounting principles and policies utilized by the Department are described below:

#### Organization

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 Commonwealth of Pennsylvania Intergovernmental Cooperation Law for the purpose of providing police services to its present and future member municipalities. The Department commenced operations in 1994. Current member municipalities include the Townships of Barrett, Coolbaugh, Tobyhanna and Tunkhannock and the Borough of Mount Pocono.

#### Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Department as a reporting entity, management has addressed all potential component units which may or may not fall within the Department's accountability. The criteria used to evaluate component units for possible inclusion as part of the Department's reporting entity are financial accountability and the nature and significance of the relationship. The Department is considered to be an independent reporting entity and has no component units.

#### Basis of Presentation

##### **Government-Wide Financial Statements**

The statement of net position 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 government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the Department which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Department is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

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The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each 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 report detailed information about the Department. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Department reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Asset Forfeiture Fund accounts for appropriations from the U.S. Department of Justice which are to be used to subsidize programs that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims and deters crime.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Unearned revenue is reported in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Department expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

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# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

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### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Department reports the following proprietary fund:

The Internal Service Fund is used to account for the Department's participation in a consortium with other participating Pennsylvania local governments and related agencies to provide self-insurance programs for employee health insurance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Department's proprietary fund are charges for services. Operating expenses for the Department's proprietary fund include employee benefits and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds account for the assets held by the Department as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Department's own programs. Like the government-wide financial statements, fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The Department reports the following fiduciary funds:

The Pension Trust Funds account for the activities of the Department's police defined benefit and non-uniform defined contribution pension plans which accumulate resources for pension benefit payments to qualified employees upon retirement.

### **Cash and Cash Equivalents**

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Interfund activity between governmental funds is eliminated in the government-wide financial statements.

### **Municipal Contributions**

Each participating municipality is responsible for its proportionate share of operating and capital expenditures of the Department. Municipal contributions are allocated to each municipality in accordance with a funding formula that is based upon hours of police protection services provided which is revised on an annual basis.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### **Accounts Receivable**

Accounts receivable are stated at the amount the Department expects to collect from balances outstanding at year end. The Department provides an allowance for doubtful accounts that is based on management's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivables. There was no allowance necessary at December 31, 2016.

### **Capital Assets**

Capital assets of the Department are recorded at cost. Donated assets are valued at their estimated fair value on the donated date. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements – 15 - 40 years; vehicles – 5 - 7 years and police and office equipment – 5 - 15 years. Major additions and betterments are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

### **Impairment of Long-Lived Assets**

The Department reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no asset impairments to be recognized at December 31, 2016.

### **Prepaid Items**

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

### **Compensated Absences**

Department policies permit employees to accumulate earned but unused vacation and sick days. The liability for unused vacation and sick days is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for examples, as a result of employee resignation or retirement.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Department reports the following fund balance classifications:

#### **Nonspendable**

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

#### **Restricted**

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Department's highest level of decision-making authority, the Police Commission. Committed amounts cannot be used for any other purpose unless the Police Commission removes those constraints by taking the same type of formal action (e.g., resolution).

### ***Assigned***

Assigned fund balances are amounts that are constrained by the Department's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Police Chief or (b) an appointed body (e.g., finance committee) or (c) an official to which the Department has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Department's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Department's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

### **Implementation of New Accounting Pronouncements**

Effective January 1, 2016, the Department adopted the provisions of GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures"; GASB Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

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The objective of GASB Statement No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77 is intended to improve financial reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the agreements. The implementation of GASB Statement No. 77 had no impact on the financial statements of the Department for the year ended December 31, 2016.

GASB Statement No. 78 amends the scope and applicability of GASB No. Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The implementation of GASB Statement No. 78 had no impact on the financial statements of the Department for the year ended December 31, 2016.

The objective of GASB Statement No. 79 is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The implementation of GASB Statement No. 79 had no impact on the financial statements of the Department for the year ended December 31, 2016.

### **New Accounting Pronouncements**

GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not with the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*" will be effective for the Department for the year ended December 31, 2017. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, "*Financial Reporting for Pension Plans*", and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" will be effective for the Department for the year ended December 31, 2017. GASB Statement No. 74 replaces GASB Statements No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", as amended, and GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", as amended, GASB Statement No. 43, and GASB Statement No. 50, "*Pension Disclosures*".

GASB Statement No. 80 "*Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14*" will be effective for the Department for the year ended December 31, 2017. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*".

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

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GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" will be effective for the Department for the year ended December 31, 2017. GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82 "*Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73*" will be effective for the Department for the year ended December 31, 2017. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

## (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

An annual budget must be adopted not later than December 31 for the succeeding fiscal year prior to January 1. Prior to budget adoption, the Department prepares the proposed budget for Police Commission review. The Department is required to publish notice that the budget has been prepared and is available for inspection at the Department offices. Notice that public hearings will be held on the proposed budget should also be published.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and includes the effect of approved budget amendments.

## (3) DEPOSITS

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department does not have a policy for custodial credit risk on deposits. The Department is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2016, the carrying amount of the Department's deposits was \$2,905,258 and the bank balance was \$2,983,800. Of the bank balance, \$500,000 was covered by federal depository insurance and \$404,836 was collateralized by the Department's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Department are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2016, PLGIT was rated AAA by a nationally recognized statistical rating agency.

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### (3) CAPITAL ASSETS

A summary of the changes in the Department's capital assets for 2016 is as follows:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
<b>Capital assets being depreciated</b>				
Buildings and improvements	2,636,978	-	-	2,636,978
Vehicles	950,300	234,325	-	1,184,625
Police equipment	15,404	-	-	15,404
Office equipment	81,795	-	-	81,795
<b>Total capital assets being depreciated</b>	<u>3,684,477</u>	<u>234,325</u>	<u>-</u>	<u>3,918,802</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	930,590	68,932	-	999,522
Vehicles	656,421	137,991	-	794,412
Police equipment	4,025	1,211	-	5,236
Office equipment	21,900	14,600	-	36,500
<b>Total accumulated depreciation</b>	<u>1,612,936</u>	<u>222,734</u>	<u>-</u>	<u>1,835,670</u>
<b>Total capital assets being depreciated, net</b>	<u>2,071,541</u>	<u>11,591</u>	<u>-</u>	<u>2,083,132</u>
<b>Total capital assets, net</b>	<u>\$2,321,541</u>	<u>\$ 11,591</u>	<u>\$ -</u>	<u>\$2,333,132</u>

### (4) INTERNAL RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$ 6,017	General Fund	\$ 6,017
Asset Forfeiture Fund	<u>5,099</u>	General Fund	<u>5,099</u>
	<u>\$11,116</u>		<u>\$11,116</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses

### (5) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2016:

	<u>Balance January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2016</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ 73,560	\$101,508	\$ 83,893	\$ 91,175	\$69,162
Compensated absences	441,481	11,533	-	453,014	-
OPEB obligation	211,882	247,803	41,724	417,961	-
Net pension (asset) liability <i>(See Note 7)</i>	<u>149,333</u>	<u>235,812</u>	<u>-</u>	<u>385,145</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$876,256</u>	<u>\$596,656</u>	<u>\$125,617</u>	<u>\$1,347,295</u>	<u>\$69,162</u>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

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### Capital Leases

The Department has entered into lease agreements for the financing of new police vehicles. Payments are due monthly. This capital leases have been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets acquired through capital leases are as follows:

Vehicles	\$206,595
Less: accumulated depreciation	<u>(52,095)</u>
	<u><b>\$154,500</b></u>

The future lease payments under the capital leases at December 31, 2016 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$69,162	\$2,734	\$71,896
2018	<u>22,013</u>	<u>283</u>	<u>22,296</u>
	<u><b>\$91,175</b></u>	<u><b>\$3,017</b></u>	<u><b>\$94,192</b></u>

### Other Post-Employment Benefits

The Department's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retired or service disabled police officers and their spouses and dependents. In addition, in the event a police officer is killed in the line of duty, the Department will provide medical insurance to the surviving spouse and dependents for a period of five years. The Police Commission has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

### Funding Policy

The Department's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the Police Commission.

### Annual OPEB Cost and Net OPEB Obligation

The Department's annual other post-employment benefits cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Department's OPEB cost for the year, the amount actually contributed by the Department and changes in the Department's net OPEB obligation:

Annual required contribution	\$251,276
Estimated interest on net OPEB obligation	9,535
Estimated adjustment to annual required contribution	<u>(13,008)</u>
Annual OPEB cost (expense)	247,803
Contributions made	<u>(41,724)</u>
Increase in net OPEB obligation	206,079
Net OPEB obligation – beginning of year	<u>211,882</u>
Net OPEB obligation – end of year	<u><b>\$417,961</b></u>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2016 and 2015 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2016	\$247,803	16.84%	\$417,961
2017	\$251,276	15.68%	\$211,882

### Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$2,159,109, all of which was unfunded. The covered payroll (annual payroll of active employees) was \$3,148,102 and the ratio of the unfunded actuarial accrued liability ("**UUAAL**") to the covered payroll was 68.58%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the Department are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive benefits (the benefits as understood by the Department and employees) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Department and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 5.50% in 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized based on the level dollar, 30-year open period.

## (6) SUBSIDY AGREEMENT

On August 31, 2001, the Townships of Coolbaugh, Tobyhanna and Tunkhannock and the Borough of Mount Pocono entered into a subsidy agreement with the Department to finance the construction of the Central Headquarters. In conjunction with the subsidy agreement the participating municipalities issued a General Obligation Note (the "**Note**") in the amount of \$2,000,000 to finance the project. On March 31, 2015, the Note was subsequently refinanced in order to reduce interest costs. Each participating municipality is required to subsidize its portion of the debt service requirements sufficient to retire the debt issued through annual appropriations in the Department's budget. The Note is payable in monthly installments of \$12,240 through June 2022 and bears interest payable monthly at 3%. The balance of the note payable at December 31, 2016 was \$654,025.

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### (7) EMPLOYEE RETIREMENT PLANS

#### Police Pension Plan

The Pocono Mountain Regional Police Plan is a single-employer defined benefit pension plan (the "**Police Pension Plan**") established to provide a retirement income to supplement the benefits payable under Social Security.

#### Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2016:

Active employees	19
Inactive members or beneficiaries currently receiving benefits	5
Inactive members entitled to but not yet receiving benefits	<u>40</u>
Total	<u>64</u>

#### Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Police Pension Plan.

#### Eligibility

All full-time uniform employees join the Police Pension Plan upon employment.

#### Normal Retirement

A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 65% of the member's average monthly pay (50% if hired after January 1, 2014).

#### Disability Retirement

If an active member is permanently disabled in the line of duty, the member is eligible for a disability pension. The disability pension is equal to the benefit based on the normal retirement formula, but based upon pay to date.

#### Death Benefits

If a member is eligible for retirement, a death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the benefit the member would have been receiving had the member been retired at the time of death.

#### Vesting

A member's benefits vest upon completion of 12 years of service.

#### Basis of Accounting

The Police Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

#### Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "**MMO**"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of total compensation. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any funding requirements established by the MMO in excess of employee and state contributions must be funded by the Department. The Department's 2016 MMO contribution totaled \$448,433 and employee contributions totaled \$149,871.

### Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the Police Pension Plan and funded through investment income.

### Annual Pension Cost

The annual required contribution was determined as part of the December 31, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.50% percent investment rate of return (net of administrative costs) and (b) 3.0% inflation and 5.0% for salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 17.00 years.

### Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	42%	5.50% - 7.50%
International Equities	18%	4.50% - 6.50%
Fixed Income	37%	1.00% - 3.00%
Real Estate	0%	4.50% - 6.50%
Cash	<u>3%</u>	0.00% - 1.00%
Total Portfolio	<u>100%</u>	

### Net Pension Liability

The Department's net pension liability has been measured as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of December 31, 2015, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$385,145 measured as the difference between the total pension liability of \$19,238,576 and the fiduciary net position of \$18,853,431.

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2016**

The Department's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<b>Plan Fiduciary Total Pension Liability (A)</b>	<b>Net Position Position (B)</b>	<b>Net Pension Liability (A) – (B)</b>
<b>Balances as of December 31, 2015</b>	<b>\$17,983,737</b>	<b>\$17,834,404</b>	<b>\$ 149,333</b>
<b>Changes for the year:</b>			
Service cost	532,585	-	532,585
Interest on total pension liability	1,364,635	-	1,364,635
Employer contributions	-	448,433	(448,433)
Member contributions	-	149,871	(149,871)
Net investment income	-	1,071,364	(1,071,364)
Benefit payments	(642,381)	(642,381)	-
Administrative expense	-	(8,260)	8,260
<b>Net changes</b>	<b>1,254,839</b>	<b>1,019,027</b>	<b>235,812</b>
<b>Balances as of December 31, 2016</b>	<b>\$19,238,576</b>	<b>\$18,853,431</b>	<b>\$ 385,145</b>

### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Department calculated using the discount rate 7.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Net Pension Liability (Asset)	\$2,976,787	\$385,145	\$(1,785,484)

### **Pension Expense and Deferred Outflows of Related to Pension**

For the year ended December 31, 2016, the Department recognized net pension expense of \$236,730. At December 31, 2016, the Department reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$848,364

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

### **Year ended December 31:**

2017	\$265,172
2018	265,172
2019	265,172
2020	52,848
	<b><u>\$848,364</u></b>

# **POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

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### **Actuarial Methods and Significant Assumptions**

- Actuarial cost method – Entry age normal
- Investment return – 7.50%
- Discount rate – 5.50%
- Inflation – 3.00%
- Salary increases – 5.50%
- Cost of living adjustments – 3.00% for those eligible for a COLA
- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

### **Non-Uniform Pension Plan**

The Pocono Mountain Regional Non-Uniformed Pension Plan is a single-employer defined contribution pension plan established to provide a retirement income to supplement the benefits payable under Social Security.

### **Eligibility**

All full-time non-uniformed employees join the Plan on the first day of the month following completion of 12 months of employment, or on the December 31 following completion of six months of employment, if earlier.

### **Contributions**

The Department contributes 4.0% of W-2 pay for eligible employees. To receive a contribution, the participant must be employed as a full-time non-uniformed employee on December 31. The Department's contributions totaled \$8,221 for 2016.

### **Normal Retirement**

A participant's full account is payable upon retirement at age 65 and completion of ten years of service.

### **Disability**

If a participant becomes disabled and is unable to continue working, he will be 100% vested in his account, regardless of the number of years of service completed.

### **Death Benefits**

If a participant dies while an active member of the Plan, his account will be 100% vested and payable to the designated beneficiary or beneficiaries.

### **Vesting**

If a participant's membership in the Plan terminates other than by retirement, disability or death, the percentage of his Employer Contribution Account to which he will be entitled depends upon the number of year of credited service. The vesting account is as follows:

<b><u>Years of Service</u></b>	<b><u>Vesting Percentage</u></b>
0-6 Years	0%
7	50%
8	60%
9	70%
10	80%
11	90%
12 or More Years	100%

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# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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A participant is credited with a year of service for each complete 12-month period commencing with the participant's date of hire and ending on the date of separation from service.

### **Forfeiture**

When a participant terminates before becoming 100% vested, the portion of his account to which he is not entitled is used to reduce future Department contributions to the Plan. There were no forfeitures for 2016.

## (8) RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverage during 2016. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Department participates in a consortium with other Pennsylvania municipalities and other governmental agencies to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims.

The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended December 31, 2016:

Insurance claims surplus (liability) – beginning of year	\$ 280,600
Current year insurance claims, fees and changes in estimates	544,481
Insurance claims and fees paid to third party administrator	<u>(506,946)</u>
Insurance claims surplus (liability) – end of year	<u>\$ 318,135</u>

## (9) PRIOR PERIOD ADJUSTMENT

During 2016, the Department made a prior period adjustment to restate capital assets reported in previously issued financial statements based on an original cost valuation. This prior period adjustment and its effect on net position at January 1, 2015 and on changes in net position for the year ended December 31, 2015 are summarized in the following table:

	<b>Governmental Activities</b>
Net position at January 1, 2015, as previously stated	\$4,531,779
Prior period adjustment to	
Restate capital assets based upon original cost valuation	<u>(280,865)</u>
Net position at January 1, 2015, as restated	<u>4,250,914</u>
2015 change in net position, as previously stated	802,359
Prior period adjustment to	
Adjust depreciation expense as a result of original cost valuation	<u>137,637</u>
2015 change in net position, as restated	<u>939,996</u>
Net position at December 31, 2015, as restated	<u>\$5,190,910</u>

## (10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
<b>Municipal contributions</b>				
Barrett Township	\$ 512,638	\$ 512,638	\$ 516,864	4,226
Coolbaugh Township	2,301,336	2,301,336	2,298,408	(2,928)
Mount Pocono Borough	751,061	751,061	750,127	(934)
Tobyhanna Township	1,900,449	1,900,449	1,900,449	-
Tunkhannock Township	711,187	711,187	710,304	(883)
<b>Total municipal contributions</b>	<u>6,176,671</u>	<u>6,176,671</u>	<u>6,176,152</u>	<u>(519)</u>
<b>Interest, rent and royalties</b>				
Investment earnings	212	212	5,852	5,640
<b>Intergovernmental revenues</b>				
COPS bulletproof vest grant	-	-	4,516	4,516
DCED - local share account grant	-	-	106,400	106,400
PA Commission on Crime and Delinquency grant	-	-	7,013	7,013
PA Department of Transportation grant	12,000	12,000	16,194	4,194
PA Liquor Control Board - enforcement	19,500	19,500	23,542	4,042
PA Act 120 - wage reimbursement	-	-	16,187	16,187
U.S. Drug Enforcement Administration	15,000	15,000	14,044	(956)
Monroe County - task force	12,918	12,918	4,383	(8,535)
<b>Total intergovernmental revenues</b>	<u>59,418</u>	<u>59,418</u>	<u>192,279</u>	<u>132,861</u>
<b>Charges for services</b>				
Pocono Mountain School District - SRO Services	345,723	345,723	345,724	1
Other school charges	3,000	3,000	20,849	17,849
DUI checkpoint	12,000	12,000	9,052	(2,948)
Sale of copies of reports	10,853	10,853	14,334	3,481
Police testing fees	7,500	7,500	3,600	(3,900)
<b>Total charges for services</b>	<u>379,076</u>	<u>379,076</u>	<u>393,559</u>	<u>14,483</u>
<b>Miscellaneous</b>				
Miscellaneous	-	-	9,355	9,355
Insurance proceeds	27,000	27,000	63,631	36,631
Sale of capital assets	-	-	5,321	5,321
PMRPF gifts	-	-	15,992	15,992
<b>Total miscellaneous</b>	<u>27,000</u>	<u>27,000</u>	<u>94,299</u>	<u>67,299</u>
<b>Total revenues</b>	<u>6,642,377</u>	<u>6,642,377</u>	<u>6,862,141</u>	<u>219,764</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Salaries and fringe benefits - uniform</b>				
Salary - Chief of Police	96,050	96,050	96,420	(370)
Salary - Lieutenant	171,278	171,278	171,772	(494)
Wages - Sergeants	287,326	277,174	250,462	26,712
Wages - Corporals	282,926	282,926	267,805	15,121
Wages - Officers	2,037,450	1,980,650	1,896,589	84,061
Heart and lung act pay	-	7,800	9,161.00	(1,361)
Police - health insurance	756,364	740,264	578,153	162,111
Police - dental insurance	35,053	35,053	26,071	8,982
Police - disability insurance	17,848	17,848	16,065	1,783
Police - vision insurance	5,559	5,559	4,213	1,346
Police - life insurance	10,526	10,526	9,969	557
Police - FICA medicare	48,918	48,918	47,082	1,836
Police - FICA social security	209,171	209,171	201,304	7,867
Police - unemployment insurance	11,372	11,872	11,368	504
Annual leave	37,000	42,500	42,341	159
Police - PILI	34,930	51,030	50,959	71
Longevity	55,600	55,600	54,900	700
Police - overtime regular	160,107	200,107	202,466	(2,359)
Police - overtime smooth operator	12,000	12,000	16,035	(4,035)
Police - overtime task force	12,000	12,000	3,509	8,491
Police - overtime DUI checkpoint	12,000	12,000	28,099	(16,099)
Police - holiday pay	103,692	103,692	92,629	11,063
Police - overtime court	56,360	59,860	58,659	1,201
Police - overtime Drug Enforcement Administration	15,000	15,000	13,687	1,313
Police - clothing allowance	8,000	8,000	8,000	-
Police - tuition reimbursement	16,800	27,300	24,979	2,321
Transfer to prescription fund	15,500	15,500	15,500	-
Transfer to police pension fund	438,281	448,433	448,433	-
<b>Total salaries and fringe benefits - uniform</b>	<b>4,947,111</b>	<b>4,958,111</b>	<b>4,646,630</b>	<b>311,481</b>
<b>Salaries and fringe benefits - nonuniform</b>				
Salary - Executive Assistant	64,916	64,916	65,166	(250)
Wages - Secretary	121,119	121,119	121,548	(429)
Office - health insurance	71,351	71,351	61,242	10,109
Office - dental insurance	3,336	3,336	2,767	569
Office - disability insurance	2,075	2,075	1,551	524
Office - vision insurance	530	530	449	81
Office - life insurance	734	734	734	-
Office - FICA medicare	2,863	2,863	2,848	15
Office - FICA social security	12,243	12,243	12,192	51
Office - unemployment insurance	1,354	1,354	1,354	-
Office - PILI	7,426	7,426	7,346	80
Office - overtime	1,000	1,000	-	1,000

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

**Year ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
Retirement plan	3,000	3,000	3,000	-
Wages - cleaning	8,871	8,871	8,931	(60)
Wages - mechanic	13,302	13,302	7,616	5,686
Health care reform fees	5,937	5,937	4,164	1,773
General - FICA medicare	321	321	236	85
General - FICA social security	1,375	1,375	1,011	364
General - unemployment insurance	271	271	212	59
Transfer to nonuniform pension fund	8,128	8,221	8,221	-
<b>Total salaries and fringe benefits - nonuniform</b>	<b>330,152</b>	<b>330,245</b>	<b>310,588</b>	<b>19,657</b>
<b>Contracted services</b>				
Service contract - elevator	1,083	1,083	932	151
Service contract - fire protection	743	743	678	65
Service contract - snow/ice removal	11,230	11,230	7,710	3,520
Service contract - lawn care	1,591	1,591	1,500	91
Service contract - heat/ac	4,396	5,396	5,234	162
Service contract - emergency generator	852	852	795	57
Service contract - pest control	700	700	684	16
Service contract - phone system	1,720	1,720	1,670	50
Service contract - alarm monitoring	706	706	360	346
Monroe County Control Center	252,634	252,634	252,537	97
<b>Total contracted services</b>	<b>275,655</b>	<b>276,655</b>	<b>272,100</b>	<b>4,555</b>
<b>General and administrative</b>				
Office - seminars and training	1,500	1,500	1,092	408
Office supplies	2,493	2,493	1,673	820
Office equipment	-	-	1,874	(1,874)
Operating expense	31,274	31,274	24,661	6,613
Public relations	1,500	1,500	3,162	(1,662)
Bank service charges	120	120	85	35
Payroll service	5,676	5,676	5,597	79
Testing services	7,500	7,500	6,085	1,415
Telephone	31,151	33,651	33,718	(67)
Internet service	1,483	1,983	1,684	299
Computer air cards/GPS	8,897	20,897	10,557	10,340
Postage	1,577	1,577	1,517	60
Advertising	5,913	5,913	2,898	3,015
Lease - operating	9,829	9,829	7,409	2,420
Capital lease	50,000	50,000	-	50,000
Dues and subscriptions	2,300	2,300	3,116	(816)
Cleaning service	8,000	8,000	-	8,000
Radio equipment repairs and maintenance	4,705	4,705	4,380	325
Towing	1,000	1,000	-	1,000

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
Printing	1,642	1,642	691	951
Academy training expenses	16,000	16,000	10,248	5,752
Police - seminars and training	25,000	25,000	20,684	4,316
K-9 training	-	-	325	(325)
<b>Total general and administrative</b>	<b>217,560</b>	<b>232,560</b>	<b>141,456</b>	<b>91,104</b>
<b>Insurance</b>				
Office - workers compensation insurance	2,203	2,203	2,203	-
Insurance - commercial package	17,177	17,177	14,581	2,596
Insurance - public officials	11,132	11,132	10,827	305
Insurance - bonding	368	368	250	118
General - workers compensation insurance	720	720	717	3
Insurance- automobile	40,570	40,570	40,382	188
Insurance - police liability	30,863	31,863	31,853	10
Police - workers compensation insurance	347,379	316,879	252,506	64,373
<b>Total insurance</b>	<b>450,412</b>	<b>420,912</b>	<b>353,319</b>	<b>67,593</b>
<b>Occupancy</b>				
Heat - propane	13,623	13,623	4,120	9,503
Electric	21,420	22,420	22,062	358
Trash collection	1,051	1,551	1,260	291
Building repairs and maintenance	24,492	24,492	13,815	10,677
<b>Total occupancy</b>	<b>60,586</b>	<b>62,086</b>	<b>41,257</b>	<b>20,829</b>
<b>Professional fees</b>				
Independent audit	7,000	13,800	13,750	50
Actuarial services/nonuniform	2,000	2,000	1,880	120
Legal services	56,139	31,339	15,320	16,019
Computer support	70,000	70,000	71,592	(1,592)
<b>Total professional fees</b>	<b>135,139</b>	<b>117,139</b>	<b>102,542</b>	<b>14,597</b>
<b>Police supplies</b>				
Police - uniforms	25,700	25,700	21,938	3,762
Weapons and ammunition	17,170	27,670	33,688	(6,018)
S.R.T. expenses	10,610	10,610	10,551	59
Fitness equipment	2,000	2,000	2,000	-
Equipment transfer and striping	6,000	9,000	8,002	998
K-9 supplies	-	-	3,508	(3,508)
Bike patrol equipment	-	-	5,845	(5,845)
<b>Total police supplies</b>	<b>61,480</b>	<b>74,980</b>	<b>85,532</b>	<b>(10,552)</b>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Vehicles</b>				
Vehicle fuel	88,200	88,200	81,452	6,748
Vehicle repairs	8,735	28,734	27,477	1,257
Vehicle miscellaneous maintenance and supplies	24,147	24,147	15,551	8,596
Vehicles tires	16,000	16,000	14,621	1,379
Capital lease - vehicles	127,200	112,608	86,720	25,888
Police vehicles equipped	-	-	115,521	(115,521)
<b>Total vehicles</b>	<u>264,282</u>	<u>269,689</u>	<u>341,342</u>	<u>(71,653)</u>
<b>Total expenditures</b>	<u>6,742,377</u>	<u>6,742,377</u>	<u>6,294,766</u>	<u>447,611</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>567,375</u>	<u>667,375</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year revenues	-	-	(112,280)	(112,280)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>455,095</u>	<u>\$ 555,095</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,993,184</u>	
<b>End of year</b>			<u>\$ 2,448,279</u>	

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

**Year ended December 31,**

	<b>Police Pension Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 532,585	\$ 507,224
Interest on total pension liability	1,364,635	1,092,361
Benefit payments, including refunds of member contributions	(642,381)	(490,810)
Transfers in	-	2,571,962
<b>Net change in total pension liability</b>	<b>1,254,839</b>	<b>3,680,737</b>
<b>Total pension liability, beginning</b>	<b>17,983,737</b>	<b>14,303,000</b>
<b>Total pension liability, ending</b>	<b>\$ 19,238,576</b>	<b>\$ 17,983,737</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Employer contributions	\$ 448,433	\$ 610,732
Member contributions	149,871	136,573
Net investment income	1,071,364	25,441
Benefit payments	(642,381)	(490,810)
Administrative expense	(8,260)	(26,790)
Transfers in	-	3,200,191
<b>Net change in plan fiduciary net position</b>	<b>1,019,027</b>	<b>3,455,337</b>
<b>Fiduciary net position, beginning</b>	<b>17,834,404</b>	<b>14,379,067</b>
<b>Fiduciary net position, ending</b>	<b>\$ 18,853,431</b>	<b>\$ 17,834,404</b>
<b>Net pension liability, ending</b>	<b>\$ 385,145</b>	<b>\$ 149,333</b>
<b>Fiduciary net position as a % of total pension liability</b>	<b>98.00%</b>	<b>99.17%</b>
<b>Covered payroll</b>	<b>3,095,627</b>	<b>3,113,787</b>
<b>Net pension liability as a % of covered payroll</b>	<b>12.44%</b>	<b>4.80%</b>

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## SCHEDULE OF DEPARTMENT PENSION CONTRIBUTIONS

Year ended December 31,

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### Police Pension Fund

Fiscal Year Ended December 31	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2015	\$ 610,732	\$ 610,732	\$ -	\$ 3,113,787	19.61%
2016	\$ 448,433	\$ 448,433	\$ -	\$ 3,095,627	14.49%

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS**

**Year ended December 31, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Percentage Funded (a/b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a)/c)</u>
01/01/2015	\$ -	\$2,159,109	0.00%	\$2,159,109	\$3,148,102	68.58%

## **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT****COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND****December 31, 2016**

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 15,090	\$ 146,969	\$ 162,059
Due from other funds	<u>6,017</u>	<u>-</u>	<u>6,017</u>
<b>Total assets</b>	<b><u>\$21,107</u></b>	<b><u>\$146,969</u></b>	<b><u>\$168,076</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenditures	<u>\$ 6,233</u>	<u>\$ 630</u>	<u>\$ 6,863</u>
<b>FUND BALANCES</b>			
Restricted for			
Capital projects	<u>14,874</u>	<u>146,339</u>	<u>161,213</u>
<b>Total liabilities and fund balances</b>	<b><u>\$21,107</u></b>	<b><u>\$146,969</u></b>	<b><u>\$168,076</u></b>

# POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND**

**Year ended December 31, 2016**

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES</b>				
Municipal contributions				
Coolbaugh Township	\$ 38,135	\$ -	\$ -	\$ 38,135
Mount Pocono Borough	33,735	-	-	33,735
Tobyhanna Township	38,135	-	-	38,135
Tunkhannock Township	36,452	-	-	36,452
Interest, rent and royalties	8	477	-	485
<b>Total revenues</b>	<b>146,465</b>	<b>477</b>	<b>-</b>	<b>146,942</b>
<b>EXPENDITURES</b>				
Current				
Public safety	255,891	-	-	255,891
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(109,426)</b>	<b>477</b>	<b>-</b>	<b>(108,949)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	109,208	-	(109,208)	109,208
Transfers out	-	(109,208)	109,208	(109,208)
<b>Total other financing sources (uses)</b>	<b>109,208</b>	<b>(109,208)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(218)</b>	<b>(108,731)</b>	<b>-</b>	<b>(108,949)</b>
<b>FUND BALANCES</b>				
Beginning of year	15,092	255,070	-	270,162
<b>End of year</b>	<b>\$ 14,874</b>	<b>\$ 146,339</b>	<b>\$ -</b>	<b>\$ 161,213</b>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT****COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS****December 31, 2016**

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	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Investments	<u>\$ 18,853,431</u>	<u>\$ 142,895</u>	<u>\$ 18,996,326</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 18,853,431</u>	<u>\$ 142,895</u>	<u>\$ 18,996,326</u>

**POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT**

**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

**Year ended December 31, 2016**

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ 448,433	\$ 8,221	\$ 456,654
Member contributions	<u>149,871</u>	<u>-</u>	<u>149,871</u>
<b>Total contributions</b>	<u>598,304</u>	<u>8,221</u>	<u>606,525</u>
<b>Investment income</b>			
Interest, dividends and investment income	<u>1,149,641</u>	<u>10,901</u>	<u>1,160,542</u>
<b>Total additions</b>	<u>1,747,945</u>	<u>19,122</u>	<u>1,767,067</u>
<b>DEDUCTIONS</b>			
Benefits paid	614,911	-	614,911
Refunds of member contributions	27,470	-	27,470
Administrative expenses	<u>86,537</u>	<u>-</u>	<u>86,537</u>
<b>Total deductions</b>	<u>728,918</u>	<u>-</u>	<u>728,918</u>
<b>CHANGE IN NET POSITION</b>	1,019,027	19,122	1,038,149
<b>NET POSITION</b>			
Beginning of year	<u>17,834,404</u>	<u>123,773</u>	<u>17,958,177</u>
<b>End of year</b>	<u>\$ 18,853,431</u>	<u>\$ 142,895</u>	<u>\$ 18,996,326</u>



**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 Police Commission  
Pocono Mountain Regional Police Department  
Pocono Summit, Pennsylvania**

We 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pocono Mountain Regional Police Department (the "**Department**"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated August 31, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 the Department's financial statements are free from 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 Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

**BBD, LLP**

**Philadelphia, Pennsylvania**

**August 31, 2017**