



Pocono Mountain Regional Police Department

Financial Statements
Year Ended December 31, 2018



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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, 2018, 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 opinions 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, 2018, 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 2017 financial statements, and our report dated August 7, 2018 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change In Accounting Principle

As described in Note 11 to the financial statements, the Department changed its method of accounting for other postemployment benefits as a result of implementing GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinions are not modified with respect to that matter.

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 36 through 43 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 44 through 47 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 July 3, 2019, 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
July 3, 2019**

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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 2018. 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, 2018, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the Department resulting in net position of \$1,990,201. During 2018, the Department's net position decreased by \$376,658.
- The General Fund reported an increase in fund balance of \$301,220, bringing the cumulative balance to \$3,206,321 at the conclusion of the 2018 fiscal year.
- Member municipalities are billed monthly for their proportionate share of the adopted budget. Contributions from member municipalities totaled \$6,614,265 and were allocated as follows: Barrett Township 8.61%; Coolbaugh Township 37.07%; Mount Pocono Borough 12.12%; Tobyhanna Township 30.71% and Tunkhannock Township 11.48%.
- General Fund revenues were \$126,888 or 1.77% more than budgeted amounts and General Fund expenditures and other financing uses were \$279,756 or 3.85% less than budgeted amounts resulting in a net positive variance of \$406,644. The 2018 General Fund budget included the use of \$105,424 of fund balance to balance the budget.
- Effective 2018, the Department was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position, certain items related to the Department's other post-employment plan which were not required to be presented in the prior years. Consequently, the implementation of GASB Statement No. 75 resulted in a decrease in the Department's unrestricted net position as of December 31, 2018. For consistency purposes, the December 31, 2017 Statement of Net Position has been restated in the financial statements as if GASB Statement No. 75 had been applied, retroactively.

Elements of GASB Statement No. 75 included within the Statement of Net Position include an actuarially determined liability for other postemployment benefits of \$3,340,294 and deferred outflows of \$227,836 (primarily changes in actuarial assumptions under the new standard and contributions subsequent to the measurement date – an effective reduction of the liability).

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.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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.

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.

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 17 and 18 of this report.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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 19 through 35 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 changes in its net pension liability and pension contributions and changes in its other post-employment benefits liability, 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 36 through 47 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 and deferred inflows by \$1,990,201 at December 31, 2018. A summary of the Statement of Net Position as of December 31, 2018 and 2017 is presented below.

	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$4,177,328	\$3,900,876
Noncurrent assets	<u>2,444,934</u>	<u>2,411,682</u>
Total assets	<u>6,622,262</u>	<u>6,312,558</u>
Deferred outflows – pensions and OPEB	<u>2,354,045</u>	<u>687,636</u>
Liabilities		
Current liabilities	308,666	364,793
Noncurrent liabilities	<u>6,495,276</u>	<u>3,574,128</u>
Total liabilities	<u>6,803,942</u>	<u>3,938,921</u>
Deferred inflows - pensions	<u>182,164</u>	<u>694,414</u>
Net position		
Net investment in capital assets	2,273,954	2,186,669
Restricted	662,341	630,982
Unrestricted (deficit)	<u>(946,094)</u>	<u>(450,792)</u>
Total net position	<u>\$1,990,201</u>	<u>\$2,366,859</u>

The Department's total assets as of December 31, 2018 were \$6,622,262 of which \$3,715,208 or 56.10% consisted of cash and \$2,444,934 or 36.92% consisted of the Department's investment in capital assets.

Deferred outflows of resources and deferred inflows of resources as of December 31, 2018 consisted solely of the unamortized pension and OPEB related items that are permitted to be recognized as part of pension and OPEB expense in future years.

The Department's total liabilities as of December 31, 2018 were \$6,803,942 of which \$2,444,684 or 35.93% consisted of the actuarially determined liability for pension benefits and \$3,340,294 or 49.09% consisted of the actuarially determined liability for other post-employment benefits.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

The Department had a deficit in unrestricted net position of \$946,094 at December 31, 2018. The Department's unrestricted net position decreased by \$495,302 primarily due to the change in the actuarially determined liability for pension and other post-employment benefits and other related deferred outflows and inflows.

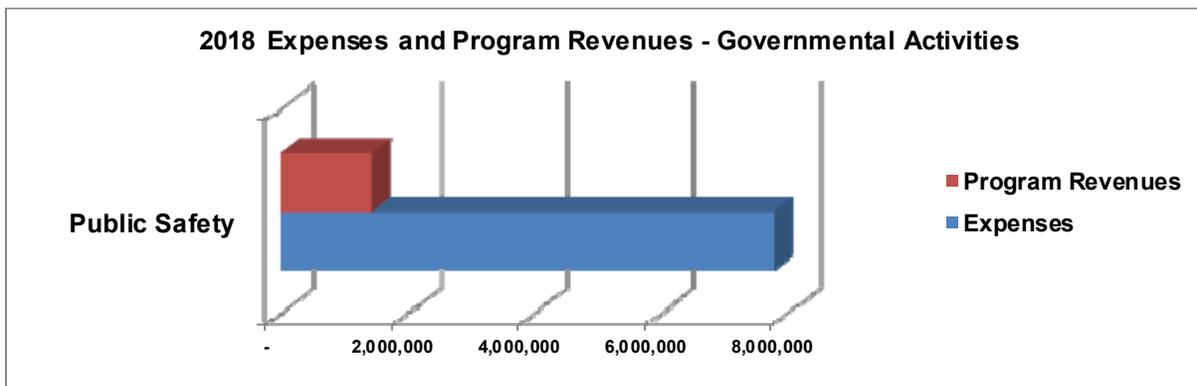
A portion of the Department's net position reflects its restricted net position which totaled \$662,341 as of December 31, 2018. All of the Department's restricted net position related to amounts restricted to capital projects and the U.S. Department of Justice asset forfeiture program.

As of December 31, 2018, a portion of the Department's net position in the amount of \$2,273,954 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, 2018, the Department's net investment in capital assets increased by \$87,285.

During 2018, the Department's net position decreased by \$376,658. A summary of the Statement of Activities for the years ending December 31, 2018 and 2017 is presented below.

	<u>2018</u>	<u>2017</u>
REVENUES		
Program revenues		
Charges for services	\$ 426,386	\$ 413,536
Operating grants and contributions	1,018,956	694,853
Capital grants and contributions	-	3,945
General revenues		
Municipal contributions	5,947,357	5,947,357
Investment earnings	<u>49,217</u>	<u>17,486</u>
Total revenues	<u>7,441,916</u>	<u>7,077,177</u>
EXPENSES		
Public safety	<u>7,818,574</u>	<u>7,406,015</u>
CHANGE IN NET POSITION	<u>\$ (376,658)</u>	<u>\$ (328,838)</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.

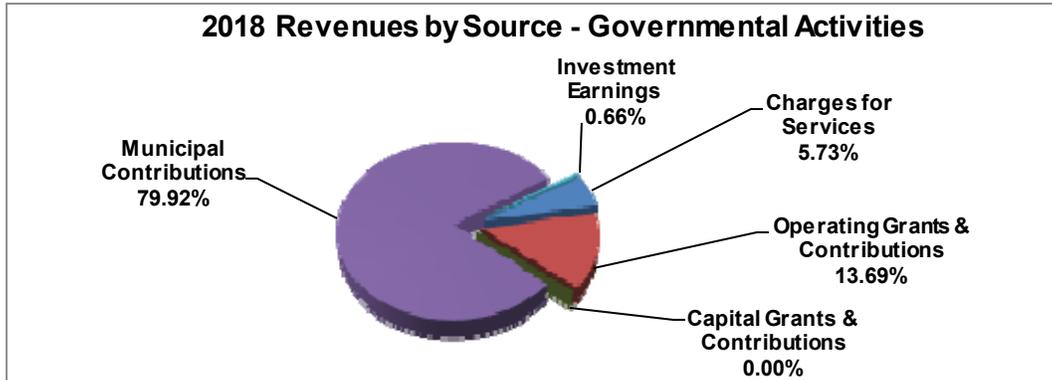


POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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

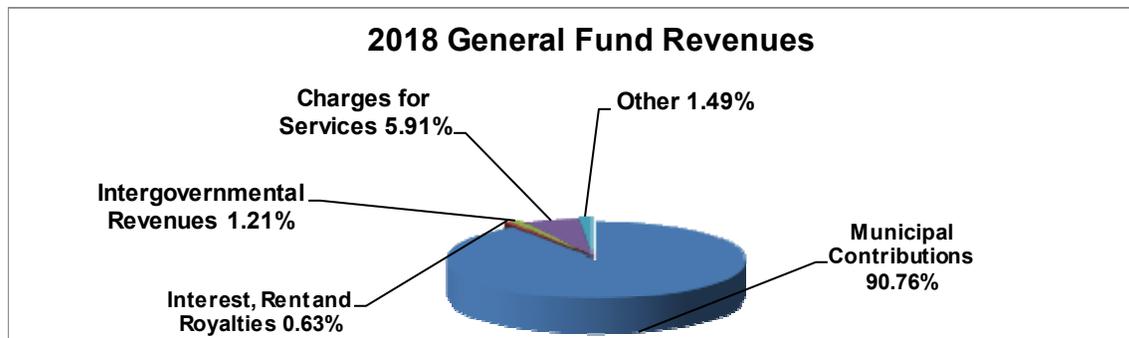
The governmental fund financial statements provide detailed information of the Department's major funds. Some funds are required to be established by State statute while other funds are established by the Department to manage monies restricted for a specific purpose. As of December 31, 2018, the Department's governmental funds reported a combined fund balance of \$3,868,662 which is an increase of \$332,579 from the prior year. The following table summarizes the Department's total governmental fund balances as of December 31, 2018 and 2017 and the total 2018 change in governmental fund balances.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
General Fund	\$3,206,321	\$2,905,101	\$301,220
Capital Projects Fund	247,682	289,930	(42,248)
Asset Forfeiture Fund	<u>414,659</u>	<u>341,052</u>	<u>73,607</u>
	<u>\$3,868,662</u>	<u>\$3,536,083</u>	<u>\$332,579</u>

GENERAL FUND

The General Fund is the Department's primary operating fund. At the conclusion of the 2018 fiscal year the General Fund fund balance was \$3,206,321 representing an increase of \$301,220 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 2018 fiscal year.

The Department's reliance upon municipal contributions is demonstrated by the graph below that indicates 90.76% of General Fund revenues are derived from these revenues.



POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

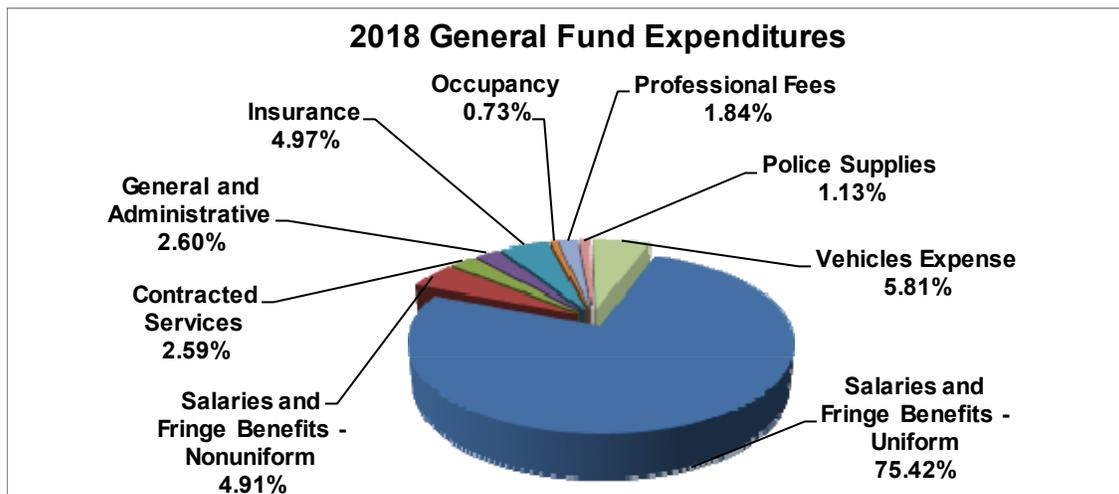
December 31, 2018

General Fund Revenues

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Municipal contributions	\$6,614,265	\$6,408,256	\$206,009	3.21
Interest, rent and royalties	45,787	16,266	29,521	181.49
Intergovernmental revenues	87,821	50,231	37,590	74.83
Charges for services	430,940	427,927	3,013	0.70
Miscellaneous	<u>108,281</u>	<u>92,980</u>	<u>15,301</u>	<u>16.46</u>
	<u>\$7,287,094</u>	<u>\$6,995,660</u>	<u>\$291,434</u>	<u>4.17</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. Municipal contributions increased in 2018 compared to 2017 primarily due to the increase in the Department's minimum pension obligation for the police pension plan.

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>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and fringe benefits - uniform	\$5,194,187	\$4,827,254	\$366,933	7.60
Salaries and fringe benefits – non-uniform	338,063	326,225	11,838	3.63
Contracted services	178,638	209,679	(31,041)	(14.80)
General and administrative	179,061	165,142	13,919	8.43
Insurance	342,499	314,537	27,962	8.89
Occupancy	48,556	46,676	1,880	4.03
Professional fees	126,786	108,867	17,919	16.46
Police supplies	77,800	69,312	8,488	12.25
Vehicles expense	<u>400,284</u>	<u>346,691</u>	<u>53,593</u>	<u>15.46</u>
	<u>\$6,885,874</u>	<u>\$6,414,383</u>	<u>\$471,491</u>	<u>7.35</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

Salaries and fringe benefits - uniform increased by \$366,933 or 7.60% in 2018 compared to 2017. This increase was primarily due to contractually obligated pay increases in the police collective bargaining agreement and delays in replacing vacancies in 2017. In addition, the minimum municipal obligation for the police pension plan increased by approximately \$200,000.

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 2018, the Department appropriated \$100,000 in their 2018 General Fund budget to transfer to the Capital Projects Fund. During 2018, the Capital Projects Fund reported a decrease in fund balance of \$42,248. The remaining fund balance of \$247,682 as of December 31, 2018 is restricted for future capital expenditures.

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 2018, the Asset Forfeiture Fund fund balance increased by \$73,607 for a cumulative balance of \$414,659 as of December 31, 2018.

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 \$126,888 or 1.77% more than budgeted amounts and General Fund expenditures and other financing uses were \$279,756 or 3.85% less than budgeted amounts resulting in a net positive variance of \$406,644. The 2018 General Fund budget included the use of \$105,424 of fund balance to balance the budget.

General Fund expenditures were less than budget primarily due to less than anticipated expenditures for uniform wages and health as a result of unfilled positions during 2018. In addition, computer support expenditures were under budget due to several initiatives and upgrades that were not undertaken.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 36 through 40. 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, 2018 amounted to \$2,444,934 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 2018 was \$33,252 or 1.38%. The increase was the result of current year capital additions in excess of depreciation expense and the net book value of disposed of capital assets.

Current year capital additions were \$355,340 and depreciation expense and the net book value of disposed of capital assets was \$322,088.

Capital additions for the current year consisted of six police vehicles and land improvements to the police headquarters.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

NONCURRENT LIABILITIES

The Department reports its unfunded net liability for pension benefits on its statement of net position. The Department's net pension liability is an actuarially determined liability that totaled \$2,444,684 as of December 31, 2018. This liability increased by \$2,531,863 or 290.42% for the current year.

The Department reports its unfunded liability for post-employment benefits on its statement of net position. The Department's other post-employment liability is an actuarially determined liability that totaled \$3,340,294 as of December 31, 2018. This liability increased by \$396,826 or 13.48% 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 \$539,318 as of December 31, 2018 and increased by \$46,492 or 9.43% 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 \$170,980 as of December 31, 2018 and decreased by \$54,033 or 24.01% 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, 2018 was \$360,904.

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 2019 General Fund budget totaling \$7,578,360 which used \$354,015 of the General Fund fund balance as of December 31, 2018 and the required contributions from participating member municipalities increased by approximately 1.40%.

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, 2018 with summarized comparative totals for 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 3,715,208	\$ 3,651,091
Accounts receivable	389,022	175,425
Prepaid expenses	73,098	74,360
Total current assets	<u>4,177,328</u>	<u>3,900,876</u>
NONCURRENT ASSETS		
Capital assets, net	<u>2,444,934</u>	<u>2,411,682</u>
Total assets	<u>6,622,262</u>	<u>6,312,558</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions	2,126,209	507,207
Deferred outflows - OPEB	<u>227,836</u>	<u>180,429</u>
Total deferred outflows of resources	<u>2,354,045</u>	<u>687,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	86,885	86,298
Accrual payroll and related liabilities	135,371	133,418
Evidence escrow	<u>86,410</u>	<u>145,077</u>
Total current liabilities	<u>308,666</u>	<u>364,793</u>
NONCURRENT LIABILITIES		
Due within one year -		
Capital leases payable	107,811	132,043
Due in more than one year -		
Capital leases payable	63,169	92,970
Accrued compensated absences	539,318	492,826
Post-employment benefits	3,340,294	2,943,468
Net pension liability (asset)	<u>2,444,684</u>	<u>(87,179)</u>
Total noncurrent liabilities	<u>6,495,276</u>	<u>3,574,128</u>
Total liabilities	<u>6,803,942</u>	<u>3,938,921</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	<u>182,164</u>	<u>694,414</u>
NET POSITION		
Net investment in capital assets	2,273,954	2,186,669
Restricted		
Capital projects	247,682	289,930
Asset forfeiture	414,659	341,052
Unrestricted (deficit)	<u>(946,094)</u>	<u>(450,792)</u>
Total net position	<u>\$ 1,990,201</u>	<u>\$ 2,366,859</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF ACTIVITIES

Year ended December 31, 2018 with summarized comparative totals for 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
					<u>2018</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES						
Public safety	\$ 7,818,574	\$ 426,386	\$ 1,018,956	\$ -	\$ (6,373,232)	\$ (6,293,681)
GENERAL REVENUES						
Municipal contributions						
Barrett Township					512,134	512,134
Coolbaugh Township					2,204,652	2,204,652
Mount Pocono Borough					721,117	721,117
Tobyhanna Township					1,826,747	1,826,747
Tunkhannock Township					682,707	682,707
Investment earnings					49,217	17,486
Total general revenues					<u>5,996,574</u>	<u>5,964,843</u>
CHANGE IN NET POSITION					(376,658)	(328,838)
NET POSITION						
Beginning of year					<u>2,366,859</u>	<u>2,695,697</u>
End of year					<u>\$ 1,990,201</u>	<u>\$ 2,366,859</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018 with summarized comparative totals for 2017

	Major Fund			Totals	
	General	Capital	Asset	2018	2017
	Fund	Projects	Forfeiture		
ASSETS					
Cash	\$ 3,052,238	\$ 248,311	\$ 414,659	\$ 3,715,208	\$ 3,651,091
Accounts receivable	385,866	3,156	-	389,022	175,425
Due from other funds	3,156	-	-	3,156	122
Prepaid items	73,098	-	-	73,098	74,360
Total assets	\$ 3,514,358	\$ 251,467	\$ 414,659	\$ 4,180,484	\$ 3,900,998
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenditures	\$ 86,256	\$ 629	\$ -	\$ 86,885	\$ 86,298
Accrued salaries and benefits	135,371	-	-	135,371	133,418
Due to other funds	-	3,156	-	3,156	122
Evidence escrow	86,410	-	-	86,410	145,077
Total liabilities	308,037	3,785	-	311,822	364,915
FUND BALANCES					
Nonspendable					
Prepaid items	73,098	-	-	73,098	74,360
Restricted for					
Capital projects	-	247,682	-	247,682	289,930
Asset forfeiture	-	-	414,659	414,659	341,052
Committed to					
Balance 2018 budget	-	-	-	-	105,424
Balance 2019 budget	354,015	-	-	354,015	-
Unassigned	2,779,208	-	-	2,779,208	2,725,317
Total fund balances	3,206,321	247,682	414,659	3,868,662	3,536,083
Total liabilities and fund balances	\$ 3,514,358	\$ 251,467	\$ 414,659	\$ 4,180,484	\$ 3,900,998

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, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$ 3,868,662
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.	2,444,934
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.	(6,495,276)
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.	<u>2,171,881</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,990,201</u></u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2018 with summarized comparative totals for 2017

	<u>Major Fund</u>			<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Asset Forfeiture Fund</u>	<u>2018</u>	<u>2017</u>
REVENUES					
Municipal contributions					
Barrett Township	\$ 569,554	\$ -	\$ -	\$ 569,554	\$ 559,634
Coolbaugh Township	2,451,875	37,876	-	2,489,751	2,410,428
Mount Pocono Borough	801,946	33,505	-	835,451	809,639
Tobyhanna Township	2,031,555	-	-	2,031,555	1,997,442
Tunkhannock Township	759,335	36,419	-	795,754	771,309
Interest, rent and royalties	45,787	3,256	174	49,217	17,486
Intergovernmental revenues	87,821	-	127,929	215,750	57,113
Charges for services	430,940	-	-	430,940	427,927
Miscellaneous	108,281	-	-	108,281	92,980
Total revenues	<u>7,287,094</u>	<u>111,056</u>	<u>128,103</u>	<u>7,526,253</u>	<u>7,143,958</u>
EXPENDITURES					
Current					
Public safety	6,885,874	253,304	54,496	7,193,674	6,619,548
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>401,220</u>	<u>(142,248)</u>	<u>73,607</u>	<u>332,579</u>	<u>524,410</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	100,000	150,000
Transfers out	(100,000)	-	-	(100,000)	(150,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	301,220	(42,248)	73,607	332,579	524,410
FUND BALANCES					
Beginning of year	<u>2,905,101</u>	<u>289,930</u>	<u>341,052</u>	<u>3,536,083</u>	<u>3,011,673</u>
End of year	<u>\$ 3,206,321</u>	<u>\$ 247,682</u>	<u>\$ 414,659</u>	<u>\$ 3,868,662</u>	<u>\$ 3,536,083</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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 332,579
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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 and the net book value of the disposed of capital assets in the current period.

Capital outlay expenditures	\$ 355,340	
Depreciation expense	(319,788)	
Net book value of disposed of capital assets	<u>(2,300)</u>	33,252

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	(158,726)	
Repayment of extended-term financing	<u>212,759</u>	54,033

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	(46,492)	
Current year change in OPEB obligation	(349,419)	
Current year change in net pension liability and related deferred outflows	<u>(400,611)</u>	<u>(796,522)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (376,658)</u>
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POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2018 with summarized comparative totals for 2017

	Pension Trust Funds	
	<u>2018</u>	<u>2017</u>
ASSETS		
Investments	<u>\$ 20,731,564</u>	<u>\$ 21,646,094</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 20,731,564</u>	<u>\$ 21,646,094</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2018 with summarized comparative totals for 2017

	Pension Trust Funds	
	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 668,515	\$ 461,674
Member contributions	<u>146,574</u>	<u>140,238</u>
Total contributions	<u>815,089</u>	<u>601,912</u>
Investment income		
Interest, dividends and investment income	<u>(1,103,761)</u>	<u>2,760,724</u>
Total additions	<u>(288,672)</u>	<u>3,362,636</u>
DEDUCTIONS		
Benefits paid, including refunds of member contributions	622,408	695,884
Administrative expenses	<u>3,450</u>	<u>17,860</u>
Total deductions	<u>625,858</u>	<u>713,744</u>
CHANGE IN NET POSITION	(914,530)	2,648,892
NET POSITION		
Beginning of year	<u>21,646,094</u>	<u>18,997,202</u>
End of year	<u>\$ 20,731,564</u>	<u>\$ 21,646,094</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(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, 2018

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.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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.

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.

Investments

Investments are stated at fair value based upon quoted market prices.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as 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. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Department. Unobservable inputs reflect the Department's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Department has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Department's own assumptions.

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.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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.

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, 2018.

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, 2018.

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:

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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.

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 Department'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, 2017, 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, 2018, the Department adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishment Issues".

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)).

The objective of GASB Statement No 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB Statement No. 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt this is defeased in substance. The implementation of GASB Statement No. 86 had no impact on the financial statements of the Department for the year ended December 31, 2018.

New Accounting Pronouncements

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" will be effective for the Department for the year ended December 31, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84, "*Fiduciary Activities*" will be effective for the Department for the year ended December 31, 2019. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, "*Leases*" will be effective for the Department for the year ended December 31, 2020. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", will be effective for the Department for the year ended December 31, 2019. The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", will be effective for the Department for the year ended December 31, 2019. The primary objects of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(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 AND INVESTMENTS

State statutes authorize the Department to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral or state treasurer's investment pools.

Custodial Credit Risk - Deposits

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, 2018, the carrying amount of the Department's deposits was \$3,715,208 and the bank balance was \$3,790,392. Of the bank balance, \$500,000 was covered by federal depository insurance and \$263,108 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, 2018, PLGIT was rated AAA by a nationally recognized statistical rating agency.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Investments

As of December 31, 2018, the Department's pension trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds – equity	\$12,009,210
Mutual funds – fixed income	7,574,028
Real estate investment trust (" <i>REIT</i> ")	628,151
Money market	<u>520,175</u>
	<u>\$20,731,564</u>

Mutual funds and money market investments were valued using Level 1 inputs, while the REIT was valued using Level 3 inputs.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of December 31, 2018, the REIT is an uninsured investment security that is held by either the counterparty or the counterparty's trust department or agent but not in the Department's name and subject to custodial credit risk.

Investments in external investment pools or in the open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2018, the fixed income mutual funds are considered to be exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Department had no investments subject to credit risk as of December 31, 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. As of December 31, 2018, the Department had no investments subject to concentration of credit risk.

(3) CAPITAL ASSETS

A summary of the changes in the Department's capital assets for 2018 is as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
Capital assets not being depreciated				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Capital assets being depreciated				
Buildings and improvements	2,636,978	145,505	-	2,782,483
Vehicles	1,433,838	209,835	238,323	1,405,350
Police equipment	30,739	-	-	30,739
Office equipment	<u>81,795</u>	<u>-</u>	<u>-</u>	<u>81,795</u>
Total capital assets being depreciated	<u>4,183,350</u>	<u>355,340</u>	<u>238,323</u>	<u>4,300,367</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Less accumulated depreciation for				
Buildings and improvements	(1,066,447)	(68,555)	-	(1,135,002)
Vehicles	(897,546)	(233,889)	(236,023)	(895,412)
Police equipment	(6,575)	(2,744)	-	(9,319)
Office equipment	<u>(51,100)</u>	<u>(14,600)</u>	<u>-</u>	<u>(65,700)</u>
Total accumulated depreciation	<u>(2,021,668)</u>	<u>(319,788)</u>	<u>(236,023)</u>	<u>(2,105,433)</u>
Total capital assets being depreciated, net	<u>2,161,682</u>	<u>35,552</u>	<u>2,300</u>	<u>2,194,934</u>
Total capital assets, net	<u>\$ 2,411,682</u>	<u>\$ 35,552</u>	<u>\$ 2,300</u>	<u>\$ 2,444,934</u>

(4) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$ 3,156</u>	Capital Projects Fund	<u>\$ 3,156</u>

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

A summary of interfund transfers for the year ended December 31, 2018 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$100,000</u>	General Fund	<u>\$100,000</u>

Transfers to Capital Projects Fund from the General Fund represent transfers to subsidize acquisition costs for the purchase and construction of capital assets.

(5) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2018:

	<u>Balance January 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2018</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ 225,013	\$ 158,726	\$212,759	\$ 170,980	\$107,811
Compensated absences	492,826	46,492	-	539,318	-
OPEB liability	2,943,468	446,349	49,523	3,340,294	-
Net pension (asset) liability	<u>(87,179)</u>	<u>2,531,863</u>	<u>-</u>	<u>2,444,684</u>	<u>-</u>
Total noncurrent liabilities	<u>\$3,574,128</u>	<u>\$3,183,430</u>	<u>\$262,282</u>	<u>\$6,495,276</u>	<u>\$107,811</u>

(6) CAPITAL LEASES

The Department has entered into lease agreements for the financing of new police vehicles and vehicle equipment. 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:

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Vehicles	\$316,537
Less: accumulated depreciation	<u>(78,343)</u>
	<u>\$238,194</u>

The future lease payments under the capital leases at December 31, 2017 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$107,811	\$ 6,369	\$114,180
2020	30,975	2,488	33,463
2021	<u>32,194</u>	<u>1,268</u>	<u>33,462</u>
	<u>\$170,980</u>	<u>\$10,125</u>	<u>\$181,105</u>

(7) 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.

OPEB Plan Membership

Membership in the other post-employment healthcare plan consisted of the following at December 31, 2018:

Active employees	41
Vested former employees	1
Retired employees	<u>6</u>
Total	<u>48</u>

OPEB Liability

The Department's OPEB liability has been measured as of December 31, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, and by rolling forward the liabilities from the January 1, 2018 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$3,340,294, all of which is unfunded.

The Department's change in its OPEB liability for the year ended December 31, 2018 was as follows:

Balance as of January 1, 2018	<u>\$2,943,468</u>
Changes for the year	
Service cost	152,071
Interest on total OPEB liability	113,849
Changes in assumptions	180,429
Benefit payments	<u>(49,523)</u>
Net changes	<u>(396,826)</u>
Balance as of December 31, 2018	<u>\$3,340,294</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Department recognized OPEB expense of \$282,323. At December 31, 2018, the Department had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	164,026	-
Contributions subsequent to the measurement date	<u>63,810</u>	<u>-</u>
	<u>\$227,836</u>	<u>\$ -</u>

\$63,810 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2019	\$ 16,403
2020	16,403
2021	16,403
2022	16,403
2023	16,403
Thereafter	<u>82,011</u>
	<u>\$164,026</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2018, calculated using current healthcare cost trends as well as what the OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$2,961,878</u>	<u>\$3,340,294</u>	<u>\$3,780,117</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Department calculated using the discount rate of 3.16%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.16%) or 1 percentage point higher (4.16%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.16%</u>	<u>3.16%</u>	<u>4.16%</u>
OPEB Liability	<u>\$3,652,030</u>	<u>\$3,340,294</u>	<u>\$3,056,534</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of December 31, 2018, was determined by rolling forward the OPEB Liability as of January 1, 2018 to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

- Actuarial cost method - entry age normal
- Discount rate - 3.16% - Standard and Poor's 20-year municipal bond rate. The discount rate changed from 3.71% to 3.16%.
- Salary growth – 5.0%
- Assumed healthcare cost trends – 6.00% in 2018 and 5.50% in 2019 through 2021.
- Mortality rates were based on the RP-2000 mortality tables for males and females.

(8) 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, 2018 was \$360,904.

(9) 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, 2018:

Active employees	37
Inactive members or beneficiaries currently receiving benefits	22
Inactive members entitled to but not yet receiving benefits	<u>5</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).

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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.

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 2018 MMO contribution totaled \$659,677 and employee contributions totaled \$146,574.

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 January 1, 2017 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) 3.00% inflation and 5.00% for salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 12.00 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.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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%
Cash	3%	0.00% - 1.00%
Total Portfolio	<u>100%</u>	

Net Pension Liability (Asset)

The Department's net pension liability (asset) has been measured as of December 31, 2018. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2017, 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 (asset) is \$2,444,684 measured as the difference between the total pension liability of \$23,001,020 and the fiduciary net position of \$20,556,336.

The Department's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2018 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2017	\$21,386,736	\$21,473,915	\$ (87,179)
Changes for the year:			
Service cost	616,625	-	616,625
Interest on total pension liability	1,620,035	-	1,620,035
Changes of benefit terms	-	-	-
Changes for experience	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	659,677	(659,677)
Member contributions	-	146,574	(146,574)
Net investment income	-	(1,098,004)	1,098,004
Benefit payments, including refunds of member contributions	(622,376)	(622,376)	-
Administrative expense	-	(3,450)	3,450
Net changes	<u>1,614,284</u>	<u>(917,579)</u>	<u>2,531,863</u>
Balances as of December 31, 2018	<u>\$23,001,020</u>	<u>\$20,556,336</u>	<u>\$2,444,684</u>

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:

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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	<u>1% Decrease</u> <u>6.50%</u>	<u>Current Discount Rate</u> <u>7.50%</u>	<u>1% Increase</u> <u>8.50%</u>
Net Pension Liability (Asset)	<u>\$5,443,037</u>	<u>\$2,444,684</u>	<u>\$(50,281)</u>

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2018, the Department recognized net pension expense of \$1,060,288. At December 31, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$182,164
Changes in assumptions	434,749	-
Net difference between projected and actual investment earnings	<u>1,691,460</u>	<u>-</u>
	<u>\$2,126,209</u>	<u>\$182,164</u>

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

Year ended December 31:

2019	\$ 584,062
2020	371,741
2021	318,890
2022	585,160
2023	42,097
Thereafter	<u>42,095</u>
	<u>\$1,944,045</u>

Actuarial Methods and Significant Assumptions

- Actuarial cost method – Entry age normal
- Investment return – 7.50%
- Discount rate – 7.50%
- Inflation – 3.00%
- Salary increases – 5.00%
- Mortality rates were based on the RP-2000 mortality tables for males and females.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program ("**DROP**") for a period of not less than one year nor more than three years. Monthly pensions under this program are calculated as of the date of participation in the program and are distributed in a lump sum at retirement. The DROP balance at December 31, 2018 was \$134,401.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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December 31, 2018

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 \$8,838 for 2018.

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 years of credited service. The vesting account is as follows:

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

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 2018.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(10) 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 2018. 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.

(11) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 75, the Department made a prior period adjustment to record its net OPEB liability and related deferred outflows and inflows of resources. This prior period adjustment and its effect on net position at December 31, 2016 are summarized in the following table:

Net position at December 31, 2016, as previously stated	\$ 4,845,873
Prior period adjustment to	
To adjust OPEB liability to reflect unfunded actuarial liability	(2,330,605)
To record deferred outflows and inflows of resources related to OPEB liability	<u>180,429</u>
Net position at December 31, 2016, as restated	<u>\$ 2,695,697</u>

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Municipal contributions				
Barrett Township	\$ 569,682	\$ 569,682	\$ 569,554	(128)
Coolbaugh Township	2,452,419	2,452,419	2,451,875	(544)
Mount Pocono Borough	802,125	802,125	801,946	(179)
Tobyhanna Township	2,032,005	2,032,005	2,031,555	(450)
Tunkhannock Township	759,504	759,504	759,335	(169)
Total municipal contributions	<u>6,615,735</u>	<u>6,615,735</u>	<u>6,614,265</u>	<u>(1,470)</u>
Interest, rent and royalties				
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>45,787</u>	<u>35,787</u>
Intergovernmental revenues				
COPS bulletproof vest grant	-	-	1,900	1,900
PA Department of Transportation grant	12,000	12,000	16,206	4,206
PA Liquor Control Board - enforcement	20,000	20,000	16,158	(3,842)
PA - miscellaneous	-	-	1,845	1,845
Act 120 - wage reimbursement	-	-	27,295	27,295
U.S. Drug Enforcement Administration	15,000	15,000	10,412	(4,588)
Monroe County - task force	12,918	12,918	14,005	1,087
Total intergovernmental revenues	<u>59,918</u>	<u>59,918</u>	<u>87,821</u>	<u>27,903</u>
Charges for services				
Pocono Mountain School District - SRO Services	375,553	375,553	375,553	-
Other school charges	13,000	13,000	17,457	4,457
DUI checkpoint	12,000	12,000	5,633	(6,367)
Sale of copies of reports	12,000	12,000	14,985	2,985
Police testing fees	5,000	5,000	7,080	2,080
Extra duty services	-	-	10,232	10,232
Total charges for services	<u>417,553</u>	<u>417,553</u>	<u>430,940</u>	<u>13,387</u>
Miscellaneous				
Miscellaneous	-	-	1,078	1,078
Insurance proceeds	57,000	57,000	74,617	17,617
Sale of capital assets	-	-	9,722	9,722
PMRPF gifts	-	-	22,864	22,864
Total miscellaneous	<u>57,000</u>	<u>57,000</u>	<u>108,281</u>	<u>51,281</u>
Total revenues	<u>7,160,206</u>	<u>7,160,206</u>	<u>7,287,094</u>	<u>126,888</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Salaries and fringe benefits - uniform				
Salary - Chief of Police	105,492	105,492	105,897	(405)
Salary - Lieutenant	185,256	185,256	185,968	(712)
Wages - Sergeants	304,446	304,446	302,962	1,484
Wages - Corporals	300,046	301,546	300,899	647
Wages - Officers	2,175,790	2,154,290	2,008,873	145,417
Police - health insurance	785,694	723,719	710,527	13,192
Police - dental insurance	31,214	31,214	26,856	4,358
Police - disability insurance	17,849	17,849	16,835	1,014
Police - vision insurance	4,717	4,717	4,179	538
Police - life insurance	10,527	10,527	10,148	379
Police - FICA medicare	52,461	52,461	50,044	2,417
Police - FICA social security	224,312	224,312	213,980	10,332
Police - unemployment insurance	12,255	12,255	12,255	-
Annual leave	39,140	39,140	16,056	23,084
Police - PILI	54,844	61,194	61,194	-
Longevity	53,600	53,600	51,800	1,800
Police - overtime regular	174,002	178,002	197,574	(19,572)
Police - overtime smooth operator	12,000	12,000	15,689	(3,689)
Police - overtime task force	12,000	12,000	10,631	1,369
Police - overtime DUI checkpoint	12,000	12,000	20,231	(8,231)
Police - holiday pay	105,441	105,441	91,849	13,592
Police - overtime court	68,876	68,876	63,504	5,372
Police - overtime Drug Enforcement Administration	15,000	15,000	10,230	4,770
Police - overtime extra duty	-	-	11,692	(11,692)
Police - clothing allowance	8,000	8,000	7,200	800
Police - tuition reimbursement	30,000	30,000	12,242	17,758
Transfer to prescription fund	15,500	15,500	15,195	305
Transfer to police pension fund	659,677	659,677	659,677	-
Total salaries and fringe benefits - uniform	<u>5,470,139</u>	<u>5,398,514</u>	<u>5,194,187</u>	<u>204,327</u>
Salaries and fringe benefits - nonuniform				
Salary - Executive Assistant	69,540	69,540	69,807	(267)
Wages - Secretary	129,742	129,742	130,234	(492)
Office - health insurance	76,400	76,400	76,399	1
Office - dental insurance	2,956	2,956	2,955	1
Office - disability insurance	2,075	2,075	1,584	491
Office - vision insurance	449	449	449	-
Office - life insurance	735	735	734	1
Office - FICA medicare	3,082	3,082	3,066	16
Office - FICA social security	13,176	13,176	13,111	65
Office - unemployment insurance	1,425	1,425	1,425	-
Office - PILI	9,225	9,225	9,056	169
Office - overtime	1,000	1,000	2	998

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Retirement plan	3,000	3,000	3,000	-
Wages - cleaning	9,502	9,502	9,537	(35)
Wages - mechanic	14,254	6,254	6,224	30
Health care reform fees	306	306	234	72
General - FICA medicare	345	345	232	113
General - FICA social security	1,473	1,473	990	483
General - unemployment insurance	285	285	186	99
Transfer to nonuniform pension fund	8,697	8,697	8,838	(141)
Total salaries and fringe benefits - nonuniform	<u>347,667</u>	<u>339,667</u>	<u>338,063</u>	<u>1,604</u>
Contracted services				
Service contract - elevator	3,085	3,085	3,286	(201)
Service contract - fire protection	752	752	-	752
Service contract - snow/ice removal	9,474	15,474	14,428	1,046
Service contract - lawn care	1,520	1,520	1,500	20
Service contract - heat/ac	4,370	5,270	4,219	1,051
Service contract - emergency generator	830	830	843	(13)
Service contract - pest control	718	718	732	(14)
Service contract - phone system	1,540	1,540	1,540	-
Service contract - alarm monitoring	360	360	360	-
Monroe County Control Center	151,731	151,731	151,730	1
Total contracted services	<u>174,380</u>	<u>181,280</u>	<u>178,638</u>	<u>2,642</u>
General and administrative				
Office - seminars and training	1,500	1,650	1,627	23
Office supplies	2,610	3,110	2,274	836
Office equipment	-	800	798	2
Operating expense	28,389	29,889	26,629	3,260
Public relations	3,450	3,450	3,993	(543)
Bank service charges	50	50	-	50
Payroll service	5,776	6,276	6,238	38
Testing services	5,000	7,200	7,187	13
Telephone	33,821	34,821	34,663	158
Internet service	2,160	2,160	2,159	1
Computer air cards/GPS	17,160	17,160	17,127	33
Postage	1,535	1,535	1,530	5
Advertising	2,000	3,100	3,087	13
Lease - operating	7,235	7,535	7,509	26
Dues and subscriptions	5,040	5,040	5,098	(58)
Cleaning service	8,000	8,000	-	8,000
Radio equipment repairs and maintenance	3,869	3,869	1,314	2,555
Towing	500	500	-	500

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Printing	1,258	2,258	2,101	157
Academy training expenses	8,000	24,000	23,565	435
Police - seminars and training	30,000	30,000	29,745	255
K-9 training	-	-	2,417	(2,417)
Total general and administrative	<u>167,353</u>	<u>192,403</u>	<u>179,061</u>	<u>13,342</u>
Insurance				
Office - workers compensation insurance	2,021	2,021	1,991	30
Insurance - commercial package	17,222	17,222	17,167	55
Insurance - public officials	9,279	13,904	13,894	10
Insurance - bonding	525	525	382	143
General - workers compensation insurance	524	524	526	(2)
Insurance- automobile	48,063	50,763	50,754	9
Insurance - police liability	32,255	32,255	32,324	(69)
Police - workers compensation insurance	208,475	235,475	225,461	10,014
Total insurance	<u>318,364</u>	<u>352,689</u>	<u>342,499</u>	<u>10,190</u>
Occupancy				
Heat - propane	6,000	10,200	11,332	(1,132)
Electric	21,749	21,749	19,174	2,575
Trash collection	1,277	1,277	1,260	17
Building repairs and maintenance	23,298	23,298	16,790	6,508
Total occupancy	<u>52,324</u>	<u>56,524</u>	<u>48,556</u>	<u>7,968</u>
Professional fees				
Independent audit	11,500	11,500	11,500	-
Equipment inventory audit	350	350	-	350
Actuarial services/nonuniform	1,800	1,800	1,725	75
Legal services	35,000	24,150	20,615	3,535
Computer support	140,000	140,000	92,946	47,054
Total professional fees	<u>188,650</u>	<u>177,800</u>	<u>126,786</u>	<u>51,014</u>
Police supplies				
Capital purchases	-	-	3,635	(3,635)
Police - uniforms	21,000	33,000	33,611	(611)
Weapons and ammunition	20,000	20,000	17,353	2,647
S.R.T. expenses	11,000	11,000	11,484	(484)
Fitness equipment	2,000	2,000	2,000	-
Equipment transfer and striping	6,000	6,000	4,676	1,324
K-9 supplies	-	-	4,238	(4,238)
Bike patrol equipment	-	-	803	(803)
Total police supplies	<u>60,000</u>	<u>72,000</u>	<u>77,800</u>	<u>(5,800)</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Vehicles				
Vehicle fuel	114,000	114,000	103,456	10,544
Vehicle repairs	15,000	12,500	11,251	1,249
Vehicle miscellaneous maintenance and supplies	15,000	25,500	25,717	(217)
Vehicles tires	16,000	16,000	17,070	(1,070)
Capital lease - vehicles	192,932	192,932	188,310	4,622
Capital lease - vehicle equipment	33,821	33,821	33,101	720
Police vehicles equipped	-	-	21,379	(21,379)
Total vehicles	<u>386,753</u>	<u>394,753</u>	<u>400,284</u>	<u>(5,531)</u>
Total expenditures	<u>7,165,630</u>	<u>7,165,630</u>	<u>6,885,874</u>	<u>279,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,424)</u>	<u>(5,424)</u>	<u>401,220</u>	<u>406,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (105,424)</u>	<u>\$ (105,424)</u>	<u>301,220</u>	<u>\$ 406,644</u>
FUND BALANCE				
Beginning of year			<u>2,905,101</u>	
End of year			<u>\$ 3,206,321</u>	

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Year ended December 31,

	Police Pension Fund			
	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service cost	\$ 616,625	\$ 587,262	\$ 532,585	\$ 507,224
Interest on total pension liability	1,620,035	1,515,631	1,364,635	1,092,361
Benefit payments, including refunds of member contributions	(622,376)	(695,884)	(642,381)	(490,810)
Changes in benefit terms	-	404,372	-	-
Differences between expected and actual experience	-	(242,886)	-	-
Changes in assumptions	-	579,665	-	-
Transfers in	-	-	-	2,571,962
Net change in total pension liability	1,614,284	2,148,160	1,254,839	3,680,737
Total pension liability, beginning	21,386,736	19,238,576	17,983,737	14,303,000
Total pension liability, ending	\$ 23,001,020	\$ 21,386,736	\$ 19,238,576	\$ 17,983,737
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 659,677	\$ 453,145	\$ 438,281	\$ 610,732
Member contributions	146,574	140,238	160,023	136,573
Net investment income (loss)	(1,098,004)	2,740,845	1,071,364	25,441
Benefit payments, including refunds of member contributions	(622,376)	(695,884)	(642,381)	(490,810)
Administrative expense	(3,450)	(17,860)	(8,260)	(26,790)
Transfers in	-	-	-	3,200,191
Net change in plan fiduciary net position	(917,579)	2,620,484	1,019,027	3,455,337
Fiduciary net position, beginning	21,473,915	18,853,431	17,834,404	14,379,067
Fiduciary net position, ending	\$ 20,556,336	\$ 21,473,915	\$ 18,853,431	\$ 17,834,404
Net pension liability (asset), ending	\$ 2,444,684	\$ (87,179)	\$ 385,145	\$ 149,333
Fiduciary net position as a % of total pension liability	89.37%	100.41%	98.00%	99.17%
Covered payroll	3,149,723	3,202,718	3,095,627	3,113,787
Net pension liability as a % of covered payroll	77.62%	-2.72%	12.44%	4.80%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. 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,

Police Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2015	\$ 610,732	\$ 610,732	\$ -	\$ 3,113,787	19.61%
2016	\$ 438,281	\$ 438,281	\$ -	\$ 3,095,627	14.16%
2017	\$ 453,145	\$ 453,145	\$ -	\$ 3,202,718	14.15%
2018	\$ 659,677	\$ 659,677	\$ -	\$ 3,149,723	20.94%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

SCHEDULE OF CHANGES IN OPEB LIABILITY

Year ended December 31,

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 152,071
Interest on total OPEB liability	113,849
Changes of assumptions	180,429
Benefit payments	<u>(49,523)</u>
Net change in total OPEB liability	396,826
Total OPEB liability, beginning	<u>2,943,468</u>
Total OPEB liability, ending	<u>\$ 3,340,294</u>
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	\$ 3,286,386
Net OPEB liability as a % of covered payroll	101.64%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

December 31, 2018

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 15,006	\$ 233,305	\$ 248,311
Accounts receivable	<u>3,156</u>	<u>-</u>	<u>3,156</u>
Total assets	<u><u>\$ 18,162</u></u>	<u><u>\$ 233,305</u></u>	<u><u>\$ 251,467</u></u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenditures	\$ -	\$ 629	\$ 629
Due to other funds	<u>3,156</u>	<u>-</u>	<u>3,156</u>
Total assets	<u><u>\$ 3,156</u></u>	<u><u>\$ 629</u></u>	<u><u>\$ 3,785</u></u>
 FUND BALANCES			
Restricted for Capital projects	<u>15,006</u>	<u>232,676</u>	<u>247,682</u>
Total liabilities and fund balances	<u><u>\$ 18,162</u></u>	<u><u>\$ 233,305</u></u>	<u><u>\$ 251,467</u></u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2018

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Municipal contributions				
Coolbaugh Township	\$ 37,876	\$ -	\$ -	\$ 37,876
Mount Pocono Borough	33,505	-	-	33,505
Tunkhannock Township	36,419	-	-	36,419
Interest, rent and royalties	<u>158</u>	<u>3,098</u>	<u>-</u>	<u>3,256</u>
Total revenues	<u>107,958</u>	<u>3,098</u>	<u>-</u>	<u>111,056</u>
EXPENDITURES				
Current				
Public safety	<u>253,304</u>	<u>-</u>	<u>-</u>	<u>253,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(145,346)	3,098	-	(142,248)
OTHER FINANCING SOURCES (USES)				
Transfers in	145,504	100,000	(145,504)	100,000
Transfers out	<u>-</u>	<u>(145,504)</u>	<u>145,504</u>	<u>-</u>
Total other financing sources (uses)	<u>145,504</u>	<u>(45,504)</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	158	(42,406)	-	(42,248)
FUND BALANCES				
Beginning of year	<u>14,848</u>	<u>275,082</u>	<u>-</u>	<u>289,930</u>
End of year	<u>\$ 15,006</u>	<u>\$ 232,676</u>	<u>\$ -</u>	<u>\$ 247,682</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2018

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	<u>\$ 20,556,304</u>	<u>\$ 175,260</u>	<u>\$ 20,731,564</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 20,556,304</u>	<u>\$ 175,260</u>	<u>\$ 20,731,564</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2018

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 659,677	\$ 8,838	\$ 668,515
Member contributions	<u>146,574</u>	<u>-</u>	<u>146,574</u>
Total contributions	<u>806,251</u>	<u>8,838</u>	<u>815,089</u>
Investment income			
Interest, dividends and investment income (loss)	<u>(1,098,004)</u>	<u>(5,757)</u>	<u>(1,103,761)</u>
Total additions	<u>(291,753)</u>	<u>3,081</u>	<u>(288,672)</u>
DEDUCTIONS			
Benefits paid, including refund of member contributions	622,408	-	622,408
Administrative expenses	<u>3,450</u>	<u>-</u>	<u>3,450</u>
Total deductions	<u>625,858</u>	<u>-</u>	<u>625,858</u>
CHANGE IN NET POSITION	(917,611)	3,081	(914,530)
NET POSITION			
Beginning of year	<u>21,473,915</u>	<u>172,179</u>	<u>21,646,094</u>
End of year	<u>\$ 20,556,304</u>	<u>\$ 175,260</u>	<u>\$ 20,731,564</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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated July 3, 2019.

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****July 3, 2019**