



Pocono Mountain Regional Police Department

Financial Statements
Year Ended December 31, 2021



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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**

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Pocono Mountain Regional Police Department, Pocono Summit, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Pocono Mountain Regional Police Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Pocono Mountain Regional Police Department, as of December 31, 2021, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pocono Mountain Regional Police Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pocono Mountain Regional Police Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pocono Mountain Regional Police Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pocono Mountain Regional Police Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Pocono Mountain Regional Police Department's 2020 financial statements, and our report dated July 6, 2021 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of changes in net pension liability and Department pension contributions and the schedule of changes in OPEB liability on pages 4 through 11 and pages 37 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocono Mountain Regional Police Department's basic financial statements. The combining and individual fund financial statements on pages 45 and 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022, 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
September 9, 2022**

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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 2021. 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, 2021, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the Department resulting in net position of \$4,686,514. During 2021, the Department's net position increased by \$1,423,788.
- The General Fund reported an increase in fund balance of \$167,231, bringing the cumulative balance to \$4,046,864 at the conclusion of the 2021 fiscal year.
- Member municipalities are billed monthly for their proportionate share of the adopted budget. Contributions from member municipalities totaled \$7,080,549 and were allocated as follows: Barrett Township 8.61%; Coolbaugh Township 37.06%; Mount Pocono Borough 11.89%; Tobyhanna Township 30.96% and Tunkhannock Township 11.48%.
- General Fund revenues were \$94,236 or 1.22% more than budgeted amounts and General Fund expenditures and other financing uses were \$385,564 or 4.81% less than budgeted amounts resulting in a net positive variance of \$479,800. The 2021 General Fund budget included the use of \$312,569 of fund balance to balance the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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 12 and 13 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 14 through 17 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 18 and 19 of this report.

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 20 through 36 of this report.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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 37 through 48 of this report.

FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of an entity's financial condition. In the case of the Department, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,686,514 at December 31, 2021. A summary of the Statement of Net Position as of December 31, 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$5,005,544	\$5,018,862
Noncurrent assets	<u>2,586,082</u>	<u>2,426,580</u>
Total assets	<u>7,591,626</u>	<u>7,445,442</u>
Deferred outflows – pensions and OPEB	<u>1,826,285</u>	<u>1,704,346</u>
Liabilities		
Current liabilities	263,126	339,137
Noncurrent liabilities	<u>430,487</u>	<u>1,510,816</u>
Total liabilities	<u>693,613</u>	<u>1,849,953</u>
Deferred inflows – pensions and OPEB	<u>4,037,784</u>	<u>4,037,109</u>
Net position		
Net investment in capital assets	2,447,861	2,289,045
Restricted	695,554	800,092
Unrestricted	<u>1,543,099</u>	<u>173,589</u>
Total net position	<u>\$4,686,514</u>	<u>\$3,262,726</u>

The Department's total assets as of December 31, 2021 were \$7,591,626 of which \$4,874,855 or 64.21% consisted of cash and \$2,586,082 or 34.07% consisted of the Department's investment in capital assets.

Deferred outflows of resources and deferred inflows of resources as of December 31, 2021 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, 2021 were \$693,613 of which \$(287,771) or (41.49)% was a total asset for its actuarially determined liabilities for other post-employment benefits and pension asset

The Department had unrestricted net position of \$1,543,099 at December 31, 2021. The Department's unrestricted net position increased by \$1,369,510 primarily due to the current year results of operations and the change in the Departments net pension asset and related deferred outflows and inflows of resources.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

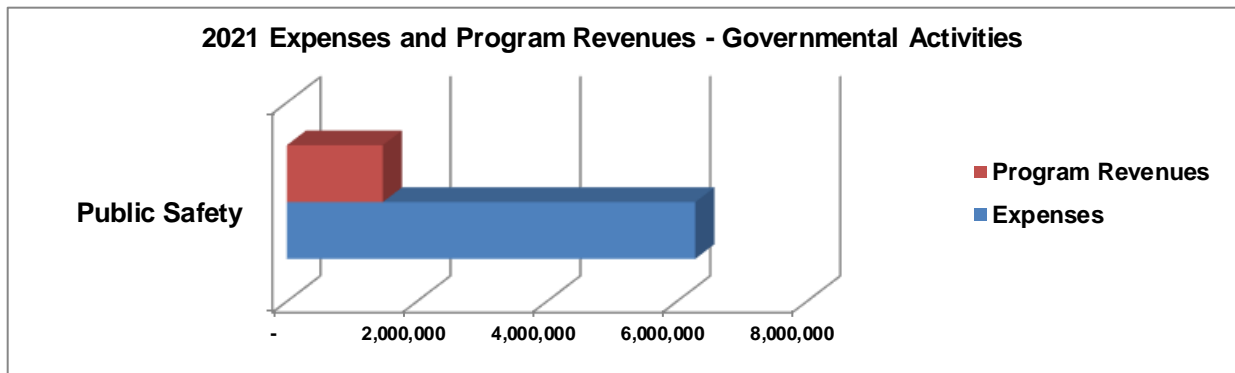
A portion of the Department's net position reflects its restricted net position which totaled \$695,554 as of December 31, 2021. All of the Department's restricted net position related to amounts restricted to capital projects and the U.S. Department of Justice asset forfeiture program.

As of December 31, 2021, a portion of the Department's net position in the amount of \$2,447,861 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, 2021, the Department's net investment in capital assets increased by \$158,816.

During 2021, the Department's net position increased by \$1,423,788. A summary of the Statement of Activities for the years ending December 31, 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
REVENUES		
Program revenues		
Charges for services	\$ 459,751	\$ 446,340
Operating grants and contributions	1,016,860	951,666
Capital grants and contributions	-	47,500
General revenues		
Municipal contributions	6,231,161	6,151,901
Investment earnings	<u>937</u>	<u>19,493</u>
Total revenues	<u>7,708,709</u>	<u>7,616,900</u>
EXPENSES		
Public safety	<u>6,284,921</u>	<u>6,493,002</u>
CHANGE IN NET POSITION	<u>\$1,423,788</u>	<u>\$1,123,898</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.

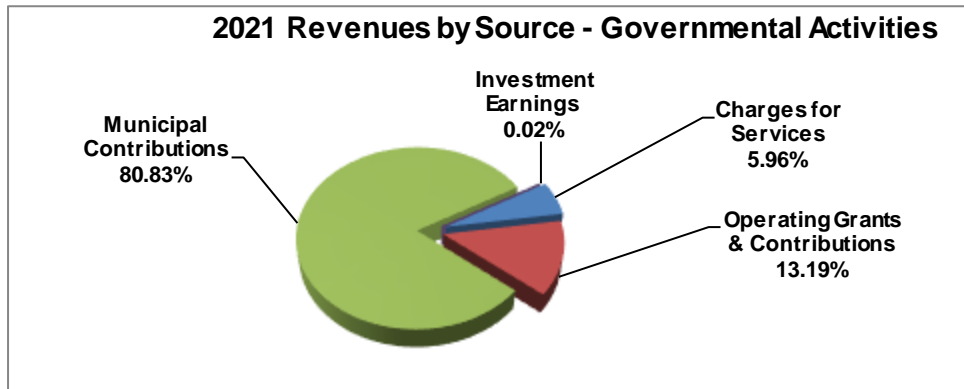


To the degree that the Department's functions or programs cost more than they raise, the Statement of Activities shows how the Department chose to finance the difference through general revenues. The following chart shows that the Department relies on contributions from participating municipalities to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

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021



GOVERNMENTAL FUNDS

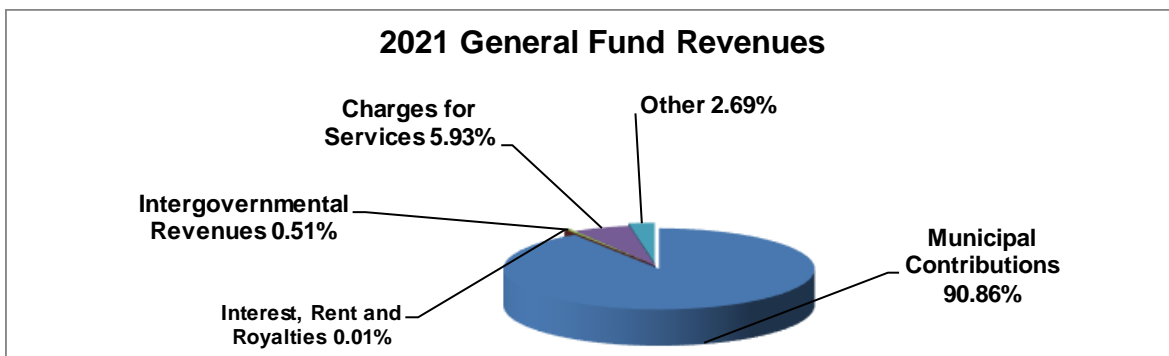
The governmental fund financial statements provide detailed information of the Department's major funds. Some funds are required to be established by State statute while other funds are established by the Department to manage monies restricted for a specific purpose. As of December 31, 2021, the Department's governmental funds reported a combined fund balance of \$4,742,418 which is an increase of \$62,693 from the prior year. The following table summarizes the Department's total governmental fund balances as of December 31, 2021 and 2020 and the total 2020 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>
General Fund	\$4,046,864	\$3,879,633	\$167,231
Capital Projects Fund	333,077	428,075	(94,998)
Asset Forfeiture Fund	<u>362,477</u>	<u>372,017</u>	<u>(9,540)</u>
	<u>\$4,742,418</u>	<u>\$4,679,725</u>	<u>\$ 62,693</u>

GENERAL FUND

The General Fund is the Department's primary operating fund. At the conclusion of the 2020 fiscal year the General Fund fund balance was \$4,046,864 representing an increase of \$167,231 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 2021 fiscal year.

The Department's reliance upon municipal contributions is demonstrated by the graph below that indicates 90.86% of General Fund revenues are derived from these revenues.



POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

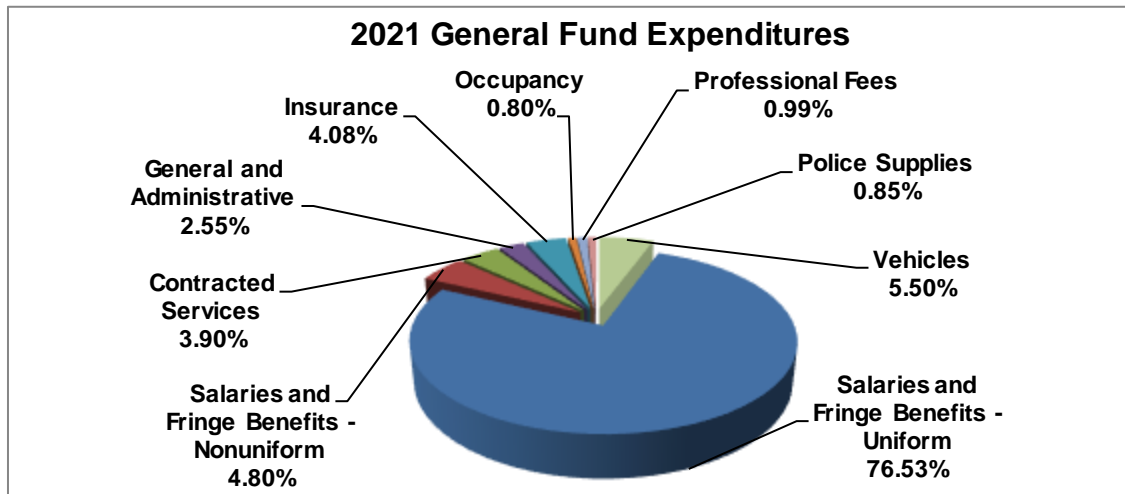
December 31, 2021

General Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Municipal contributions	\$7,080,549	\$6,851,479	\$229,070	3.34
Interest, rent and royalties	715	17,737	(17,022)	(95.97)
Intergovernmental revenues	39,622	126,137	(86,515)	(68.59)
Charges for services	462,260	443,937	18,323	4.13
Miscellaneous	<u>209,699</u>	<u>238,225</u>	<u>(28,526)</u>	<u>(11.97)</u>
	<u>\$7,792,845</u>	<u>\$7,677,515</u>	<u>\$115,330</u>	<u>1.50</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.

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>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and fringe benefits - uniform	\$5,759,376	\$5,478,171	\$281,205	5.13
Salaries and fringe benefits – non-uniform	361,480	389,561	(28,081)	(7.21)
Contracted services	293,862	265,159	28,703	10.82
General and administrative	191,602	170,253	21,349	12.54
Insurance	306,825	224,665	82,160	36.57
Occupancy	60,241	59,625	616	1.03
Professional fees	74,849	73,704	1,145	1.55
Police supplies	63,698	119,018	(55,320)	(46.48)
Vehicles	<u>413,681</u>	<u>369,566</u>	<u>44,115</u>	<u>11.94</u>
	<u>\$7,525,614</u>	<u>\$7,149,722</u>	<u>\$375,892</u>	<u>5.26</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

Salaries and fringe benefits - uniform increased by \$281,205 or 5.13% in 2021 compared to 2020. The increase was primarily due to increases in health insurance premiums and the minimum municipal pension obligation.

Insurance expenditures increased by \$82,160 or 36.57% due to an increase in workers compensation insurance premiums in 2021 compared to 2020.

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 2021, the Department appropriated \$100,000 in their 2021 General Fund budget to transfer to the Capital Projects Fund. During 2021, the Capital Projects Fund reported a decrease in fund balance of \$94,998. The remaining fund balance of \$333,077 as of December 31, 2021 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 2021, the Asset Forfeiture Fund fund balance decreased by \$9,540 for a cumulative balance of \$362,477 as of December 31, 2021.

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 \$94,236 or 1.22% more than budgeted amounts and General Fund expenditures and other financing uses were \$385,564 or 4.81% less than budgeted amounts resulting in a net positive variance of \$479,800. The 2021 General Fund budget included the use of \$312,569 of fund balance to balance the budget.

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

CAPITAL ASSETS

The Department's investment in capital assets as of December 31, 2021 amounted to \$2,586,082 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 2021 was \$159,502 or 6.57%. The increase was the result of current year capital additions in excess of depreciation expense.

Current year capital additions were \$484,364 and depreciation expense and the net book value of disposed of capital assets was \$324,862.

Capital additions for the current year consisted of five police vehicles and building security upgrades.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

NONCURRENT LIABILITIES

The Department reports its defined benefit unfunded pension obligation and its unfunded net obligation for post-employment benefits on its statement of net position (deficit). The Department's unfunded net pension liability(asset) and other post-employment obligation are actuarially determined liabilities that totaled an asset of \$(287,771) as of December 31, 2021. These liabilities decreased by \$1,076,655 or 136.48% 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 \$580,037 as of December 31, 2021 and decreased by \$4,360 or 0.75% 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 \$138,221 as of December 31, 2021 and increased by \$686 or 0.50% 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, 2021 was \$53,509.

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 2022 General Fund budget totaling \$8,286,235 which used \$486,000 of the General Fund fund balance as of December 31, 2021.

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, 2021 with summarized comparative totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 4,874,855	\$ 4,854,196
Accounts receivable	44,352	86,458
Prepaid expenses	86,337	78,208
Total current assets	<u>5,005,544</u>	<u>5,018,862</u>
NONCURRENT ASSETS		
Capital assets, net	2,586,082	2,426,580
Total assets	<u>7,591,626</u>	<u>7,445,442</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions	1,161,808	1,375,958
Deferred outflows - OPEB	664,477	328,388
Total deferred outflows of resources	<u>1,826,285</u>	<u>1,704,346</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	79,820	91,619
Accrual payroll and related liabilities	55,620	46,434
Evidence escrow	127,686	201,084
Total current liabilities	<u>263,126</u>	<u>339,137</u>
NONCURRENT LIABILITIES		
Due within one year -		
Capital leases payable	138,221	137,535
Due in more than one year -		
Accrued compensated absences	580,037	584,397
Post-employment benefits	3,969,858	3,411,858
Net pension liability (asset)	<u>(4,257,629)</u>	<u>(2,622,974)</u>
Total noncurrent liabilities	<u>430,487</u>	<u>1,510,816</u>
Total liabilities	<u>693,613</u>	<u>1,849,953</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	3,651,821	3,602,901
Deferred inflows - OPEB	385,963	434,208
Total deferred inflows of resources	<u>4,037,784</u>	<u>4,037,109</u>
NET POSITION		
Net investment in capital assets	2,447,861	2,289,045
Restricted		
Capital projects	333,077	428,075
Asset forfeiture	362,477	372,017
Unrestricted	<u>1,543,099</u>	<u>173,589</u>
Total net position	<u>\$ 4,686,514</u>	<u>\$ 3,262,726</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF ACTIVITIES

Year ended December 31, 2021 with summarized comparative totals for 2020

	<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>2021</u>	<u>2020</u>
GOVERNMENTAL ACTIVITIES						
Public safety	\$ 6,284,921	\$ 459,751	\$ 1,016,860	\$ -	\$ (4,808,310)	\$ (5,047,496)
GENERAL REVENUES						
Municipal contributions						
Barrett Township				536,503	529,679	
Coolbaugh Township				2,309,268	2,279,895	
Mount Pocono Borough				741,104	731,677	
Tobyhanna Township				1,928,949	1,904,412	
Tunkhannock Township				715,337	706,238	
Investment earnings				937	19,493	
Total general revenues				<u>6,232,098</u>	<u>6,171,394</u>	
CHANGE IN NET POSITION				1,423,788	1,123,898	
NET POSITION						
Beginning of year				<u>3,262,726</u>	<u>2,138,828</u>	
End of year				<u>\$ 4,686,514</u>	<u>\$ 3,262,726</u>	

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>Asset</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Projects</u>	<u>Forfeiture</u>		
ASSETS					
Cash	\$ 4,178,671	\$ 333,707	\$ 362,477	\$ 4,874,855	\$ 4,854,196
Accounts receivable	44,352	-	-	44,352	86,458
Prepaid items	86,337	-	-	86,337	78,208
Total assets	<u>\$ 4,309,360</u>	<u>\$ 333,707</u>	<u>\$ 362,477</u>	<u>\$ 5,005,544</u>	<u>\$ 5,018,862</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenditures	\$ 79,190	\$ 630	\$ -	\$ 79,820	\$ 91,619
Accrued salaries and benefits	55,620	-	-	55,620	46,434
Evidence escrow	127,686	-	-	127,686	201,084
Total liabilities	<u>262,496</u>	<u>630</u>	<u>-</u>	<u>263,126</u>	<u>339,137</u>
FUND BALANCES					
Nonspendable					
Prepaid items	86,337	-	-	86,337	78,208
Restricted for					
Capital projects	-	333,077	-	333,077	428,075
Asset forfeiture	-	-	362,477	362,477	372,017
Committed to					
Balance 2021 budget	-	-	-	-	312,566
Balance 2022 budget	486,000	-	-	486,000	-
Unassigned	3,474,527	-	-	3,474,527	3,488,859
Total fund balances	<u>4,046,864</u>	<u>333,077</u>	<u>362,477</u>	<u>4,742,418</u>	<u>4,679,725</u>
Total liabilities and fund balances	<u>\$ 4,309,360</u>	<u>\$ 333,707</u>	<u>\$ 362,477</u>	<u>\$ 5,005,544</u>	<u>\$ 5,018,862</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

December 31, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 4,742,418
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.	2,586,082
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.	(430,487)
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	<u>(2,211,499)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,686,514</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2021 with summarized comparative totals for 2020

	Major Fund			Totals	
	General	Capital	Asset	2021	2020
	Fund	Projects	Forfeiture		
REVENUES					
Municipal contributions					
Barrett Township	\$ 609,635	\$ -	\$ -	\$ 609,635	\$ 589,912
Coolbaugh Township	2,624,136	37,876	-	2,662,012	2,580,261
Mount Pocono Borough	844,050	33,505	-	877,555	849,971
Tobyhanna Township	2,189,881	-	-	2,189,881	2,119,323
Tunkhannock Township	812,847	36,419	-	849,266	822,968
Interest, rent and royalties	715	39	184	938	19,493
Intergovernmental revenues	39,622	-	546	40,168	126,137
Charges for services	462,260	-	-	462,260	443,937
Miscellaneous	209,699	-	-	209,699	238,225
Total revenues	<u>7,792,845</u>	<u>107,839</u>	<u>730</u>	<u>7,901,414</u>	<u>7,790,227</u>
EXPENDITURES					
Current					
Public safety	7,525,614	-	10,270	7,535,884	7,186,161
Capital outlay	-	195,037	-	195,037	10,678
Debt service					
Principal	-	104,869	-	104,869	102,287
Interest	-	2,931	-	2,931	5,513
Total expenditures	<u>7,525,614</u>	<u>302,837</u>	<u>10,270</u>	<u>7,838,721</u>	<u>7,304,639</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>267,231</u>	<u>(194,998)</u>	<u>(9,540)</u>	<u>62,693</u>	<u>485,588</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	100,000	100,000
Transfers out	(100,000)	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	167,231	(94,998)	(9,540)	62,693	485,588
FUND BALANCES					
Beginning of year	<u>3,879,633</u>	<u>428,075</u>	<u>372,017</u>	<u>4,679,725</u>	<u>4,194,137</u>
End of year	<u>\$ 4,046,864</u>	<u>\$ 333,077</u>	<u>\$ 362,477</u>	<u>\$ 4,742,418</u>	<u>\$ 4,679,725</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 62,693
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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	\$ 484,364	
Depreciation expense	(317,688)	
Net book value of disposed of capital assets	<u>(7,174)</u>	159,502

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	(281,311)	
Repayment of extended-term financing	<u>280,625</u>	(686)

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	4,360	
Current year change in other post-employment benefit liability and related deferred outflows and inflows	(173,666)	
Current year change in net pension liability (asset) and related deferred outflows and inflows	<u>1,371,585</u>	<u>1,202,279</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,423,788</u>
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See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2021 with summarized comparative totals for 2020

	Pension Trust Funds	
	<u>2021</u>	<u>2020</u>
ASSETS		
Investments	<u>\$ 31,729,577</u>	<u>\$ 28,376,633</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 31,729,577</u>	<u>\$ 28,376,633</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2021 with summarized comparative totals for 2020

	<u>Pension Trust Funds</u>	
	<u>2021</u>	<u>2020</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 849,891	\$ 701,378
Member contributions	<u>179,706</u>	<u>188,958</u>
Total contributions	<u>1,029,597</u>	<u>890,336</u>
Investment income		
Interest, dividends and investment income (loss)	<u>3,537,500</u>	<u>3,614,531</u>
Total additions	<u>4,567,097</u>	<u>4,504,867</u>
DEDUCTIONS		
Benefits paid, including refunds of member contributions	1,214,153	1,105,561
Administrative expenses	<u>-</u>	<u>8,550</u>
Total deductions	<u>1,214,153</u>	<u>1,114,111</u>
CHANGE IN NET POSITION	3,352,944	3,390,756
NET POSITION		
Beginning of year	<u>28,376,633</u>	<u>24,985,877</u>
End of year	<u>\$ 31,729,577</u>	<u>\$ 28,376,633</u>

See accompanying notes

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(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. Based on the application of these criteria, the Police Pension Plan is a component unit of the Department.

The Police Pension Plan is a single employer defined benefit pension plan that provide pension benefits for all regular full-time police officers. Although the Police Pension Plan is a separate legal entity it is reported as if it is part of the Department as it is governed by a board comprised of members appointed by the Police Commission of the Department and the Department is responsible for funding the Police Pension Plan. The activities of the Police Pension Plan are blended as a fiduciary fund and does not issue separate financial statements.

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, 2021

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, 2021

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 reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The Department reports the following pension trust 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, 2021

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, 2021.

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, 2021.

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, 2021

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, 2020, 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.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

New Accounting Pronouncements

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", is effective for the Department for the year ended December 31, 2021. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 had no impact on the Department's financial statements for the year ended December 31, 2021.

GASB Statement No. 93, "*Replacement of Interbank Offered Rates*", is effective for the Department for the year ended December 31, 2021. GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the Department's financial statements for the year ended December 31, 2021.

GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*", is effective for the Department for the year ended December 31, 2021. GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the Department postponed the implementation of GASB Statement No 87 until year ended December 31, 2022 as described below.

New Accounting Pronouncements

GASB Statement No. 87, "*Leases*" will be effective for the Department for the year ended December 31, 2022. 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.

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GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the Department for the year ended December 31, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the Department for the year ended December 31, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the Department for the year ended December 31, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the Department for the year ended December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*" will be effective for the Department for the year ended December 31, 2022. The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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NOTES TO FINANCIAL STATEMENTS

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(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, 2021, the carrying amount of the Department's deposits was \$4,874,855 and the bank balance was \$5,051,474. Of the bank balance, \$500,000 was covered by federal depository insurance and \$440,136 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, 2021, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2021, the Department's pension trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds – equity	\$21,134,314
Mutual funds – fixed income	9,837,033
Real estate investment trust (" REIT ")	281,971
Money market	<u>476,259</u>
	<u>\$31,729,577</u>

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

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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, 2021, 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, 2021, 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, 2021.

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, 2021, the Department had no investments subject to concentration of credit risk.

(4) CAPITAL ASSETS

A summary of the changes in the Department's capital assets for 2021 is as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
Capital assets not being depreciated				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Capital assets being depreciated				
Buildings and improvements	2,782,483	195,037	-	2,977,520
Vehicles	1,612,253	273,492	155,097	1,730,648
Police equipment	151,348	12,450	-	163,798
Office equipment	108,253	3,385	-	111,638
Total capital assets being depreciated	<u>4,654,337</u>	<u>484,364</u>	<u>155,097</u>	<u>4,983,604</u>
Less accumulated depreciation for				
Buildings and improvements	(1,279,386)	(72,192)	-	(1,351,578)
Vehicles	(1,076,946)	(211,701)	(147,923)	(1,140,724)
Police equipment	(38,630)	(26,744)	-	(65,374)
Office equipment	(82,795)	(7,051)	-	(89,846)
Total accumulated depreciation	<u>(2,477,757)</u>	<u>(317,688)</u>	<u>(147,923)</u>	<u>(2,647,522)</u>
Total capital assets being depreciated, net	<u>2,176,580</u>	<u>166,676</u>	<u>7,174</u>	<u>2,336,082</u>
Total capital assets, net	<u>\$ 2,426,580</u>	<u>\$ 166,676</u>	<u>\$ 7,174</u>	<u>\$ 2,586,082</u>

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NOTES TO FINANCIAL STATEMENTS

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(5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended December 31, 2021 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.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2021:

	<u>Balance January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2021</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ 137,535	\$281,311	\$ 280,625	\$ 138,221	\$138,221
Compensated absences	584,397	-	4,360	580,037	-
OPEB liability	3,411,858	558,000	-	3,969,858	-
Net pension (asset) liability	<u>(2,622,974)</u>	<u>-</u>	<u>1,634,655</u>	<u>(4,257,629)</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 1,510,816</u>	<u>\$839,311</u>	<u>\$1,919,640</u>	<u>\$ 430,487</u>	<u>\$138,221</u>

(7) 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:

Vehicles	\$273,492
Less: accumulated depreciation	<u>(27,439)</u>
	<u>\$246,053</u>

The future lease payments under the capital leases at December 31, 2021 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$138,221</u>	<u>\$4,920</u>	<u>\$143,141</u>

(8) 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.

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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 January 1, 2020:

Active employees	42
Vested former employees	-
Retired employees	<u>8</u>
Total	<u>50</u>

OPEB Liability

The Department's OPEB liability has been measured as of December 31, 2021. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, and by rolling forward the liabilities from the January 1, 2020 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 \$3,969,858, all of which is unfunded.

The Department's change in its OPEB liability for the year ended December 31, 2021 was as follows:

Balance as of January 1, 2020	<u>\$3,411,858</u>
Changes for the year	
Service cost	155,400
Interest on total OPEB liability	114,708
Changes in assumptions	377,618
Benefit payments	<u>(89,726)</u>
Net changes	<u>558,000</u>
Balance as of December 31, 2020	<u>\$3,969,858</u>

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

For the year ended December 31, 2021, the Department recognized OPEB expense of \$287,965. At December 31, 2021, 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	\$ -	\$281,180
Changes in assumptions	550,177	104,783
Contributions subsequent to the measurement date	<u>114,300</u>	<u>-</u>
	<u>\$664,477</u>	<u>\$385,963</u>

\$114,300 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended December 31,

2022	\$ 17,857
2023	17,857
2024	17,857
2025	17,857
2026	17,857
Thereafter	<u>74,929</u>
	<u>\$164,214</u>

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

The following presents the OPEB liability for December 31, 2021, 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>\$3,539,380</u>	<u>\$3,969,858</u>	<u>\$4,469,234</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 1.93%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.93%) or 1 percentage point higher (2.93%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.93%</u>	<u>1.93%</u>	<u>2.93%</u>
OPEB Liability	<u>\$4,301,064</u>	<u>\$3,969,858</u>	<u>\$3,667,013</u>

Actuarial Methods and Significant Assumptions

The OPEB liability as of December 31, 2021, was determined by rolling forward the OPEB liability as of January 1, 2020 to December 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 1.93% – Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 3.26% to 1.93%.
- Salary growth – 5.00%
- Assumed healthcare cost trends – 5.50% in 2020 through 2023. Rates gradually increase from 5.40% in 2024 to 4.00% in 2075
- Mortality rates were based on blue collar PubS-2010 mortality table. The mortality rate changed from RP2000 to PubS-2010.

(9) 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 3.00%. The balance of the note payable at December 31, 2021 was \$53,509.

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(10) 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, 2021:

Active members	39
Inactive members or beneficiaries currently receiving benefits	33
Inactive members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>75</u>

Benefit Provisions

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

Eligibility

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

Normal Retirement

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

Disability Retirement

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

Death Benefits

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

Vesting

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

Basis of Accounting

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

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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 2021 MMO contribution totaled \$840,774 and member contributions totaled \$179,706.

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, 2019 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.

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>	

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Net Pension Liability (Asset)

The Department's net pension liability (asset) has been measured as of December 31, 2021. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2019, 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 asset is \$4,257,629 measured as the difference between the total pension liability of \$27,154,707 and the fiduciary net position of \$31,412,336.

The Department's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2021 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position Position (B)</u>	<u>Net Pension (Asset) Liability (A) – (B)</u>
Balances as of January 1, 2021	<u>\$25,483,924</u>	<u>\$28,106,898</u>	<u>\$(2,622,974)</u>
Changes for the year:			
Service cost	640,385	-	640,385
Interest on total pension liability	1,931,707	-	1,931,707
Differences between expected and actual experience	(155,422)	-	(155,422)
Changes in assumptions	468,266	-	468,266
Employer contributions	-	840,774	(840,774)
Member contributions	-	179,706	(179,706)
Net investment income	-	3,499,111	(3,499,111)
Benefit payments, including refunds of member contributions	(1,214,153)	(1,214,153)	-
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Net changes	<u>1,670,783</u>	<u>3,305,438</u>	<u>(1,634,655)</u>
Balances as of December 31, 2021	<u>\$27,154,707</u>	<u>\$31,412,336</u>	<u>\$(4,257,629)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Department calculated using the discount rate 7.50%, as well as what the net pension liability (asset) 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:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Pension Liability (Asset)	<u>\$(766,367)</u>	<u>\$(4,257,629)</u>	<u>\$(7,123,641)</u>

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2021, the Department recognized negative net pension expense of \$531,187. At December 31, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 468,653
Changes in assumptions	618,746	-
Net difference between projected and actual investment earnings	<u>543,062</u>	<u>3,183,168</u>
	<u>\$1,161,808</u>	<u>\$3,651,821</u>

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

Year ended December 31,

2022	\$ (557,624)
2023	(1,100,685)
2024	(588,076)
2025	(284,140)
2026	(4,180)
Thereafter	<u>44,692</u>
	<u>\$ (2,490,013)</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 blue collar PubS-2010 mortality table. The mortality rate changed from RP2000 to PubS-2010.

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, 2021 was \$192,618.

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 4.00% 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 \$9,117 for 2021.

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 2021.

(11) 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 2021. 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.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Municipal contributions				
Barrett Township	\$ 609,816	\$ 609,816	\$ 609,635	(181)
Coolbaugh Township	2,624,913	2,624,913	2,624,136	(777)
Mount Pocono Borough	844,304	844,304	844,050	(254)
Tobyhanna Township	2,190,524	2,190,524	2,189,881	(643)
Tunkhannock Township	813,088	813,088	812,847	(241)
Total municipal contributions	<u>7,082,645</u>	<u>7,082,645</u>	<u>7,080,549</u>	<u>(2,096)</u>
Interest, rent and royalties				
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>715</u>	<u>(19,285)</u>
Intergovernmental revenues				
COPS bulletproof vest grant	-	-	6,487	6,487
PA Department of Transportation grant	12,000	12,000	14,773	2,773
Act 120 - wage reimbursement	14,000	14,000	-	(14,000)
U.S. Drug Enforcement Administration	12,000	12,000	15,989	3,989
Monroe County - task force	12,918	12,918	2,373	(10,545)
Total intergovernmental revenues	<u>50,918</u>	<u>50,918</u>	<u>39,622</u>	<u>(11,296)</u>
Charges for services				
Pocono Mountain School District - SRO Services	404,046	404,046	404,046	-
Other school charges	5,000	5,000	11,783	6,783
DUI checkpoint	12,000	12,000	3,448	(8,552)
Report fees	12,000	12,000	18,897	6,897
Police testing fees	-	-	4,200	4,200
Extra duty services	12,000	12,000	19,886	7,886
Total charges for services	<u>445,046</u>	<u>445,046</u>	<u>462,260</u>	<u>17,214</u>
Miscellaneous				
Miscellaneous	-	-	940	940
Insurance proceeds	100,000	100,000	139,151	39,151
Sale of capital assets	-	-	44,251	44,251
Refund of prior year expenditures	-	-	9,301	9,301
PMRPF gifts	-	-	16,056	16,056
Total miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>209,699</u>	<u>109,699</u>
Total revenues	<u>7,698,609</u>	<u>7,698,609</u>	<u>7,792,845</u>	<u>94,236</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<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	121,887	121,887	122,356	(469)
Salary - Lieutenant	212,412	212,412	213,229	(817)
Wages - Sergeants	351,632	351,632	352,000	(368)
Wages - Corporals	335,833	335,833	331,025	4,808
Wages - Officers	2,475,036	2,151,145	2,120,272	30,873
Heart and lung act pay	-	10,305	(2,586)	12,891
Police - health insurance	797,803	783,092	760,193	22,899
Police - dental insurance	28,702	28,702	26,295	2,407
Police - disability insurance	18,679	18,679	17,376	1,303
Police - vision insurance	4,313	4,313	3,925	388
Police - life insurance	11,016	11,016	11,787	(771)
Police - FICA medicare	59,225	59,225	54,543	4,682
Police - FICA social security	253,235	253,235	233,218	20,017
Police - unemployment insurance	12,825	12,825	12,653	172
Annual leave	58,098	62,298	62,204	94
Police - PILI	66,719	75,219	75,192	27
Longevity	52,000	52,000	51,500	500
Police - overtime regular	163,244	293,244	271,775	21,469
Police - overtime smooth operator	12,000	12,000	14,593	(2,593)
Police - overtime task force	12,000	12,000	1,894	10,106
Police - overtime DUI checkpoint	12,000	12,000	3,368	8,632
Police - holiday pay	121,635	121,635	108,241	13,394
Police - overtime court	77,570	122,570	35,651	86,919
Police - overtime Drug Enforcement Administration	12,360	12,360	15,913	(3,553)
Police - clothing allowance	8,800	8,800	8,669	131
Police - tuition reimbursement	25,000	25,000	-	25,000
Transfer to prescription fund	15,500	15,500	13,316	2,184
Transfer to police pension fund	840,774	840,774	840,774	-
Total salaries and fringe benefits - uniform	<u>6,160,298</u>	<u>6,019,701</u>	<u>5,759,376</u>	<u>260,325</u>
Salaries and fringe benefits - nonuniform				
Salary - Executive Assistant	78,995	78,995	79,299	(304)
Wages - Secretary	154,232	154,232	129,803	24,429
Office - health insurance	84,135	84,135	84,923	(788)
Office - dental insurance	3,211	3,211	3,029	182
Office - disability insurance	1,809	1,809	1,714	95
Office - vision insurance	476	476	449	27
Office - life insurance	735	735	785	(50)
Office - FICA medicare	3,588	3,588	3,308	280
Office - FICA social security	15,342	15,342	14,145	1,197
Office - unemployment insurance	1,425	1,425	1,442	(17)
Office - PILI	9,712	9,712	9,770	(58)
Office - overtime	500	500	176	324

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Retirement plan	4,000	4,000	4,000	-
Wages - cleaning	12,480	8,480	4,471	4,009
Wages - mechanic	15,663	15,663	13,097	2,566
Health care reform fees	300	300	242	58
General - FICA medicare	409	409	254	155
General - FICA social security	1,745	1,745	1,084	661
General - unemployment insurance	285	285	372	(87)
Transfer to nonuniform pension fund	10,705	10,705	9,117	1,588
Total salaries and fringe benefits - nonuniform	<u>399,747</u>	<u>395,747</u>	<u>361,480</u>	<u>34,267</u>
Contracted services				
Service contract - elevator	3,231	3,231	3,256	(25)
Service contract - fire protection	698	698	678	20
Service contract - snow/ice removal	6,663	6,663	7,461	(798)
Service contract - lawn care	1,545	1,545	1,500	45
Service contract - heat/ac	4,443	4,443	4,379	64
Service contract - emergency generator	922	922	894	28
Service contract - pest control	680	680	828	(148)
Service contract - phone system	1,236	1,236	1,200	36
Service contract - alarm monitoring	371	371	360	11
Service contract - computer hosting	128,729	128,729	104,268	24,461
Monroe County Control Center	156,283	169,039	169,038	1
Total contracted services	<u>304,801</u>	<u>317,557</u>	<u>293,862</u>	<u>23,695</u>
General and administrative				
Office - seminars and training	1,750	1,750	45	1,705
Office supplies	2,268	3,268	3,223	45
Office equipment	1,193	1,193	1,228	(35)
Operating expense	26,016	33,016	33,978	(962)
Public relations	5,974	5,974	5,388	586
Bank service charges	50	50	20	30
Payroll service	12,318	12,318	6,424	5,894
Testing services	6,938	6,938	4,722	2,216
Telephone	35,416	35,416	31,441	3,975
Internet service	13,071	13,071	12,689	382
Computer air cards/GPS	17,004	17,004	15,260	1,744
Postage	1,357	1,357	1,115	242
Advertising	4,099	4,099	5,140	(1,041)
Lease - operating	8,608	8,608	8,162	446
Dues and subscriptions	15,244	15,244	10,261	4,983
Cleaning service	7,112	11,112	11,050	62
Radio equipment repairs and maintenance	1,448	1,448	497	951

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Minor capital purchases	13,500	13,500	13,026	474
Towing	206	206	-	206
Printing	1,296	1,296	1,298	(2)
Academy training expenses	12,040	12,040	-	12,040
Police - seminars and training	30,000	30,000	25,092	4,908
K-9 training	-	-	1,543	(1,543)
Total general and administrative	<u>216,908</u>	<u>228,908</u>	<u>191,602</u>	<u>37,306</u>
Insurance				
Office - workers compensation insurance	358	358	358	-
Insurance - commercial package	17,825	17,825	16,807	1,018
Insurance - public officials	23,653	23,653	16,368	7,285
Insurance - bonding	275	275	557	(282)
General - workers compensation insurance	121	121	121	-
Insurance- automobile	35,187	41,398	41,397	1
Insurance - police liability	23,428	23,428	18,830	4,598
Police - workers compensation insurance	135,892	212,522	212,387	135
Total insurance	<u>236,739</u>	<u>319,580</u>	<u>306,825</u>	<u>12,755</u>
Occupancy				
Heat - propane	6,226	6,226	5,549	677
Electric	20,115	20,115	18,236	1,879
Trash collection	1,323	1,323	1,292	31
Building repairs and maintenance	30,626	30,626	35,164	(4,538)
Total occupancy	<u>58,290</u>	<u>58,290</u>	<u>60,241</u>	<u>(1,951)</u>
Professional fees				
Independent audit	15,500	15,500	16,400	(900)
Equipment inventory audit	250	250	270	(20)
Actuarial services/nonuniform	1,950	1,950	1,950	-
Legal services	33,157	33,157	31,342	1,815
Computer support	26,060	26,060	24,887	1,173
Total professional fees	<u>76,917</u>	<u>76,917</u>	<u>74,849</u>	<u>2,068</u>
Police supplies				
Police - uniforms	30,545	30,545	21,373	9,172
Weapons and ammunition	22,936	22,936	21,574	1,362
S.R.T. expenses	11,330	11,330	13,603	(2,273)
Fitness equipment	2,000	2,000	2,000	-
Equipment transfer and striping	4,051	4,051	3,002	1,049
K-9 supplies	-	-	2,146	(2,146)
Total police supplies	<u>70,862</u>	<u>70,862</u>	<u>63,698</u>	<u>7,164</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Vehicles				
Vehicle fuel	79,050	111,050	100,901	10,149
Vehicle repairs	11,536	16,536	15,212	1,324
Vehicle miscellaneous maintenance and supplies	15,062	15,062	17,079	(2,017)
Vehicles tires	16,975	16,975	16,583	392
Capital lease - vehicles	230,529	230,529	230,443	86
Capital lease - vehicle equipment	33,464	33,464	33,463	1
Total vehicles	<u>386,616</u>	<u>423,616</u>	<u>413,681</u>	<u>9,935</u>
Total expenditures	<u>7,911,178</u>	<u>7,911,178</u>	<u>7,525,614</u>	<u>385,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,569)</u>	<u>(212,569)</u>	<u>267,231</u>	<u>479,800</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>\$ (312,569)</u>	<u>\$ (312,569)</u>	167,231	<u>\$ 479,800</u>
FUND BALANCE				
Beginning of year			<u>3,879,633</u>	
End of year			<u>\$ 4,046,864</u>	

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31,

	Police Pension		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 640,385	\$ 600,261	\$ 571,677
Interest on total pension liability	1,931,707	1,810,360	1,705,749
Benefit payments, including refunds of member contributions	(1,214,152)	(1,105,561)	(708,620)
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(155,423)	-	(390,962)
Changes in assumptions	468,266	-	-
Transfers in	-	-	-
Net change in total pension liability	<u>1,670,783</u>	<u>1,305,060</u>	<u>1,177,844</u>
Total pension liability, beginning	<u>25,483,924</u>	<u>24,178,864</u>	<u>23,001,020</u>
Total pension liability, ending	<u>\$ 27,154,707</u>	<u>\$ 25,483,924</u>	<u>\$ 24,178,864</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 840,774	\$ 690,926	\$ 668,308
Member contributions	179,706	188,958	148,994
Net investment income (loss)	3,499,111	3,577,913	4,108,444
Benefit payments, including refunds of member contributions	(1,214,153)	(1,105,561)	(708,620)
Administrative expense	-	(8,550)	(10,250)
Transfers in	-	-	-
Net change in plan fiduciary net position	<u>3,305,438</u>	<u>3,343,686</u>	<u>4,206,876</u>
Fiduciary net position, beginning	<u>28,106,898</u>	<u>24,763,212</u>	<u>20,556,336</u>
Fiduciary net position, ending	<u>\$ 31,412,336</u>	<u>\$ 28,106,898</u>	<u>\$ 24,763,212</u>
Net pension liability (asset), ending	<u>\$ (4,257,629)</u>	<u>\$ (2,622,974)</u>	<u>\$ (584,348)</u>
Fiduciary net position as a % of total pension liability	115.68%	110.29%	102.42%
Covered payroll	3,514,495	3,577,227	3,290,103
Net pension liability as a % of covered payroll	-121.14%	-73.32%	-17.76%

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.

Fund

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 616,625	\$ 587,262	\$ 532,585	\$ 507,224
1,620,035	1,515,631	1,364,635	1,092,361
(622,376)	(695,884)	(642,381)	(490,810)
-	404,372	-	-
-	(242,886)	-	-
-	579,665	-	-
-	-	-	2,571,962
1,614,284	2,148,160	1,254,839	3,680,737
<u>21,386,736</u>	<u>19,238,576</u>	<u>17,983,737</u>	<u>14,303,000</u>
<u>\$ 23,001,020</u>	<u>\$ 21,386,736</u>	<u>\$ 19,238,576</u>	<u>\$ 17,983,737</u>
\$ 659,677	\$ 453,145	\$ 438,281	\$ 610,732
146,574	140,238	160,023	136,573
(1,098,004)	2,740,845	1,071,364	25,441
(622,376)	(695,884)	(642,381)	(490,810)
(3,450)	(17,860)	(8,260)	(26,790)
-	-	-	3,200,191
(917,579)	2,620,484	1,019,027	3,455,337
<u>21,473,915</u>	<u>18,853,431</u>	<u>17,834,404</u>	<u>14,379,067</u>
<u>\$ 20,556,336</u>	<u>\$ 21,473,915</u>	<u>\$ 18,853,431</u>	<u>\$ 17,834,404</u>
<u>\$ 2,444,684</u>	<u>\$ (87,179)</u>	<u>\$ 385,145</u>	<u>\$ 149,333</u>
89.37%	100.41%	98.00%	99.17%
3,149,723	3,202,718	3,095,627	3,113,787
77.62%	-2.72%	12.44%	4.80%

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	\$ 390,025	\$ 390,025	\$ -	\$ 3,095,627	12.60%
2017	\$ 453,145	\$ 453,145	\$ -	\$ 3,202,718	14.15%
2018	\$ 659,677	\$ 659,677	\$ -	\$ 3,149,723	20.94%
2019	\$ 668,308	\$ 668,308	\$ -	\$ 3,290,103	20.31%
2020	\$ 690,926	\$ 690,926	\$ -	\$ 3,577,227	19.31%
2021	\$ 840,774	\$ 840,774	\$ -	\$ 3,514,495	23.92%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 155,400	\$ 170,959	\$ 178,081	\$ 152,071
Interest on total OPEB liability	114,708	129,218	110,088	113,849
Differences between expected and actual experience	-	(351,476)	-	-
Changes of assumptions	377,618	119,380	(144,077)	180,429
Benefit payments	<u>(89,726)</u>	<u>(76,799)</u>	<u>(63,810)</u>	<u>(49,523)</u>
Net change in total OPEB liability	558,000	(8,718)	80,282	396,826
Total OPEB liability, beginning	<u>3,411,858</u>	<u>3,420,576</u>	<u>3,340,294</u>	<u>2,943,468</u>
Total OPEB liability, ending	<u>\$ 3,969,858</u>	<u>\$ 3,411,858</u>	<u>\$ 3,420,576</u>	<u>\$ 3,340,294</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 3,484,804	\$ 3,484,804	\$ 3,286,386	\$ 3,286,386
Net OPEB liability as a % of covered payroll	113.92%	97.91%	104.08%	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, 2021

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 14,479</u>	<u>\$ 319,228</u>	<u>\$ 333,707</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenditures	<u>\$ -</u>	<u>\$ 630</u>	<u>\$ 630</u>
FUND BALANCES			
Restricted for			
Capital projects	<u>14,479</u>	<u>318,598</u>	<u>333,077</u>
Total liabilities and fund balances	<u>\$ 14,479</u>	<u>\$ 319,228</u>	<u>\$ 333,707</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2021

	<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>1</u>	<u>38</u>	<u>-</u>	<u>39</u>
Total revenues	<u>107,801</u>	<u>38</u>	<u>-</u>	<u>107,839</u>
EXPENDITURES				
Capital outlay	195,037	-	-	195,037
Debt service				
Principal	104,869	-	-	104,869
Interest	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>2,931</u>
Total expenditures	<u>302,837</u>	<u>-</u>	<u>-</u>	<u>302,837</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(195,036)	38	-	(194,998)
OTHER FINANCING SOURCES (USES)				
Transfers in	195,037	100,000	(195,037)	100,000
Transfers out	<u>-</u>	<u>(195,037)</u>	<u>195,037</u>	<u>-</u>
Total other financing sources (uses)	<u>195,037</u>	<u>(95,037)</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	1	(94,999)	-	(94,998)
FUND BALANCES				
Beginning of year	<u>14,478</u>	<u>413,597</u>	<u>-</u>	<u>428,075</u>
End of year	<u>\$ 14,479</u>	<u>\$ 318,598</u>	<u>\$ -</u>	<u>\$ 333,077</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2021

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	<u>\$ 31,412,336</u>	<u>\$ 317,241</u>	<u>\$ 31,729,577</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 31,412,336</u>	<u>\$ 317,241</u>	<u>\$ 31,729,577</u>

POCONO MOUNTAIN REGIONAL POLICE DEPARTMENT

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2021

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 840,774	\$ 9,117	\$ 849,891
Member contributions	179,706	-	179,706
Total contributions	<u>1,020,480</u>	<u>9,117</u>	<u>1,029,597</u>
Investment income			
Interest, dividends and investment income (loss)	3,499,111	38,389	3,537,500
Total additions	<u>4,519,591</u>	<u>47,506</u>	<u>4,567,097</u>
DEDUCTIONS			
Benefits paid, including refund of member contributions	1,214,153	-	1,214,153
Administrative expenses	-	-	-
Total deductions	<u>1,214,153</u>	<u>-</u>	<u>1,214,153</u>
CHANGE IN NET POSITION	3,305,438	47,506	3,352,944
NET POSITION			
Beginning of year	<u>28,106,898</u>	<u>269,735</u>	<u>28,376,633</u>
End of year	<u>\$ 31,412,336</u>	<u>\$ 317,241</u>	<u>\$ 31,729,577</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, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 9, 2022.

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
September 9, 2022**