



Stroud Area Regional Police Department

Financial Statements
Year Ended December 31, 2017



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STROUD AREA REGIONAL POLICE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

**To the Police Commission
Stroud Area Regional Police Department
East Stroudsburg, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Stroud Area Regional Police Department, East Stroudsburg, Pennsylvania as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Stroud Area Regional Police Department's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Stroud Area Regional Police, East Stroudsburg, Pennsylvania as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Stroud Area Regional Police Department's 2016 financial statements, and our report dated July 12, 2017 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, 2016, 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 other post-employment benefits schedule of funding progress on pages 3 through 10 and pages 34 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stroud Area Regional Police Department's basic financial statements. The combining and individual fund financial statements on pages 43 and 44 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 June 13, 2018, on our consideration of the Stroud Area 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 Stroud Area Regional Police Department's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
June 13, 2018**

STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Management's discussion and analysis ("**MD&A**") of the Stroud Area Regional Police Department (the "**Department**") provides an overview of the Department's financial performance for 2017. 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 Stroud Area Regional Police Department is a police department governed by the Stroud Area Regional Police Commission formed in 2000 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 Boroughs of East Stroudsburg and Stroudsburg and Stroud Township.

FINANCIAL HIGHLIGHTS

- At December 31, 2017, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources of the Department resulting in a deficit in net position of \$2,578,457. During 2017, the Department's net position increased by \$94,311.
- The General Fund reported an increase in fund balance of \$25,450, bringing the cumulative balance to \$2,436,627 at the conclusion of the 2017 fiscal year.
- Member municipalities are billed monthly for their proportionate share of the adopted budget. Contributions from member municipalities for police protection services totaled \$6,967,720 and were allocated as follows: Stroud Township 48.21%; East Stroudsburg Borough 31.34% and Stroudsburg Borough 20.45%.
- General Fund revenues were \$124,878 or 1.59% more than budgeted amounts and General Fund expenditures were \$207,422 or 2.55% less than budgeted amounts resulting in a net positive variance of \$332,300. The 2017 General Fund budget included the use of \$306,850 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 (Deficit) presents information on all of the Department's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Department is improving or deteriorating.

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

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

STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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

FUND FINANCIAL STATEMENTS

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

Governmental Fund

The Department has one governmental fund – the General Fund. The governmental fund is 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, the 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 Fund and Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Fiduciary Funds

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

The fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 19 through 33 of this report.

Other Information

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

The required supplementary information and additional analysis can be found on pages 34 through 44 of this report.

STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

GOVERNMENT-WIDE 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,578,457 at December 31, 2017. A summary of the Statement of Net Position (Deficit) as of December 31, 2017 and 2016 is presented below.

	<u>2017</u>	<u>2016</u>
ASSET		
Current assets	\$ 2,516,066	\$ 2,420,319
Noncurrent assets	<u>381,588</u>	<u>529,003</u>
Total assets	<u>2,897,654</u>	<u>2,949,322</u>
DEFERRED OUTFLOWS		
Deferred outflows - pensions	<u>380,666</u>	<u>888,323</u>
LIABILITIES		
Current liabilities	134,674	142,808
Noncurrent liabilities	<u>4,787,578</u>	<u>6,367,605</u>
Total liabilities	<u>4,922,252</u>	<u>6,510,413</u>
DEFERRED INFLOWS		
Deferred inflows - pensions	<u>934,525</u>	<u>-</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	239,703	150,090
Restricted	55,235	133,666
Unrestricted (deficit)	<u>(2,873,395)</u>	<u>(2,956,524)</u>
Total net position (deficit)	<u>\$(2,578,457)</u>	<u>\$(2,672,768)</u>

The Department's total assets as of December 31, 2017 were \$2,897,654 of which \$2,476,570 or 85.47% consisted of unrestricted cash.

The Department's total liabilities as of December 31, 2017 were \$4,922,252 of which \$2,088,505 or 42.43% consisted of the actuarially determined net pension liability and \$1,963,235 or 39.88% consisted of the actuarially determined liability for other post-employment benefits.

The Department had a deficit in unrestricted net position of \$2,873,395 at December 31, 2017. The Department's unrestricted net position increased by \$83,129 primarily due to the results of current year operations.

A portion of the Department's net position reflects its restricted net position which totaled \$55,235 as of December 31, 2017. All of the Department's restricted net position related to the U.S. Department of Justice asset forfeiture program.

Another portion of the Department's net position reflects its 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 to participating member municipalities; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STROUD AREA REGIONAL POLICE DEPARTMENT

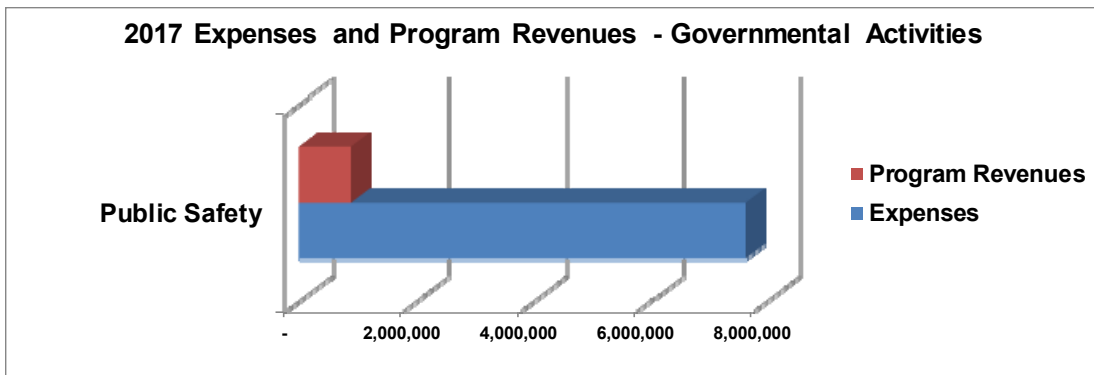
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

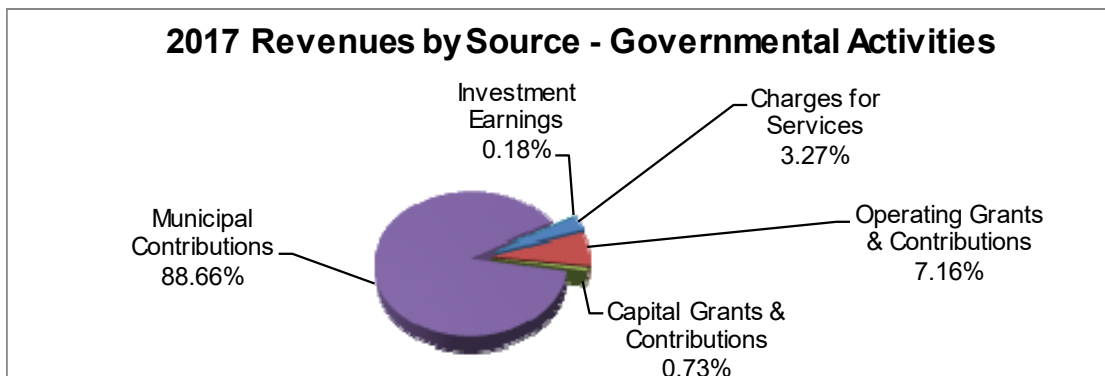
During 2017, the Department's net position increased by \$94,311. A summary of the Statement of Activities for the years ending December 31, 2017 and 2016 is presented below.

	<u>2017</u>	<u>2016</u>
REVENUES		
Program revenues		
Charges for services	\$ 256,728	\$ 257,641
Operating grants and contributions	562,635	636,708
Capital grants and contributions	57,754	-
General revenues		
Municipal contributions	6,967,720	6,784,221
Investment earnings	<u>14,061</u>	<u>6,996</u>
Total revenues	<u>7,858,898</u>	<u>7,685,566</u>
EXPENSES		
Public safety	<u>7,764,587</u>	<u>7,854,421</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 94,311</u>	<u>\$ (168,855)</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.



STROUD AREA REGIONAL POLICE DEPARTMENT

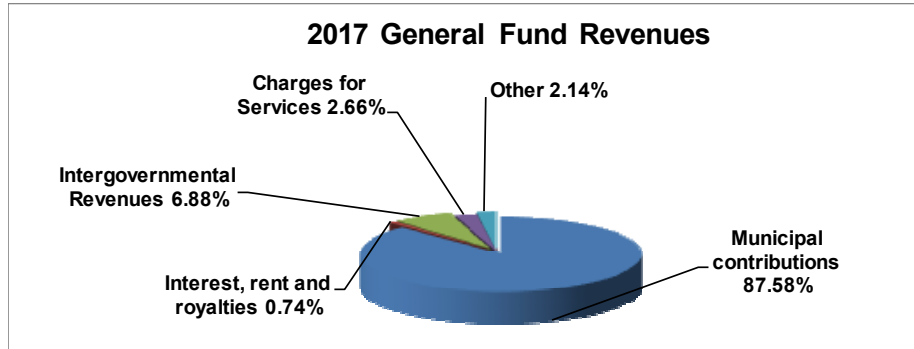
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

GENERAL FUND

The General Fund is the Department's primary operating fund. At the conclusion of the 2017 fiscal year the General Fund fund balance was \$2,436,627 representing an increase of \$25,450 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 2017 fiscal year.

The Department's reliance upon municipal contributions is demonstrated by the graph below that indicates 87.58% of General Fund revenues are derived from these revenues.



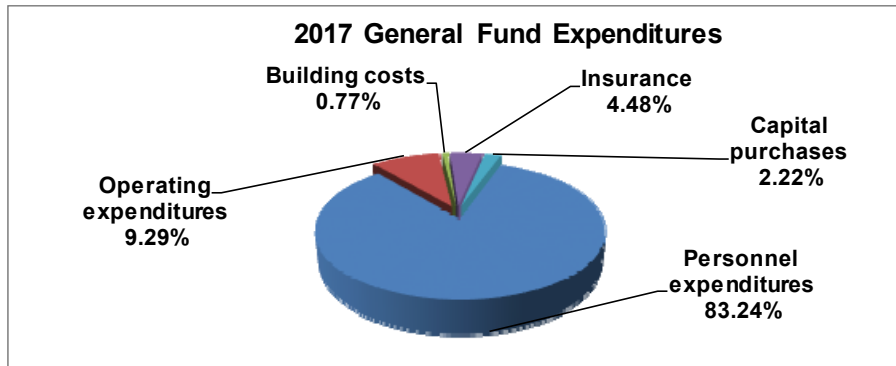
General Fund Revenues

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Municipal contributions	\$6,967,720	\$6,784,221	\$183,499	2.70
Interest, rent and royalties	59,200	43,149	16,051	37.20
Intergovernmental revenues	547,228	636,708	(89,480)	(14.05)
Charges for services	211,589	221,488	(9,899)	(4.47)
Miscellaneous	169,911	244,966	(75,055)	(30.64)
	<u>\$7,955,648</u>	<u>\$7,930,532</u>	<u>\$ 25,116</u>	<u>(0.32)</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 as part of the Intergovernmental Cooperation Agreement. The funding formula calculates municipal contributions based upon population, total assessed valuation and activity which is revised on an annual basis.

Miscellaneous revenue decreased by \$75,055 or 30.64% as a result of decreases in refunds associated with the Department's participation in a health insurance consortium and a workers compensation audit.

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.



STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

General Fund Expenditures

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Personnel expenditures				
Salaries and wages	\$4,582,489	\$4,646,138	\$ (63,649)	(1.37)
Payroll taxes	366,620	374,993	(8,373)	(2.23)
Health and hospitalization	895,886	821,938	73,948	9.00
Pension	729,365	707,885	21,480	3.03
Life insurance	23,343	28,211	(4,868)	(17.26)
Health and welfare	<u>3,626</u>	<u>1,441</u>	<u>2,185</u>	<u>151.63</u>
Total personnel expenditures	6,601,329	6,580,606	20,723	0.31
Operating expenditures	736,556	696,329	40,227	5.78
Building costs	60,877	49,214	11,663	23.70
Insurance	355,597	333,227	22,370	6.71
Capital purchases	<u>175,839</u>	<u>148,553</u>	<u>27,286</u>	<u>18.37</u>
	<u>\$7,930,198</u>	<u>\$7,807,929</u>	<u>\$122,269</u>	<u>1.57</u>

Salaries and wages decreased by \$63,649 or 1.37% in 2017 compared to 2016 as a result of the Department on average being 10 officers understaffed during 2017. As a result, regular salaries and wages were less while overtime wages were more in 2017 compared to 2016 due to the staffing structure and the need to staff the needed Department shifts.

Health and hospitalization costs increased by \$73,948 or 9.00% in 2017 compared to 2016 as a direct result of increased premiums in 2017.

Operating expenditures increased by \$40,227 or 5.78% in 2017 compared to 2016 due to an increase in legal costs associated with personnel matters related to arbitration and discipline.

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 \$124,878 or 1.59% more than budgeted amounts and General Fund expenditures were \$207,422 or 2.55% less than budgeted amounts resulting in a net positive variance of \$332,300. The 2017 General Fund budget included the use of \$306,850 of fund balance to balance the budget. Major budgetary highlights for 2017 were as follows:

General Fund revenues were more than budgeted primarily due to a refund received related to the Department's participation in a health insurance consortium in the amount of approximately \$90,000 that was not budgeted.

Personnel expenditures were \$213,891 less than budgeted amounts because the Department on average was 10 officers understaffed during 2017 which resulted in regular salaries being under budget and overtime wages being over budget to compensate for the staff shortage. In addition, the Department budgeted a \$45,000 additional police pension contribution that was not made.

Operating expenditures for professional services were \$80,163 more than budgeted amounts because of legal costs associated with personnel matters related to arbitration and discipline which was offset by expenditures being under budget for K-9 expenditures and computer equipment/supplies/software.

STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 33 through 38. 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, 2017 amounted to \$326,353 net of accumulated depreciation. This investment in capital assets includes vehicles, furniture and equipment and machinery and equipment. The total net decrease in the Department's investment in capital assets for 2017 was \$68,984 or 17.45%. The decrease was the result of current year depreciation in excess of additions.

Current year capital additions were \$147,150 and depreciation expense was \$216,134.

Capital additions for the current year were for a K-9 vehicle, interior cameras at headquarters, improvements to the detective office and training equipment.

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 and other post-employment obligation are actuarially determined liabilities that totaled \$2,088,505 and \$1,963,235, respectively, as of December 31, 2017. These liabilities decreased by \$1,389,181 or 25.53% 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 \$535,359 as of December 31, 2017 and decreased by \$46,166 or 7.94% 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 \$86,650 as of December 31, 2017 and decreased by \$158,597 or 64.67% during the current year.

SUBSIDY AGREEMENT

The Department has a subsidy agreement with the participating member municipalities to finance the construction of the Central Headquarters for the Department. Each participating member municipality owns an undivided one-third interest in the real estate in accordance with the Intergovernmental Cooperation Agreement and is required to subsidize its portion of the debt service requirements. In conjunction with the subsidy agreement the Borough of Stroudsburg has issued long-term debt to finance the project. The subsidy agreement requires the participating member municipalities in the subsidy agreement to make debt service payments sufficient to retire the debt issued through annual appropriations through their own respective annual budget to the Borough of Stroudsburg. The balance of the note payable at December 31, 2017 was \$1,122,660.

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 these gains 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. Currently, the Department has an unfunded liability for its net pension liability and other post-employment benefits which totals approximately \$4.05 million which will need to be funded on a pay as you go basis by the participating member municipalities in future budgets.

STROUD AREA REGIONAL POLICE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

The Department adopted a balanced 2018 General Fund budget totaling \$8,241,530 which used \$144,320 of the General Fund fund balance as of December 31, 2017 and the required contributions from participating member municipalities were increased by 4.09%.

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 Stroud Area Regional Police Department, 100 Day Street, Stroudsburg, Pennsylvania 18301.

STROUD AREA REGIONAL POLICE DEPARTMENT

STATEMENT OF NET POSITION (DEFICIT)

December 31, 2017 with summarized comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 2,476,570	\$ 2,319,114
Accounts receivable	29,698	38,462
Due from other governments	9,798	62,743
Total current assets	<u>2,516,066</u>	<u>2,420,319</u>
NONCURRENT ASSETS		
Restricted cash	55,235	133,666
Capital assets, net	326,353	395,337
Total noncurrent assets	<u>381,588</u>	<u>529,003</u>
Total assets	<u>2,897,654</u>	<u>2,949,322</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions	<u>380,666</u>	<u>888,323</u>
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	41,504	67,824
Accrued salaries and benefits	93,170	74,984
Total current liabilities	<u>134,674</u>	<u>142,808</u>
NONCURRENT LIABILITIES		
Due within one year -		
Capital leases payable	86,650	158,597
Due in more than one year -		
Capital leases payable	-	86,650
Accrued compensated absences	535,359	581,525
Health reimbursement account	113,829	99,912
Other post-employment benefits	1,963,235	1,808,579
Net pension liability	2,088,505	3,632,342
Total noncurrent liabilities	<u>4,787,578</u>	<u>6,367,605</u>
Total liabilities	<u>4,922,252</u>	<u>6,510,413</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	<u>934,525</u>	<u>-</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	239,703	150,090
Restricted		
Asset forfeiture	55,235	133,666
Unrestricted (deficit)	<u>(2,873,395)</u>	<u>(2,956,524)</u>
Total net position (deficit)	<u>\$ (2,578,457)</u>	<u>\$ (2,672,768)</u>

See accompanying notes

STROUD AREA REGIONAL POLICE DEPARTMENT

STATEMENT OF ACTIVITIES

Year ended December 31, 2017 with summarized comparative totals for 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit) Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2017</u>	<u>2016</u>
		GOVERNMENTAL ACTIVITIES				
Public safety	<u>\$ 7,764,587</u>	<u>\$ 256,728</u>	<u>\$ 562,635</u>	<u>\$ 57,754</u>	<u>\$ (6,887,470)</u>	<u>\$ (6,960,072)</u>
GENERAL REVENUES						
Municipal contributions						
Stroud Township					3,359,138	3,236,752
East Stroudsburg Borough					2,183,683	2,126,175
Stroudsburg Borough					1,424,899	1,421,294
Investment earnings					14,061	6,996
Total general revenues					<u>6,981,781</u>	<u>6,791,217</u>
CHANGE IN NET POSITION (DEFICIT)					94,311	(168,855)
NET POSITION (DEFICIT)						
Beginning of year					<u>(2,672,768)</u>	<u>(2,503,913)</u>
End of year					<u>\$ (2,578,457)</u>	<u>\$ (2,672,768)</u>

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STROUD AREA REGIONAL POLICE DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2017 with summarized comparative totals for 2016

	General Fund	
	2017	2016
ASSETS		
Cash	\$ 2,476,570	\$ 2,319,114
Restricted cash	55,235	133,666
Accounts receivable	29,698	38,462
Due from other governments	9,798	62,743
Total assets	\$ 2,571,301	\$ 2,553,985
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenditures	\$ 41,504	\$ 67,824
Accrued salaries and benefits	93,170	74,984
Total liabilities	134,674	142,808
FUND BALANCE		
Restricted for		
Asset forfeiture	55,235	133,666
Committed to		
Balance 2018 budget	144,320	-
Balance 2017 budget	-	306,850
Future capital building improvements	25,000	10,000
Future OPEB costs	30,000	30,000
Unassigned	2,182,072	1,930,661
Total fund balance	2,436,627	2,411,177
Total liabilities and fund balances	\$ 2,571,301	\$ 2,553,985

See accompanying notes

STROUD AREA REGIONAL POLICE DEPARTMENT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

December 31, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 2,436,627
 Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	326,353
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.	(4,787,578)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	<u>(553,859)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,578,457)</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

Year ended December 31, 2017 with summarized comparative totals for 2016

	<u>General Fund</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
Municipal contributions		
Stroud Township	\$ 3,359,138	\$ 3,236,752
East Stroudsburg Borough	2,183,683	2,126,175
Stroudsburg Borough	1,424,899	1,421,294
Interest, rent and royalties	59,200	43,149
Intergovernmental revenues	547,228	636,708
Charges for services	211,589	221,488
Miscellaneous	169,911	244,966
Total revenues	<u>7,955,648</u>	<u>7,930,532</u>
EXPENDITURES		
Current		
Public safety	<u>7,930,198</u>	<u>7,807,929</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	25,450	122,603
FUND BALANCES		
Beginning of year	<u>2,411,177</u>	<u>2,288,574</u>
End of year	<u>\$ 2,436,627</u>	<u>\$ 2,411,177</u>

See accompanying notes

STROUD AREA REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2017

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 25,450

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 depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 89,396	
Depreciation expense	<u>(216,134)</u>	(126,738)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental fund because they are not financial resources. 57,754

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.

Repayment of extended-term financing		158,597
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Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences		46,166
Current year change in health reimbursement account		(13,917)
Current year change in OPEB obligation		(154,656)
Current year change in net pension liability and related deferred outflows		<u>101,655</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 94,311

STROUD AREA REGIONAL POLICE DEPARTMENT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Pension Trust Funds	
	<u>2017</u>	<u>2016</u>
ASSETS		
Investments	<u>\$ 19,023,121</u>	<u>\$ 16,738,956</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 19,023,121</u>	<u>\$ 16,738,956</u>

See accompanying notes

STROUD AREA REGIONAL POLICE DEPARTMENT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2017 with summarized comparative totals for 2016

	Pension Trust Funds	
	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 734,758	\$ 707,220
Member contributions	<u>184,067</u>	<u>184,481</u>
Total contributions	<u>918,825</u>	<u>891,701</u>
Investment income		
Interest, dividends and investment income	<u>2,606,698</u>	<u>1,014,389</u>
Total additions	<u>3,525,523</u>	<u>1,906,090</u>
DEDUCTIONS		
Benefits paid	1,164,862	1,048,425
Refunds of member contributions	63,822	808
Administrative expenses	<u>12,674</u>	<u>4,672</u>
Total deductions	<u>1,241,358</u>	<u>1,053,905</u>
CHANGE IN NET POSITION	2,284,165	852,185
NET POSITION		
Beginning of year	<u>16,738,956</u>	<u>15,886,771</u>
End of year	<u>\$ 19,023,121</u>	<u>\$ 16,738,956</u>

See accompanying notes

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Stroud Area 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 Stroud Area Regional Police Department is a police department governed by the Stroud Area Regional Police Commission formed in 2000 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 Boroughs of East Stroudsburg and Stroudsburg and Stroud Township.

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) 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 (deficit) 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."

The statement of net position (deficit) 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.

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

The governmental fund financial statements report on the Department's General Fund. Fiduciary fund financial statements are presented by fund type.

Governmental Fund

The governmental fund is 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 fund:

The General Fund is the only major governmental fund. The General Fund is the operating fund of the Department and accounts for all revenues and expenditures.

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. 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.

Expenditure Recognition

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

Fiduciary Funds

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

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

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

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 population, total assessed valuation and activity 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, 2017.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of \$5,000 and an estimated life of two years or more. 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: vehicles – 5 years; technology equipment – 5 years; furniture and fixtures 7 – years and office and police 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.

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017.

Compensated Absences

Department policies permit employees to accumulate earned but unused vacation and sick days and compensatory leave as follows:

Vacation

Full-time employees earn vacation leave, 5 to 28 days per year, based on employment classification and length of service. Vacation leave may be carried over from one calendar year to the next up to a maximum of ten days. However, those ten days must be used no later than April 30th of the following calendar year. If not used by April 30th the carryover days are forfeited. At the time of separation from the Department an employee is paid for any carryover vacation days at the employee's regular straight time base hourly rate.

Sick

Full-time employees earn sick leave, 10 to 15 days per year, based on employment classification. Each full-time employee is entitled to carryover from year to year and accumulate unused sick leave up to a maximum of 150 days. Upon resignation or voluntary termination of employment only, an employee will be allowed to receive payment for any unused accumulated sick leave at 50 percent of the employee's regular straight time base hourly rate. An employee may utilize up to 100 percent of accumulated unused sick leave days up to a maximum of 150 days, to extend their employment and official retirement eligibility date and receive pay for such days at the employee's regular straight time base hourly rate.

Compensatory Leave

In lieu of overtime pay, an officer may elect to take compensatory time. Eligible employees earn compensatory leave off at one and a half times the amount of overtime hours actually worked. An employee is permitted to accumulate compensatory leave time up to a maximum of 480 hours. At the time of separation of from the Department an employee is paid for any accumulated compensatory leave at the employee's regular straight time base hourly rate.

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

Long-Term Obligations

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

Fund Equity

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

Nonspendable

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

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 whom the Department has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Unassigned

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Department's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Department's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective January 1, 2017, the Department adopted the provisions of GASB Statement No. 73, "Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68", GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units-Amendment of GASB Statement No. 14"; GASB Statement No. 81, "Irrevocable Split-Interest Agreements" and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73".

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans", and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

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

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

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 had no impact on the financial statements of the Department for the year ended December 31, 2017.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

New Accounting Pronouncements

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" will be effective for the Department for the year ended December 31, 2018. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85 "Omnibus 2017" will be effective for the Department for the year ended December 31, 2018. The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)).

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

(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. At least 30 days prior to budget adoption, the Department Treasurer prepares the proposed budget for Police Commission review.

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

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

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, 2017, the carrying amount of the Department's deposits was \$2,531,805 and the bank balance was \$2,546,559. Of the bank balance, \$500,000 was covered by federal depository insurance and \$433,324 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, 2017, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2017, the Township's pension trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds	\$17,386,070
Real estate investment trusts (" REITs ")	1,002,065
Money market	342,814
PSABMRT	<u>292,172</u>
	<u>\$19,023,121</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Mutual funds, money market and PSABMRT investments were valued using Level 1 inputs, while REITs were valued using Level 3 inputs.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Department had no investments subject to custodial credit risk as of December 31, 2017.

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.

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, 2017.

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. The Department places no limit on the amount that may be invested with any one issuer.

(4) CAPITAL ASSETS

A summary of the changes in the Department's capital assets for 2017 is as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets being depreciated				
Vehicles	\$1,038,326	\$ 57,754	\$ -	\$1,096,080
Technology equipment	567,077	-	-	567,077
Furniture and fixtures	19,059	31,014	-	50,073
Police and office equipment	170,136	58,382	-	228,518
Firearms and armor	118,446	-	-	118,446
Total capital assets being depreciated	1,913,044	147,150	-	2,060,194
Less accumulated depreciation for				
Vehicles	749,573	134,593	-	884,166
Technology equipment	460,489	80,356	-	540,845
Furniture and fixtures	19,059	689	-	19,748
Police and office equipment	170,140	496	-	170,636
Firearms and armor	118,446	-	-	118,446
Total accumulated depreciation	1,517,707	216,134	-	1,733,841
Total capital assets being depreciated, net	395,337	(68,984)	-	326,353
Total capital assets, net	\$ 395,337	\$ (68,984)	\$ -	\$ 326,353

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(5) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2017</u>	<u>Amount Due Within One Year</u>
Capital leases payable	\$ 245,247	\$ -	\$ 158,597	\$ 86,650	\$86,650
Compensated absences	581,525	-	46,166	535,359	-
Health reimbursement account	99,912	13,917	-	113,829	-
OPEB obligation	1,808,579	287,932	133,276	1,963,235	-
Net pension liability (<i>See Note 7</i>)	<u>3,632,342</u>	<u>-</u>	<u>1,543,837</u>	<u>2,088,505</u>	<u>-</u>
Total noncurrent liabilities	<u>\$6,367,605</u>	<u>\$301,849</u>	<u>\$1,881,876</u>	<u>\$4,787,578</u>	<u>\$86,650</u>

Capital Leases

The Department has entered into 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 capital assets acquired through the capital leases are as follows:

Vehicles	\$ 592,554
Technology equipment	295,192
Less: accumulated depreciation	<u>(808,037)</u>
	<u>\$ 79,709</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$63,387	\$2,788	\$66,175
2019	<u>23,263</u>	<u>602</u>	<u>23,865</u>
	<u>\$86,650</u>	<u>\$3,390</u>	<u>\$90,040</u>

Other Post-Employment Benefits

The Department's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to retired police officers, hired before November 9, 2012, until the retired police officer becomes eligible for Medicare or until the retired police officer is eligible for equivalent or better coverage with another employer. Police officers hired after November 9, 2012, are not eligible for any other post-employment healthcare benefits. The Police Commission has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

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

Plan Membership

Membership in the other post-employment healthcare plan consisted of the following at December 31, 2017:

Active employees	38
Vested former employees	-
Retired employees	<u>9</u>
Total	<u>47</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 317,577
Estimated interest on net OPEB obligation	81,386
Estimated adjustment to annual required contribution	<u>(111,031)</u>
Annual OPEB cost (expense)	287,932
Contributions made	<u>(133,276)</u>
Increase in net OPEB obligation	154,656
Net OPEB obligation – beginning of year	<u>1,808,579</u>
Net OPEB obligation – end of year	<u>\$1,963,235</u>

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$3,168,872, all of which was unfunded. The covered payroll (annual payroll of active employees) was \$2,731,159 and the ratio of the unfunded actuarial accrued liability ("**UUAAL**") to the covered payroll was 116.03%.

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

Actuarial Methods and Assumptions

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

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 6.50% in 2016; 6.0% in 2017 and 5.50% in 2018 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized based on the level dollar, 30-year open period.

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(6) SUBSIDY AGREEMENT

On October 5, 2001, the Department entered into a subsidy agreement with the Boroughs of East Stroudsburg and Stroudsburg and Stroud Township to finance the purchase of land and for the construction of the Central Headquarters (the "**project**") for the Department. In conjunction with the subsidy agreement the Borough of Stroudsburg issued General Obligation Bonds, Series of 2001 (the "**Series 2001 Bonds**") to finance the project. The Series of 2001 was subsequently refunded on February 28, 2005 and March 9, 2010 by the Borough of Stroudsburg's General Obligation Bonds Series of 2005 and Series of 2010 (the "**Series 2005 Bonds**" and the "**Series 2010 Bonds**") in order to reduce interest costs. Each participating member municipality owns an undivided one-third interest in the real estate in accordance with the Intergovernmental Cooperation Agreement and is required to subsidize its portion of the debt service requirements. The subsidy agreement between the participating member municipalities requires each member to make debt service payments sufficient to retire the Borough of Stroudsburg's outstanding debt obligations through annual budget appropriations. On March 26, 2015, the Borough of Stroudsburg issued General Obligation Note, Series of 2015A (the "**Series 2015A Note**"). The proceeds of the Series 2015A Note were used for (a) the refunding of the Series 2010 Bonds and (b) payment of cost to issue the Series 2015A Note. The Series 2015A Note is payable annually in varying amounts from December 2015 to December 2021. The interest on the Series 2015A Note is payable semi-annually in June and December at rates ranging from 1.55% to 3.00%. The amount outstanding under the Series 2015A Note was \$1,122,660 at December 31, 2017.

(7) EMPLOYEE RETIREMENT PLANS

Police Pension Plan

The Stroud Area Regional Police Pension Plan is a single-employer defined benefit pension plan (the "**Police Pension Plan**") covering all full-time uniform employees in the Department. Employees become eligible for participation upon employment and become vested in the Police Pension Plan after twelve years of service. The Police Commission has the authority to establish and amend benefit provisions and is responsible for management of the Police Pension Plan assets.

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2017:

Active employees	37
Retirees or beneficiaries currently receiving benefits	44
Inactive members entitled to but not yet receiving benefits	<u>7</u>
Total	<u>88</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.

Participants are eligible for normal retirement after attainment of age 50 and 25 years of service and early retirement after 20 years of service. Normal monthly retirement benefits are calculated as 50% of average monthly pay, based on the last 36 months of employment, plus a service increment of \$100 per month if the participant has completed 25 years of service. The maximum total service increment is \$100.

If a participant is totally and permanently disabled in the line of duty they are eligible for disability payments equal to 50% of their salary at the time of disability.

If a participant is not eligible for retirement at the time of death, the participant's named beneficiary shall be entitled to receive a refund of the participant's contributions with interest at the rate of 5.5 percent. If a participant is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse, or eligible child, equal to 50% of the normal monthly retirement benefit.

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of total compensation. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any funding requirements established by the MMO in excess of employee and state contributions must be funded by the Department. The Department's 2017 MMO contribution totaled \$706,800 and employee contributions totaled \$184,067.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 8.00% percent investment rate of return (net of investment expenses) and (b) 5.0% inflation and age related scale for merit/seniority for salary projections.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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.

Investment Policy and Rate of Return

The Police Pension Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Police Commission. The investment policy of the Police Pension Plan is to maximize the total rate of return over the long-term subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

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:

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	40%	6.58% - 7.39%
International Equities	24%	7.34%
Fixed Income	29%	2.84%
Real Estate	5%	8.66%
Cash	<u>2%</u>	0.50%
Total Portfolio	<u>100%</u>	

Net Pension Liability

The Department's net pension liability has been measured as of December 31, 2017. The total pension liability was determined by an actuarial valuation as of December 31, 2017, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$2,088,505 measured as the difference between the total pension liability of \$20,819,454 and the fiduciary net position of \$18,730,949.

The Department's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2017 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances as of December 31, 2016	\$20,129,281	\$16,496,939	\$3,632,342
Changes for the year:			
Service cost	485,884	-	485,884
Interest on total pension liability	1,587,508	-	1,587,508
Difference between expected and actual experience	(610,434)	-	(610,434)
Changes in assumptions	451,029	-	451,029
Employer contributions	-	706,800	(706,800)
Member contributions	-	184,067	(184,067)
Net investment income	-	2,575,422	(2,575,422)
Benefit payments	(1,223,814)	(1,223,814)	-
Administrative expense	-	(8,465)	8,465
Net changes	<u>690,173</u>	<u>2,234,010</u>	<u>(1,543,837)</u>
Balances as of December 31, 2017	<u>\$20,819,454</u>	<u>\$18,730,949</u>	<u>\$2,088,505</u>

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

The following presents the net pension liability of the Department calculated using the discount rate 8.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Net Pension Liability	<u>\$4,483,788</u>	<u>\$2,088,505</u>	<u>\$63,679</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Department recognized negative net pension expense of \$101,655. At December 31, 2017, the Department reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$515,202
Changes in assumptions	380,666	-
Net difference between projected and actual Investment earnings	<u>-</u>	<u>419,323</u>
	<u>\$380,666</u>	<u>\$934,525</u>

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

Year ended December 31,

2018	\$ (682)
2019	(683)
2020	(235,874)
2021	(281,560)
2022	(24,869)
Thereafter	<u>(10,191)</u>
	<u>\$ (553,859)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 8.00%, net of investment expenses
- Inflation – 5.00%
- Salary increases – age related scale with merit and inflation component
- Mortality – blue collar RP-2000 mortality table

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 five 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, 2017 was \$455,029.

Non-Uniform Pension Plan

The Stroud Regional Non-Uniform Pension Plan is a single-employer defined contribution pension plan (the "**Non-Uniform Pension Plan**") covering all full-time non-uniform employees in the Department. The Police Commission has the authority to establish and amend benefit provisions and is responsible for management of the Non-Uniform Pension Plan assets.

Eligibility

All full-time non-uniformed employees join the Plan on the first day of the month following completion of six months of employment.

STROUD AREA REGIONAL POLICE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Contributions

The Department contributes 6.0% of compensation and employees are not required to contribute to the Non-Uniform Pension Plan. The Department's contributions totaled \$27,958 for 2017.

Normal Retirement

A participant's full account is payable upon retirement at age 62 or early retirement at age 55 and completion of ten years of service.

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

A participant's vesting percentage is 0% until the participant has completed 5 years of service at which the time vesting percentage will be 100%.

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 2017.

(8) RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverage during 2017. 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.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 13, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Municipal contributions			
Stroud Township	\$ 3,359,138	\$ 3,359,138	\$ -
East Stroudsburg Borough	2,183,683	2,183,683	-
Stroudsburg Borough	1,424,899	1,424,899	-
Total municipal contributions	<u>6,967,720</u>	<u>6,967,720</u>	<u>-</u>
Interest, rent and royalties			
Investment earnings	3,000	14,061	11,061
Rent of court building	43,700	45,139	1,439
Total interest, rent and royalties	<u>46,700</u>	<u>59,200</u>	<u>12,500</u>
Intergovernmental revenues			
PA Municipal state aid - pension	412,800	440,472	27,672
COPS bulletproof vest grant	4,300	-	(4,300)
COPS FAST grant	70,000	52,500	(17,500)
U.S. Department of Justice - drug task force	15,000	29,117	14,117
U.S. Drug Enforcement Administration - seizures	-	5,634	5,634
PCCD training simulator	-	15,407	15,407
PA Liquor Control Board - enforcement	20,000	4,098	(15,902)
Total intergovernmental revenues	<u>522,100</u>	<u>547,228</u>	<u>25,128</u>
Charges for services			
Stroudsburg Area School District - SRO Services	147,500	147,500	-
Housing Authority of Monroe County	25,000	18,060	(6,940)
Police services	30,000	30,725	725
Sale of reports	15,000	13,879	(1,121)
Testing - new hires	3,750	1,425	(2,325)
Total charges for services	<u>221,250</u>	<u>211,589</u>	<u>(9,661)</u>
Miscellaneous	<u>73,000</u>	<u>169,911</u>	<u>96,911</u>
Total revenues	<u>7,830,770</u>	<u>7,955,648</u>	<u>124,878</u>
EXPENDITURES			
Personnel expenditures			
Salaries and wages			
Uniform staff	3,471,280	3,344,911	126,369
Nonuniform staff	402,100	401,474	626
Overtime wages	480,000	564,766	(84,766)
Longevity pay	55,300	3,400	51,900
Compensatory time	275,000	267,938	7,062
Part-time officers	10,000	-	10,000
Education pay	5,800	-	5,800
Detective stipend	6,000	-	6,000
Total salaries and wages	<u>4,705,480</u>	<u>4,582,489</u>	<u>122,991</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Payroll taxes			
Social security	294,140	281,958	12,182
Medicare	68,800	67,615	1,185
PSAB unemployment compensation plan	20,000	17,047	2,953
Total payroll taxes	<u>382,940</u>	<u>366,620</u>	<u>16,320</u>
Health and hospitalization			
Hospitalization - active employees	743,000	735,489	7,511
Hospitalization - retired employees	81,200	74,697	6,503
Health reimbursement account	46,000	36,428	9,572
Short-term disability	10,200	9,441	759
Dental	35,700	27,028	8,672
Medical opt out	4,800	7,200	(2,400)
Immunizations	300	-	300
Vision insurance	6,200	5,603	597
Total health and hospitalization	<u>927,400</u>	<u>895,886</u>	<u>31,514</u>
Pension			
Police	751,800	706,800	45,000
Non-uniform	26,600	22,565	4,035
Total pension	<u>778,400</u>	<u>729,365</u>	<u>49,035</u>
Life insurance			
Life insurance	17,500	17,004	496
Supplemental life insurance	-	6,339	(6,339)
Total life insurance	<u>17,500</u>	<u>23,343</u>	<u>(5,843)</u>
Health and welfare			
Sanitizers and cleaners	500	62	438
Physicals	1,500	1,061	439
Psychological	1,500	2,503	(1,003)
Total health and welfare	<u>3,500</u>	<u>3,626</u>	<u>(126)</u>
Total personnel expenditures	<u>6,815,220</u>	<u>6,601,329</u>	<u>213,891</u>
Operating expenditures			
Communications			
Internet/cable	1,800	2,860	(1,060)
Radio	5,000	2,155	2,845
Web page	300	127	173
Total communications	<u>7,100</u>	<u>5,142</u>	<u>1,958</u>
Dues and subscriptions			
Dues and subscriptions	4,400	4,407	(7)

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Uniforms			
Uniforms - new hires	17,500	14,171	3,329
Uniforms - replacements	8,000	5,982	2,018
Uniforms - investigations	1,000	171	829
Uniforms - motorcycle patrol	1,000	-	1,000
Uniforms - SRT	2,000	-	2,000
Uniforms - bicycle patrol	500	739	(239)
Uniforms - K-9	1,000	1,148	(148)
Uniforms - other	-	240	(240)
Total uniforms	<u>31,000</u>	<u>22,451</u>	<u>8,549</u>
Police supplies and equipment			
Ammunition	21,000	21,611	(611)
Bicycle patrol equipment	500	1,492	(992)
Firearms	3,000	2,826	174
Housing authority equipment purchase	7,000	4,576	2,424
Investigations equipment	3,000	8,450	(5,450)
Motor carrier inspection	500	-	500
Motorcycle patrol equipment	1,000	10,449	(9,449)
Patrol equipment	9,000	15,438	(6,438)
Bullet proof vests	15,000	6,650	8,350
SRT equipment	4,000	4,093	(93)
Total police supplies and equipment	<u>64,000</u>	<u>75,585</u>	<u>(11,585)</u>
Training			
Training equipment	3,000	2,297	703
Motorcycle training	1,000	-	1,000
Bike training	1,000	-	1,000
Education - non-uniform and administration	2,000	1,545	455
Firearms training	3,000	250	2,750
SRT training	5,000	250	4,750
Travel/per diem	10,000	9,035	965
Investigations training	5,000	1,583	3,417
Patrol training	12,000	10,095	1,905
Total training	<u>42,000</u>	<u>25,055</u>	<u>16,945</u>
Telephone			
Cell phone	5,000	4,788	212
Air card	7,500	7,914	(414)
Basic and long distance	13,000	8,744	4,256
GPS	8,000	7,044	956
Total telephone	<u>33,500</u>	<u>28,490</u>	<u>5,010</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Contracted services			
Door access	5,000	6,828	(1,828)
Pest control	500	336	164
Calibration - vehicles, ESP and robotics	1,000	-	1,000
Fire alarm system/sprinkler/monitor	2,500	2,838	(338)
Fertilizing	700	451	249
Uniform cleaning	1,000	120	880
Trash removal	1,400	1,200	200
Generator maintenance	1,500	-	1,500
Groundskeeping (mowing)	4,000	3,240	760
HVAC maintenance contract	2,400	2,495	(95)
Sidewalk shoveling	6,000	2,017	3,983
Parking lot snow removal	6,500	2,742	3,758
Contracted services - other	-	1,299	(1,299)
Total contracted services	<u>32,500</u>	<u>23,566</u>	<u>8,934</u>
K-9 expenditures			
Dog care/accessories	8,000	307	7,693
New dog purchase	15,000	-	15,000
Total K-9 expenditures	<u>23,000</u>	<u>307</u>	<u>22,693</u>
Computer equipment/supplies/software			
Computer equipment replacements	54,000	18,779	35,221
Minor computer equipment	4,000	3,583	417
IT department training	1,000	700	300
Leased equipment	79,283	79,283	-
Technical support services	75,717	51,086	24,631
Other support services	10,000	10,035	(35)
Total computer equipment/supplies/software	<u>224,000</u>	<u>163,466</u>	<u>60,534</u>
Vehicle expenditures			
Car washing	3,000	2,501	499
Bicycle maintenance	1,000	-	1,000
Motorcycle maintenance	4,000	5,522	(1,522)
Oil changes	3,000	2,348	652
Tires	16,000	12,955	3,045
Vehicle repair (auto body)	12,000	13,298	(1,298)
Vehicle repair (mechanical)	40,000	39,000	1,000
Vehicle operations - gas	70,000	59,334	10,666
Towing	1,200	465	735
Total vehicle expenditures	<u>150,200</u>	<u>135,423</u>	<u>14,777</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Professional services			
Payroll services	17,000	15,624	1,376
Audit services	10,000	8,000	2,000
Solicitor fees	50,000	48,907	1,093
Outside legal	60,000	144,632	(84,632)
Total professional services	<u>137,000</u>	<u>217,163</u>	<u>(80,163)</u>
Other operating expenditures			
Housing authority special operations	1,000	-	1,000
Special operations	1,000	1,000	-
Lab supplies	2,000	1,513	487
Postage and meter rental	2,000	956	1,044
Travel expenses	1,000	-	1,000
Department inventory	500	216	284
Small office equipment	3,000	2,160	840
Advertising and printing	5,000	5,393	(393)
Office supplies	10,000	9,280	720
Testing expense	5,000	2,213	2,787
General office expense	10,000	11,770	(1,770)
Weight room equipment	-	1,000	(1,000)
SARPC Foundation reimbursable expenses	1,000	-	1,000
Total other operating expenditures	<u>41,500</u>	<u>35,501</u>	<u>5,999</u>
Total operating expenditures	<u>790,200</u>	<u>736,556</u>	<u>53,644</u>
Building costs			
Building maintenance and repairs	17,000	24,055	(7,055)
Electric	30,000	23,888	6,112
Heating	8,000	6,447	1,553
Sewer and water	1,200	1,391	(191)
Building cleaning and supplies	4,000	5,096	(1,096)
Maintenance supplies	4,000	-	4,000
Total building costs	<u>64,200</u>	<u>60,877</u>	<u>3,323</u>
Insurance			
Workers compensation	201,000	198,702	2,298
Property/liability/auto insurance	131,000	138,663	(7,663)
Judgments/damages/deductibles	15,000	18,232	(3,232)
Total insurance	<u>347,000</u>	<u>355,597</u>	<u>(8,597)</u>

STROUD AREA REGIONAL POLICE DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Capital purchases			
Capital building improvements	15,000	-	15,000
Vehicle leases	106,000	89,697	16,303
Seizure equipment expense	-	86,142	(86,142)
Total capital purchases	<u>121,000</u>	<u>175,839</u>	<u>(54,839)</u>
Total expenditures	<u>8,137,620</u>	<u>7,930,198</u>	<u>207,422</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balance	<u>\$ (306,850)</u>	25,450	<u>\$ 332,300</u>
Fund balance			
Beginning of year		<u>2,411,177</u>	
End of year		<u>\$ 2,436,627</u>	

STROUD AREA REGIONAL POLICE DEPARTMENT

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31,

	Police Pension Fund		
	2017	2016	2015
TOTAL PENSION LIABILITY			
Service cost	\$ 485,884	\$ 429,254	\$ 408,813
Interest on total pension liability	1,587,508	1,529,918	1,459,905
Differences between expected and actual experience	(610,434)	-	-
Changes in assumptions	451,029	-	-
Benefit payments, including refunds of member contributions	<u>(1,223,814)</u>	<u>(1,049,233)</u>	<u>(978,739)</u>
Net change in total pension liability	690,173	909,939	889,979
Total pension liability, beginning	<u>20,129,281</u>	<u>19,219,342</u>	<u>18,329,363</u>
Total pension liability, ending	<u>\$ 20,819,454</u>	<u>\$ 20,129,281</u>	<u>\$ 19,219,342</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 706,800	\$ 683,920	\$ 807,481
Member contributions	184,067	184,481	177,296
Net investment income	2,575,422	1,004,594	57,395
Benefit payments	(1,223,814)	(1,049,233)	(978,739)
Administrative expense	<u>(8,465)</u>	<u>(2,057)</u>	<u>(8,063)</u>
Net change in plan fiduciary net position	2,234,010	821,705	55,370
Fiduciary net position, beginning	<u>16,496,939</u>	<u>15,675,234</u>	<u>15,619,864</u>
Fiduciary net position, ending	<u>\$ 18,730,949</u>	<u>\$ 16,496,939</u>	<u>\$ 15,675,234</u>
Net pension liability, ending	<u>\$ 2,088,505</u>	<u>\$ 3,632,342</u>	<u>\$ 3,544,108</u>
Fiduciary net position as a % of total pension liability	90.00%	81.95%	81.95%
Covered payroll	3,754,070	3,426,420	3,597,000
Net pension liability as a % of covered payroll	55.60%	106.01%	98.53%

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.

STROUD AREA 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>
2017	\$ 706,789	\$ 706,800	\$ (11)	\$ 3,754,070	18.83%
2016	\$ 683,918	\$ 683,920	\$ (2)	\$ 3,426,420	19.96%
2015	\$ 807,481	\$ 807,481	\$ -	\$ 3,597,000	22.45%
2014	\$ 639,700	\$ 664,700	\$ (25,000)	\$ 3,815,300	17.42%
2013	\$ 659,650	\$ 659,650	\$ -	\$ 4,010,000	16.45%
2012	\$ 662,800	\$ 737,800	\$ (75,000)	\$ 4,053,500	18.20%
2011	\$ 561,741	\$ 667,037	\$ (105,296)	\$ 3,912,900	17.05%
2010	\$ 284,643	\$ 501,847	\$ (217,204)	\$ 3,677,800	13.65%
2009	\$ 277,410	\$ 284,405	\$ (6,995)	\$ 3,587,610	7.93%
2008	\$ 322,558	\$ 322,558	\$ -	\$ 3,322,100	9.71%

STROUD AREA REGIONAL POLICE DEPARTMENT

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended December 31, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Percentage Funded (a/b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a)/c)</u>
12/31/2015	\$ -	\$3,168,872	0.00%	\$3,168,872	\$2,731,159	116.03%
12/31/2012	\$ -	\$2,972,729	0.00%	\$2,972,729	\$3,970,731	74.87%
12/31/2009	\$ -	\$2,561,231	0.00%	\$2,561,231	\$3,974,719	64.44%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STROUD AREA REGIONAL POLICE DEPARTMENT

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	<u>\$ 18,730,949</u>	<u>\$ 292,172</u>	<u>\$ 19,023,121</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 18,730,949</u>	<u>\$ 292,172</u>	<u>\$ 19,023,121</u>

STROUD AREA REGIONAL POLICE DEPARTMENT**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended December 31, 2017

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 706,800	\$ 27,958	\$ 734,758
Member contributions	184,067	-	184,067
Total contributions	<u>890,867</u>	<u>27,958</u>	<u>918,825</u>
Investment income			
Interest, dividends and investment income	2,575,422	31,276	2,606,698
Total additions	<u>3,466,289</u>	<u>59,234</u>	<u>3,525,523</u>
DEDUCTIONS			
Benefits paid	1,164,862	-	1,164,862
Refunds of member contributions	58,952	4,870	63,822
Administrative expenses	8,465	4,209	12,674
Total deductions	<u>1,232,279</u>	<u>9,079</u>	<u>1,241,358</u>
CHANGE IN NET POSITION	2,234,010	50,155	2,284,165
NET POSITION			
Beginning of year	<u>16,496,939</u>	<u>242,017</u>	<u>16,738,956</u>
End of year	<u>\$ 18,730,949</u>	<u>\$ 292,172</u>	<u>\$ 19,023,121</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
Stroud Area Regional Police Department
East Stroudsburg, 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 Stroud Area Regional Police Department (the "**Department**"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 13, 2018.

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
June 13, 2018