



# Stroud Area Regional Police Department

Financial Statements  
Year Ended December 31, 2021



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Philadelphia, PA 19103

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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**

### **Opinions**

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, 2021, and the related notes to the financial statements, which collectively comprise the Stroud Area Regional Police Department's basic financial statements as listed in the table of contents.

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

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stroud Area Regional Police Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stroud Area Regional Police Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stroud Area Regional Police Department's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

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

We have previously audited the Stroud Area Regional Police Department's 2020 financial statements, and our report dated June 9, 2021 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of changes in net pension liability and Department pension contributions and the schedule of changes in OPEB liability on pages 4 through 11 and pages 36 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stroud Area Regional Police Department's basic financial statements. The combining and individual fund financial statements on pages 45 and 46 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 3, 2022, 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 3, 2022**

# STROUD AREA REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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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 2021. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Department's financial performance.

The 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, 2021, 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 \$261,059. During 2021, the Department's net position increased by \$1,689,802.
- The General Fund reported an increase in fund balance of \$455,070, bringing the cumulative balance to \$3,801,463 at the conclusion of the 2021 fiscal year.
- Member municipalities are billed monthly for their proportionate share of the adopted budget. Contributions from member municipalities for police protection services totaled \$8,331,580 and were allocated as follows: Stroud Township 48.21%; East Stroudsburg Borough 31.34% and Stroudsburg Borough 20.45%.

### 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.

The government-wide financial statements can be found on pages 12 and 13 of this report.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Department's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Department's funds can be divided into 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 14 through 17 of this report.

#### **Fiduciary Funds**

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

The fiduciary fund financial statements can be found on pages 18 and 19 of this report.

#### **Notes to the Financial Statements**

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

The notes to the financial statements can be found on Pages 20 through 35 of this report.

#### **Other Information**

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

The required supplementary information and additional analysis can be found on pages 36 through 46 of this report.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

### 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 \$261,059 at December 31, 2021. A summary of the Statement of Net Position (Deficit) as of December 31, 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
<b>ASSET</b>		
Current assets	\$4,003,677	\$ 3,543,242
Noncurrent assets	<u>634,227</u>	<u>699,086</u>
<b>Total assets</b>	<u>4,637,904</u>	<u>4,242,328</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,070,047</u>	<u>818,479</u>
<b>LIABILITIES</b>		
Current liabilities	293,122	294,766
Noncurrent liabilities	<u>3,093,434</u>	<u>3,790,085</u>
<b>Total liabilities</b>	<u>3,386,556</u>	<u>4,084,851</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>3,582,454</u>	<u>2,926,817</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	402,384	360,646
Restricted	90,908	97,917
Unrestricted (deficit)	<u>(754,351)</u>	<u>(2,409,424)</u>
<b>Total net position (deficit)</b>	<u>\$ (261,059)</u>	<u>\$(1,950,861)</u>

The Department's total assets as of December 31, 2021 were \$4,637,904 of which \$3,813,029 or 82.21% consisted of unrestricted cash.

The Department's total liabilities as of December 31, 2021 were \$3,386,556 of which \$2,196,782 or 64.87% consisted of the actuarially determined net pension liability (asset) and liability for other post-employment benefits.

The Department had a deficit in unrestricted net position of \$754,351 at December 31, 2021. The Department's unrestricted net position increased by \$1,655,073 primarily due to the results of current year operations and the change in the actuarially determined liability (asset) for pension and related deferred outflows and inflows of resources.

A portion of the Department's net position reflects its restricted net position which totaled \$90,908 as of December 31, 2021. 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

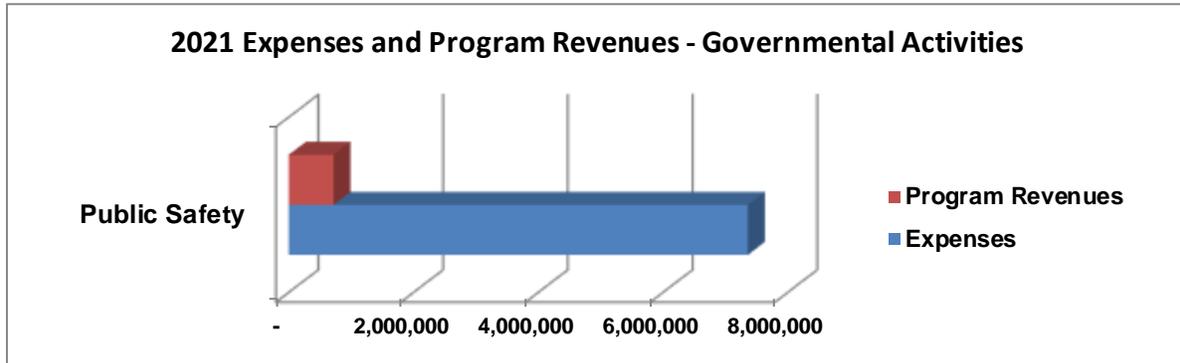
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

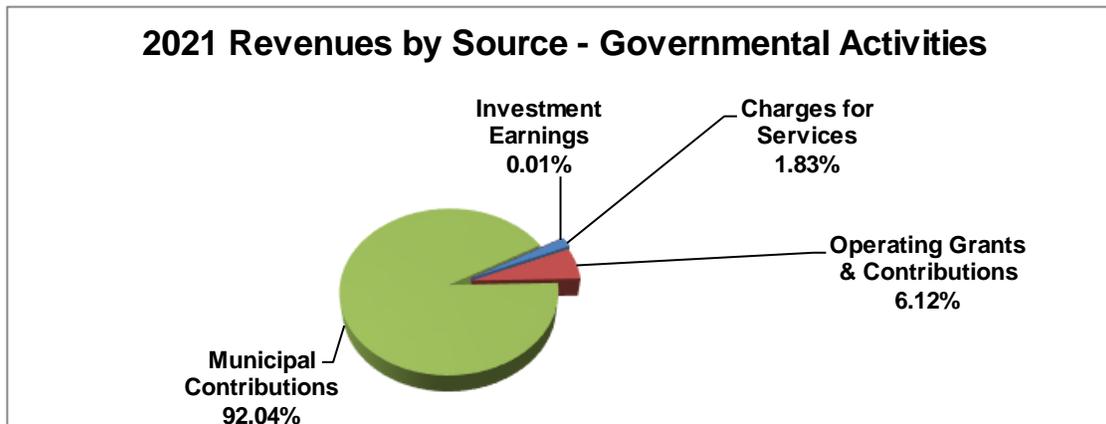
During 2021, the Department's net position increased by \$1,689,802. A summary of the Statement of Activities for the years ending December 31, 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
<b>Program revenues</b>		
Charges for services	\$ 165,199	\$ 225,905
Operating grants and contributions	554,469	565,949
Capital grants and contributions	-	-
<b>General revenues</b>		
Municipal contributions	8,331,580	7,968,370
Investment earnings	<u>711</u>	<u>10,893</u>
<b>Total revenues</b>	<u>9,051,959</u>	<u>8,771,117</u>
<b>EXPENSES</b>		
Public safety	<u>7,362,157</u>	<u>7,366,330</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$1,689,802</u>	<u>\$1,404,787</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

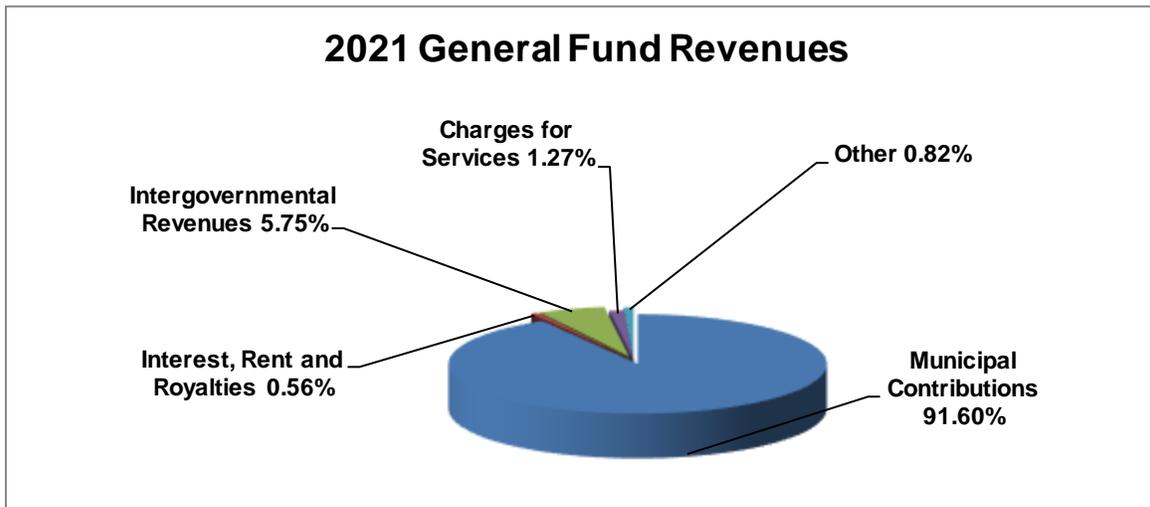
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

### GENERAL FUND

The General Fund is the Department's primary operating fund. At the conclusion of the 2021 fiscal year the General Fund fund balance was \$3,801,463 representing an increase of \$455,070 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021 fiscal year.

The Department's reliance upon municipal contributions is demonstrated by the graph below that indicates 91.60% of General Fund revenues are derived from these revenues.



### General Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Municipal contributions	\$8,331,580	\$7,968,370	\$363,210	4.56
Interest, rent and royalties	50,590	59,319	(8,729)	(14.72)
Intergovernmental revenues	523,031	528,929	(5,898)	(1.12)
Charges for services	115,320	177,480	(62,160)	(35.02)
Miscellaneous	74,645	99,647	(25,002)	(25.09)
	<u>\$9,095,166</u>	<u>\$8,833,745</u>	<u>\$261,421</u>	<u>2.96</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.

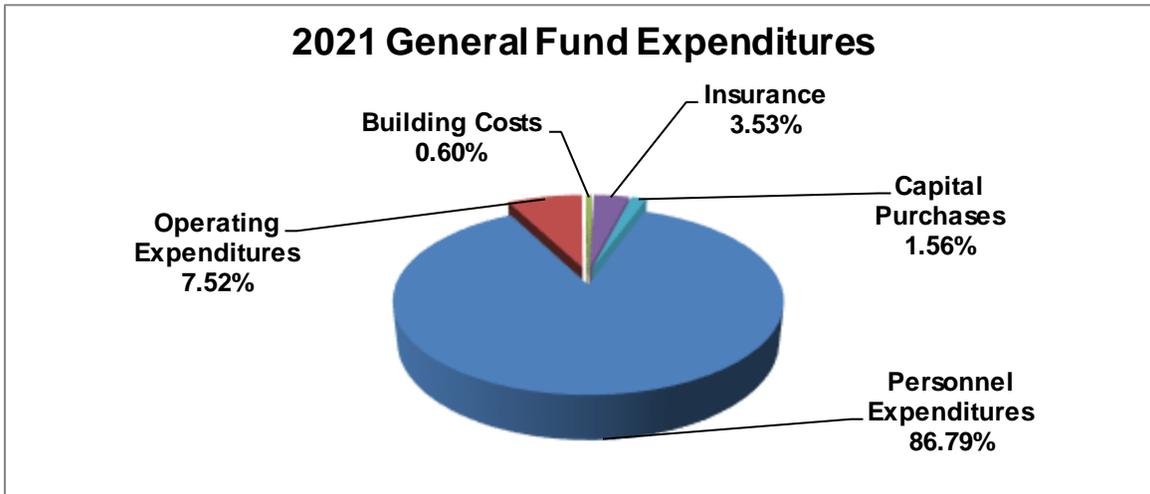
Charges for services decreased by \$62,160 or 35.02% due to an amendment made to its agreement to provide school resource officer services to Stroudsburg Area School District.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2021

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



### General Fund Expenditures

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Personnel expenditures				
Salaries and wages	\$4,787,730	\$4,729,254	\$ 58,476	1.24
Payroll taxes	385,413	378,576	6,837	1.81
Health and hospitalization	1,230,943	1,098,396	132,547	12.07
Pension	1,069,737	1,067,799	1,938	0.18
Life insurance	16,462	18,424	(1,962)	(10.65)
Health and welfare	<u>8,868</u>	<u>3,621</u>	<u>5,247</u>	<u>144.90</u>
Total personnel expenditures	7,499,153	7,296,070	203,083	2.78
Operating expenditures	649,845	668,613	(18,768)	(2.81)
Building costs	51,571	62,275	(10,704)	(17.19)
Insurance	304,919	331,046	(26,127)	(7.89)
Capital purchases	<u>134,608</u>	<u>185,932</u>	<u>(51,324)</u>	<u>(27.60)</u>
	<u>\$8,640,096</u>	<u>\$8,543,936</u>	<u>\$ 96,160</u>	<u>1.13</u>

Personnel expenditures increased by \$203,083 or 2.78% in 2021 compared to 2020 primarily due to salary increases mandated by the collective bargaining agreement and promotions and an increase in health insurance premiums.

Capital purchases decreased by \$51,324 or 27.60% in 2021 compared to 2020 primarily due to supply chain shortages hindering the ability of the Department to obtain budgeted capital items.

### 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.

# **STROUD AREA REGIONAL POLICE DEPARTMENT**

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

**December 31, 2021**

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General Fund revenues were \$ 100,923 or 1.10% less than budgeted amounts and General Fund expenditures were \$705,993 or 7.55% less than budgeted amounts resulting in a net positive variance of \$455,070. Expenditures were less than budget primarily due to health insurance, uniform wages, and compensatory time being less than anticipated related to staffing shortages.

The 2021 General Fund budget included the use of \$150,000 of fund balance to balance the budget.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 36 through 41. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues and expenditures for the current year.

### **CAPITAL ASSETS**

The Department's investment in capital assets as of December 31, 2021 amounted to \$543,319 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 2021 was \$57,850 or 9.62%. The decrease was the result of current year depreciation in excess of additions.

Current year capital additions were \$121,918 and depreciation expense was \$179,768.

Capital additions for the current year were for new vehicles and accessories.

### **NONCURRENT LIABILITIES**

The Department reports its defined benefit unfunded pension obligation and its unfunded net obligation for post-employment benefits on its statement of net position (deficit). The Department's unfunded net pension liability(asset) and other post-employment obligation are actuarially determined liabilities that totaled \$2,196,782 as of December 31, 2021. These liabilities decreased by \$636,644 or 22.47% 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 \$634,980 as of December 31, 2021 and increased by \$35,886 or 5.99% 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 \$140,935 as of December 31, 2021 and decreased by \$99,588 or 41.40% 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 final payment on the debt was made during December 2021 and no balance remains as of December 31, 2021.

# **STROUD AREA REGIONAL POLICE DEPARTMENT**

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

**December 31, 2021**

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### **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 other post-employment benefits which totaled \$4,437,007 which will need to be funded on a pay as you go basis by the participating member municipalities in future budgets.

The Department adopted a balanced 2022 General Fund budget totaling \$9,651,312 which used \$160,000 of the General Fund fund balance as of December 31, 2021. In addition, the required contributions from participating member municipalities were increased by 4.36% for 2022.

### **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, 2021 with summarized comparative totals for 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,813,029	\$ 3,405,491
Accounts receivable	14,176	22,325
Due from other governments	54,012	10,017
Prepaid expenses	<u>122,460</u>	<u>105,409</u>
<b>Total current assets</b>	<u>4,003,677</u>	<u>3,543,242</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash	90,908	97,917
Capital assets, net	<u>543,319</u>	<u>601,169</u>
<b>Total noncurrent assets</b>	<u>634,227</u>	<u>699,086</u>
<b>Total assets</b>	<u>4,637,904</u>	<u>4,242,328</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	1,203,164	169,577
Deferred outflows - OPEB	<u>866,883</u>	<u>648,902</u>
<b>Total deferred outflows of resources</b>	<u>2,070,047</u>	<u>818,479</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	114,855	134,275
Accrued salaries and benefits	<u>178,267</u>	<u>160,491</u>
<b>Total current liabilities</b>	<u>293,122</u>	<u>294,766</u>
<b>NONCURRENT LIABILITIES</b>		
Due within one year -		
Capital leases payable	70,415	102,593
Due in more than one year -		
Capital leases payable	70,520	137,930
Accrued compensated absences	634,980	599,094
Health reimbursement account	120,737	117,042
Other post-employment benefits	4,437,007	3,890,448
Net pension liability (asset)	<u>(2,240,225)</u>	<u>(1,057,022)</u>
<b>Total noncurrent liabilities</b>	<u>3,093,434</u>	<u>3,790,085</u>
<b>Total liabilities</b>	<u>3,386,556</u>	<u>4,084,851</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	3,322,030	2,545,886
Deferred inflows - OPEB	<u>260,424</u>	<u>380,931</u>
<b>Total deferred inflows of resources</b>	<u>3,582,454</u>	<u>2,926,817</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	402,384	360,646
Restricted		
Asset forfeiture	90,908	97,917
Unrestricted (deficit)	<u>(754,351)</u>	<u>(2,409,424)</u>
<b>Total net position (deficit)</b>	<u>\$ (261,059)</u>	<u>\$ (1,950,861)</u>

See accompanying notes

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**STATEMENT OF ACTIVITIES**

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit) Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2021</u>	<u>2020</u>
		<b>GOVERNMENTAL ACTIVITIES</b>				
Public safety	<u>\$ 7,362,157</u>	<u>\$ 165,199</u>	<u>\$ 554,469</u>	<u>\$ -</u>	<u>\$ (6,642,489)</u>	<u>\$ (6,574,476)</u>
<b>GENERAL REVENUES</b>						
Municipal contributions						
Stroud Township				4,016,655	3,841,551	
East Stroudsburg Borough				2,611,117	2,497,287	
Stroudsburg Borough				1,703,808	1,629,532	
Investment earnings				711	10,893	
<b>Total general revenues</b>				<u>8,332,291</u>	<u>7,979,263</u>	
<b>CHANGE IN NET POSITION (DEFICIT)</b>				1,689,802	1,404,787	
<b>NET POSITION (DEFICIT)</b>						
Beginning of year				<u>(1,950,861)</u>	<u>(3,355,648)</u>	
<b>End of year</b>				<u>\$ (261,059)</u>	<u>\$ (1,950,861)</u>	

# STROUD AREA REGIONAL POLICE DEPARTMENT

## BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2021 with summarized comparative totals for 2020

	General Fund	
	2021	2020
<b>ASSETS</b>		
Cash	\$ 3,813,029	\$ 3,405,491
Restricted cash	90,908	97,917
Accounts receivable	14,176	22,325
Prepaid items	122,460	105,409
Due from other governments	54,012	10,017
<b>Total assets</b>	<b>\$ 4,094,585</b>	<b>\$ 3,641,159</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenditures	\$ 114,855	\$ 134,275
Accrued salaries and benefits	178,267	160,491
<b>Total liabilities</b>	<b>293,122</b>	<b>294,766</b>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	122,460	105,409
Restricted for		
Asset forfeiture	90,908	97,917
Committed to		
Balance 2021 budget	-	150,000
Balance 2022 budget	160,000	-
Future capital building improvements	45,000	45,000
Future OPEB costs	30,000	30,000
Encumbrances	106,121	-
Unassigned	3,246,974	2,918,067
<b>Total fund balance</b>	<b>3,801,463</b>	<b>3,346,393</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,094,585</b>	<b>\$ 3,641,159</b>

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, 2021**

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 3,801,463</b>
 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.	543,319
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.	(3,093,434)
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>(1,512,407)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (261,059)</u></b>

**STROUD AREA REGIONAL POLICE DEPARTMENT**

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

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

	<u>General Fund</u>	
	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Municipal contributions		
Stroud Township	\$ 4,016,655	\$ 3,841,551
East Stroudsburg Borough	2,611,117	2,497,287
Stroudsburg Borough	1,703,808	1,629,532
Interest, rent and royalties	50,590	59,319
Intergovernmental revenues	523,031	528,929
Charges for services	115,320	177,480
Miscellaneous	74,645	99,647
<b>Total revenues</b>	<u>9,095,166</u>	<u>8,833,745</u>
<b>EXPENDITURES</b>		
Current		
Public safety	<u>8,640,096</u>	<u>8,543,936</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	455,070	289,809
<b>FUND BALANCE</b>		
Beginning of year	<u>3,346,393</u>	<u>3,056,584</u>
End of year	<u>\$ 3,801,463</u>	<u>\$ 3,346,393</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, 2021

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**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** \$ 455,070

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	\$ 121,918	
Depreciation expense	<u>(179,768)</u>	(57,850)

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	99,588	
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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	(35,886)	
Current year change in health reimbursement account	(3,695)	
Current year change in net OPEB liability and related deferred outflows and inflows of resources	(208,071)	
Current year change in net pension liability and related deferred outflows and inflows of resources	<u>1,440,646</u>	<u>1,192,994</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 1,689,802

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2021 with summarized comparative totals for 2020**

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	<b>Pension Trust Funds</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>ASSETS</b>		
Investments	<u>\$ 27,792,371</u>	<u>\$ 25,058,127</u>
<b>NET POSITION</b>		
Assets held in trust for pension benefits	<u>\$ 27,792,371</u>	<u>\$ 25,058,127</u>

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*See accompanying notes*

# STROUD AREA REGIONAL POLICE DEPARTMENT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

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

	Pension Trust Funds	
	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 1,072,044	\$ 1,067,799
Member contributions	<u>208,316</u>	<u>210,969</u>
<b>Total contributions</b>	<u>1,280,360</u>	<u>1,278,768</u>
<b>Investment income</b>		
Interest, dividends and investment income	<u>3,043,576</u>	<u>3,469,721</u>
<b>Total additions</b>	<u>4,323,936</u>	<u>4,748,489</u>
<b>DEDUCTIONS</b>		
Benefits paid	1,582,140	1,243,387
Administrative expenses	<u>7,552</u>	<u>6,148</u>
<b>Total deductions</b>	<u>1,589,692</u>	<u>1,249,535</u>
<b>CHANGE IN NET POSITION</b>	2,734,244	3,498,954
<b>NET POSITION</b>		
Beginning of year	<u>25,058,127</u>	<u>21,559,173</u>
<b>End of year</b>	<u>\$ 27,792,371</u>	<u>\$ 25,058,127</u>

See accompanying notes

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

#### **Basis of Presentation**

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

The statement of net position (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."

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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.

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

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Fair Value Measurements of Assets and Liabilities**

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

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

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

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

### **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, 2021.

### **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.

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# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

The Department reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no asset impairments to be recognized at December 31, 2021.

### **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 30<sup>th</sup> of the following calendar year. If not used by April 30<sup>th</sup> 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 example, 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:

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### ***Nonspendable***

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

### ***Restricted***

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

### ***Committed***

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

### ***Assigned***

Assigned fund balances are amounts that are constrained by the Department's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Police Chief or (b) an appointed body (e.g., finance committee) or (c) an official to 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 Department's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Department's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Department's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

### **Use of Estimates**

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

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### **New Accounting Pronouncements**

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

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

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

### **New Accounting Pronouncements**

GASB Statement No. 87, "*Leases*" will be effective for the Department for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

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

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

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

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

An annual budget must be adopted not later than December 31 for the succeeding fiscal year prior to January 1. 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 AND INVESTMENTS

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

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department does not have a policy for custodial credit risk on deposits. The Department is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2021, the carrying amount of the Department's deposits was \$3,903,937 and the bank balance was \$3,905,862. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,083,241 was collateralized by the Department's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Department are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2021, PLGIT was rated AAA by a nationally recognized statistical rating agency.

#### Investments

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

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds	\$25,753,850
Real estate investment trusts (" <b>REITs</b> ")	1,097,094
Money market	638,657
PSABMRT	<u>302,770</u>
	<u>\$27,792,371</u>

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's pension trust funds consist of uninsured, unregistered investments held by a counterparty's trust department but not in the Department's name.

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# STROUD AREA REGIONAL POLICE DEPARTMENT

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### 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 limits its type of investments permitted as defined in the state statutes.

### 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 2021 is as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
<b>Capital assets being depreciated</b>				
Vehicles	\$ 1,343,906	\$ 101,475	\$ -	\$ 1,445,381
Technology equipment	430,054	-	-	430,054
Furniture and fixtures	78,694	-	-	78,694
Police and office equipment	243,456	20,443	-	263,899
Firearms and armor	<u>127,826</u>	<u>-</u>	<u>-</u>	<u>127,826</u>
<b>Total capital assets being depreciated</b>	<u>2,223,936</u>	<u>121,918</u>	<u>-</u>	<u>2,345,854</u>
<b>Less accumulated depreciation for</b>				
Vehicles	(1,117,223)	(82,603)	-	(1,199,826)
Technology equipment	(167,610)	(85,477)	-	(253,087)
Furniture and fixtures	(30,770)	(4,324)	-	(35,094)
Police and office equipment	(186,842)	(6,426)	-	(193,268)
Firearms and armor	<u>(120,322)</u>	<u>(938)</u>	<u>-</u>	<u>(121,260)</u>
<b>Total accumulated depreciation</b>	<u>(1,622,767)</u>	<u>(179,768)</u>	<u>-</u>	<u>(1,802,535)</u>
<b>Total capital assets, net</b>	<u>\$ 601,169</u>	<u>\$ (57,850)</u>	<u>\$ -</u>	<u>\$ 543,319</u>

## (5) NONCURRENT LIABILITIES

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

	<u>Balance January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2021</u>	<u>Amount Due Within One Year</u>
Capital leases payable	\$ 240,523	\$ -	\$ 99,588	\$ 140,935	\$70,415
Compensated absences	599,094	35,886	-	634,980	-
Health reimbursement account	117,042	3,695	-	120,737	-
OPEB liability	3,890,448	691,217	144,658	4,437,007	-
Net pension liability(asset)	<u>(1,057,022)</u>	<u>3,783,204</u>	<u>4,966,407</u>	<u>(2,240,225)</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$ 3,790,085</u>	<u>\$4,514,002</u>	<u>\$5,210,653</u>	<u>\$ 3,093,434</u>	<u>\$70,415</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### (6) 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	\$ 101,411
Technology equipment	336,467
Less: accumulated depreciation	<u>(269,819)</u>
	<u>\$ 168,059</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 70,415	\$6,376	\$ 76,791
2023	<u>70,520</u>	<u>3,254</u>	<u>73,774</u>
Total	<u>\$140,935</u>	<u>\$9,630</u>	<u>\$150,565</u>

### (7) OTHER POST-EMPLOYMENT BENEFITS

The Department's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to 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.

#### OPEB Plan Membership

Membership in the other post-employment healthcare plan consisted of the following at January 1, 2021:

Active employees	26
Vested former employees	3
Retired employees	<u>11</u>
Total	<u>40</u>

#### OPEB Liability

The Department's OPEB liability has been measured as of December 31, 2021. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, and by rolling forward the liabilities from the January 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$4,437,007, all of which is unfunded.

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

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

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<b>Balance as of December 31, 2020</b>	\$3,890,448
<b>Changes for the year</b>	
Service cost	148,207
Interest on total OPEB liability	129,106
Differences between expected and actual experience	-
Changes in assumptions	413,904
Benefit payments	<u>(144,658)</u>
<b>Net changes</b>	<u>546,559</u>
<b>Balance as of December 31, 2021</b>	<u>\$4,437,007</u>

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

For the year ended December 31, 2021, the Department recognized OPEB expense of \$370,342. At December 31, 2021, the Department had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$235,958	\$202,194
Changes in assumptions	468,654	58,230
Contributions subsequent to the measurement date	<u>162,271</u>	<u>-</u>
	<u>\$866,883</u>	<u>\$260,424</u>

\$162,271 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended December 31,**

2022	\$ 93,029
2023	93,028
2024	175,351
2025	<u>82,780</u>
	<u>\$444,188</u>

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

The following presents the OPEB liability for December 31, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$3,987,951</u>	<u>\$4,437,007</u>	<u>\$4,948,116</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Department calculated using the discount rate of 1.93%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.93%) or 1 percentage point higher (2.93%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.93%</u>	<u>1.93%</u>	<u>2.93%</u>
OPEB liability	<u>\$4,781,304</u>	<u>\$4,437,007</u>	<u>\$4,121,383</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### Actuarial Methods and Significant Assumptions

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

- Actuarial cost method – entry age normal
- Discount rate – 1.93% – Standard and Poor's 20-year municipal bond rate. The discount rate changed from 3.26% to 1.93%.
- Salary growth – 5.00%
- Assumed healthcare cost trends – 5.50% in 2021 through 2023 decreasing from 5.40% in 2024 to 4.00% in 2075
- Mortality rates were based on the PubS-2010 mortality tables for males and females. The mortality rate changed from RP2000 to PubS-2010.

### (8) 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 final principal payment was made in December 2021 and no balance remains on the Series 2015A Note.

### (9) 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 January 1, 2022:

Active employees	40
Retirees or beneficiaries currently receiving benefits	47
Inactive members entitled to but not yet receiving benefits	<u>6</u>
Total	<u>93</u>

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# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### **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.

### **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 2021 MMO contribution totaled \$1,040,583 and employee contributions totaled \$208,316.

### **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 January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% percent investment rate of return (net of investment expenses) and (b) 5.00% inflation and age related scale for merit/seniority for salary projections.

### **Discount Rate**

The discount rate used to measure the total pension liability is 7.75%. 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.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	49%	5.72% - 6.77%
International equities	24%	6.55%
Fixed income	21%	2.18%
Real estate	4%	5.41%
Cash	<u>2%</u>	(0.33)%
Total portfolio	<u>100%</u>	

### Net Pension Liability(Asset)

The Department's net pension liability(asset) has been measured as of December 31, 2021. The total pension liability(asset) was determined by an actuarial valuation as of December 31, 2021, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability(asset) is \$(2,240,225) measured as the difference between the total pension liability of \$25,249,376 and the fiduciary net position of \$27,489,601.

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

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2020</b>	<u>\$23,560,408</u>	<u>\$24,617,430</u>	<u>\$(1,057,022)</u>
<b>Changes for the year:</b>			
Service cost	609,832	-	609,832
Interest on total pension liability	1,865,405	-	1,865,405
Difference between projected and actual experience	(720,490)	-	(720,490)
Changes of assumptions	1,305,769	-	1,305,769
Employer contributions	-	1,040,583	(1,040,583)
Member contributions	-	208,316	(208,316)
Net investment income	-	2,997,018	(2,997,018)
Benefit payments	(1,371,548)	(1,371,548)	-
Administrative expense	-	(2,198)	2,198
<b>Net changes</b>	<u>1,688,968</u>	<u>2,872,171</u>	<u>(1,183,203)</u>
<b>Balances as of December 31, 2021</b>	<u>\$25,249,376</u>	<u>\$27,489,601</u>	<u>\$(2,240,225)</u>

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

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

The following presents the net pension liability (asset) of the Department calculated using the discount rate 7.75%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease</u> <u>6.75%</u>	<u>Current Discount Rate</u> <u>7.75%</u>	<u>1% Increase</u> <u>8.75%</u>
Net pension liability (asset)	\$663,812	\$(2,240,225)	\$(4,682,741)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For the year ended December 31, 2021, the Department recognized negative pension expense of \$400,063. At December 31, 2021, 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	\$ -	\$ 987,638
Changes in assumptions	1,203,164	-
Net difference between projected and actual investment earnings	-	2,334,392
	<u>\$1,203,164</u>	<u>\$3,322,030</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,**

2022	\$ (529,641)
2023	(990,072)
2024	(547,834)
2025	(184,298)
2026	90,460
Thereafter	<u>42,519</u>
	<u>\$ (2,118,866)</u>

**Actuarial Methods and Significant Assumptions**

- Investment return – 7.75%, net of investment expenses. Investment return changed from 8.00% to 7.75%.
- Inflation – 5.00%
- Salary increases – age related scale with merit and inflation component
- Mortality – blue collar RP-2000 mortality table. The mortality rate changed from RP2000 to PubS-2010.

**Deferred Retirement Option Program**

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program ("**DROP**") for a period of not less than one year nor more than 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, 2021 was \$92,326.

# STROUD AREA REGIONAL POLICE DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### Non-Uniform Pension Plan

The Stroud Regional Non-Uniformed 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.

### Contributions

The Department contributes 6.00% of compensation and employees are not required to contribute to the Non-Uniform Pension Plan. The Department's contributions totaled \$31,461 for 2021.

### 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 2021.

## (10) RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverage during 2021. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

## (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 3, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended December 31, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
<b>Municipal contributions</b>			
Stroud Township	\$ 4,016,655	\$ 4,016,655	\$ -
East Stroudsburg Borough	2,611,117	2,611,117	-
Stroudsburg Borough	<u>1,703,808</u>	<u>1,703,808</u>	<u>-</u>
<b>Total municipal contributions</b>	<u>8,331,580</u>	<u>8,331,580</u>	<u>-</u>
<b>Interest, rent and royalties</b>			
Investment earnings	5,000	711	(4,289)
Rent of court building	<u>49,878</u>	<u>49,879</u>	<u>1</u>
<b>Total interest, rent and royalties</b>	<u>54,878</u>	<u>50,590</u>	<u>(4,288)</u>
<b>Intergovernmental revenues</b>			
PA Municipal state aid - pension	480,000	479,728	(272)
Bulletproof Vest Partnership	2,500	-	(2,500)
U.S. Drug Enforcement Administration - seizures	-	1,452	1,452
DEA/FBI Overtime Reimbursement	<u>37,300</u>	<u>41,851</u>	<u>4,551</u>
<b>Total intergovernmental revenues</b>	<u>519,800</u>	<u>523,031</u>	<u>3,231</u>
<b>Charges for services</b>			
Stroudsburg Area School District - SRO Services	158,830	79,415	(79,415)
Housing Authority of Monroe County	29,500	9,000	(20,500)
Police services	36,000	8,883	(27,117)
Sale of reports	15,000	12,704	(2,296)
Testing - new hires	<u>2,500</u>	<u>5,318</u>	<u>2,818</u>
<b>Total charges for services</b>	<u>241,830</u>	<u>115,320</u>	<u>(126,510)</u>
<b>Miscellaneous</b>	<u>33,001</u>	<u>74,645</u>	<u>41,644</u>
<b>Refund of prior year expenses</b>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
<b>Total revenues</b>	<u>9,196,089</u>	<u>9,095,166</u>	<u>(100,923)</u>
<b>EXPENDITURES</b>			
<b>Personnel expenditures</b>			
<b>Salaries and wages</b>			
Uniform staff	3,950,900	3,673,036	277,864
Nonuniform staff	435,000	433,921	1,079
Overtime wages	400,000	495,820	(95,820)
Compensatory time	275,000	171,226	103,774
Part-time nonuniform	17,000	13,727	3,273
Education pay	4,600	-	4,600
Detective stipend	<u>7,200</u>	<u>-</u>	<u>7,200</u>
<b>Total salaries and wages</b>	<u>5,089,700</u>	<u>4,787,730</u>	<u>301,970</u>

**STROUD AREA REGIONAL POLICE DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended December 31, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Payroll taxes</b>			
Social security	315,711	295,381	20,330
Medicare	73,835	69,161	4,674
PSAB unemployment compensation plan	23,000	20,871	2,129
<b>Total payroll taxes</b>	<u>412,546</u>	<u>385,413</u>	<u>27,133</u>
<b>Health and hospitalization</b>			
Hospitalization - active employees	1,142,330	972,769	169,561
Hospitalization - retired employees	140,100	151,710	(11,610)
Health reimbursement account	48,050	52,058	(4,008)
Short-term disability	24,000	9,615	14,385
Dental	44,000	36,204	7,796
Medical opt out	2,400	2,400	-
Immunizations	500	-	500
Vision insurance	7,200	6,187	1,013
<b>Total health and hospitalization</b>	<u>1,408,580</u>	<u>1,230,943</u>	<u>177,637</u>
<b>Pension</b>			
Police	1,040,583	1,040,583	-
Nonuniform	31,080	29,154	1,926
<b>Total pension</b>	<u>1,071,663</u>	<u>1,069,737</u>	<u>1,926</u>
<b>Life insurance</b>			
Life insurance	18,800	16,153	2,647
Supplemental life insurance	5,000	309	4,691
<b>Total life insurance</b>	<u>23,800</u>	<u>16,462</u>	<u>7,338</u>
<b>Health and welfare</b>			
Sanitizers and cleaners	500	6,980	(6,480)
AED	-	1,350	(1,350)
Physicals	1,500	338	1,162
Psychological	1,500	200	1,300
<b>Total health and welfare</b>	<u>3,500</u>	<u>8,868</u>	<u>(5,368)</u>
<b>Total personnel expenditures</b>	<u>8,009,789</u>	<u>7,499,153</u>	<u>510,636</u>
<b>Operating expenditures</b>			
<b>Communications</b>			
Internet/cable	7,000	3,525	3,475
Radio	7,000	6,414	586
Web page	500	140	360
<b>Total communications</b>	<u>14,500</u>	<u>10,079</u>	<u>4,421</u>
<b>Dues and subscriptions</b>			
Dues and subscriptions	6,000	4,650	1,350

# STROUD AREA REGIONAL POLICE DEPARTMENT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Uniforms</b>			
Uniforms - new hires	10,000	5,181	4,819
Uniforms - replacements	7,500	6,726	774
Uniforms - investigations	1,000	347	653
Uniforms - motorcycle patrol	1,000	389	611
Uniforms - SRT	1,000	453	547
Uniform cleaning	1,000	82	918
Uniforms - K-9	1,000	383	617
<b>Total uniforms</b>	<u>22,500</u>	<u>13,561</u>	<u>8,939</u>
<b>Police supplies and equipment</b>			
Ammunition	17,000	10,925	6,075
Firearms	9,000	8,711	289
Taser supplies	5,000	3,880	1,120
Housing authority equipment purchase	4,500	11,891	(7,391)
Housing authority special operations	1,000	-	1,000
Investigations equipment	3,000	3,309	(309)
Motor carrier inspection	500	-	500
Motorcycle patrol equipment	1,000	920	80
Patrol equipment	9,000	7,418	1,582
Bullet proof vests	5,000	-	5,000
SRT equipment	4,000	5,975	(1,975)
<b>Total police supplies and equipment</b>	<u>59,000</u>	<u>53,029</u>	<u>5,971</u>
<b>Training</b>			
Training equipment	2,500	372	2,128
Motorcycle training	1,000	-	1,000
K-9 training	4,000	1,500	2,500
Education - non-uniform and administration	3,000	-	3,000
Firearms training	2,000	375	1,625
SRT training	5,000	2,123	2,877
Travel/per diem	10,000	4,340	5,660
Investigations training	5,000	2,467	2,533
Testing expense	5,000	9,242	(4,242)
Patrol training	15,000	5,575	9,425
<b>Total training</b>	<u>52,500</u>	<u>25,994</u>	<u>26,506</u>
<b>Telephone</b>			
Cell phone	12,000	12,431	(431)
Air card	2,000	-	2,000
Basic and long distance	9,000	7,897	1,103
GPS	10,000	6,190	3,810
<b>Total telephone</b>	<u>33,000</u>	<u>26,518</u>	<u>6,482</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Contracted services</b>			
Door access	5,000	-	5,000
Pest control	500	396	104
Calibration - vehicles, ESP and robotics	1,500	2,080	(580)
Fire alarm system/sprinkler/monitor	3,100	1,958	1,142
Trash removal	1,700	1,737	(37)
Generator maintenance	1,000	438	562
Groundskeeping (mowing)	4,000	4,170	(170)
HVAC maintenance contract	3,000	2,433	567
Sidewalk shoveling	4,000	5,040	(1,040)
Parking lot snow removal	5,500	4,430	1,070
<b>Total contracted services</b>	<u>29,300</u>	<u>22,682</u>	<u>6,618</u>
<b>K-9 expenditures</b>			
Dog care/accessories	6,000	6,736	(736)
<b>Total K-9 expenditures</b>	<u>6,000</u>	<u>6,736</u>	<u>(736)</u>
<b>Computer equipment/supplies/software</b>			
Computer equipment replacements	17,000	18,676	(1,676)
Minor computer equipment	8,000	1,558	6,442
IT department training	1,000	3,868	(2,868)
Software license renewal	37,000	20,464	16,536
Technical support services	81,000	86,163	(5,163)
IT lease	79,000	73,774	5,226
<b>Total computer equipment/supplies/software</b>	<u>223,000</u>	<u>204,503</u>	<u>18,497</u>
<b>Vehicle expenditures</b>			
Car washing	3,000	1,581	1,419
Vehicle M & R supplies	5,000	12,011	(7,011)
Motorcycle maintenance	3,000	1,404	1,596
Oil changes	3,000	3,008	(8)
Tires	16,000	13,239	2,761
Vehicle repair (auto body)	12,000	10,650	1,350
Vehicle repair (mechanical)	35,000	41,561	(6,561)
Vehicle operations - gas	75,000	74,624	376
Towing	2,000	1,820	180
<b>Total vehicle expenditures</b>	<u>154,000</u>	<u>159,898</u>	<u>(5,898)</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Professional services</b>			
Payroll services	13,000	8,035	4,965
Audit services	12,500	11,335	1,165
Solicitor fees	50,000	42,884	7,116
Other consulting	-	1,506	(1,506)
Actuarial	800	1,480	(680)
Outside legal	<u>75,000</u>	<u>30,328</u>	<u>44,672</u>
<b>Total professional services</b>	<u>151,300</u>	<u>95,568</u>	<u>55,732</u>
<b>Other operating expenditures</b>			
Lab supplies	2,000	1,283	717
Special operations	500	-	500
Postage and meter rental	1,500	676	824
Travel expenses	1,000	-	1,000
Department inventory	500	238	262
Small office equipment	2,500	899	1,601
Advertising and printing	4,000	2,863	1,137
Office supplies	10,000	7,266	2,734
General office expense	<u>12,000</u>	<u>13,402</u>	<u>(1,402)</u>
<b>Total other operating expenditures</b>	<u>34,000</u>	<u>26,627</u>	<u>7,373</u>
<b>Total operating expenditures</b>	<u>785,100</u>	<u>649,845</u>	<u>135,255</u>
<b>Building costs</b>			
Building maintenance and repairs	25,000	11,161	13,839
Electric	30,000	22,472	7,528
Heating	10,000	8,956	1,044
Sewer and water	2,200	1,631	569
Building cleaning and supplies	6,000	5,547	453
Maintenance supplies	<u>4,000</u>	<u>1,804</u>	<u>2,196</u>
<b>Total building costs</b>	<u>77,200</u>	<u>51,571</u>	<u>25,629</u>
<b>Insurance</b>			
Workers compensation	152,000	144,019	7,981
Property/liability/auto insurance	67,000	70,166	(3,166)
Police professional/Public official liability insurance	76,000	74,266	1,734
Judgments/damages/deductibles	<u>25,000</u>	<u>16,468</u>	<u>8,532</u>
<b>Total insurance</b>	<u>320,000</u>	<u>304,919</u>	<u>15,081</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2021

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Capital purchases</b>			
Vehicle leases	34,000	36,215	(2,215)
New vehicle purchases	120,000	71,190	48,810
Seizure equipment expense	-	27,203	(27,203)
<b>Total capital purchases</b>	<u>154,000</u>	<u>134,608</u>	<u>19,392</u>
<b>Total expenditures</b>	<u>9,346,089</u>	<u>8,640,096</u>	<u>705,993</u>
<b>Excess (deficiency) of revenues over (under) expenditures and net change in fund balance</b>	<u>\$ (150,000)</u>	455,070	<u>\$ 605,070</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>3,346,393</u>	
End of year		<u>\$ 3,801,463</u>	

# STROUD AREA REGIONAL POLICE DEPARTMENT

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 609,832	\$ 571,321	\$ 544,115
Interest on total pension liability	1,865,405	1,791,267	1,705,895
Differences between expected and actual experience	(720,490)	-	(436,542)
Changes in assumptions	1,305,769	-	-
Benefit payments, including refunds of member contributions	<u>(1,371,548)</u>	<u>(1,243,387)</u>	<u>(1,176,744)</u>
<b>Net change in total pension liability</b>	1,688,968	1,119,201	636,724
<b>Total pension liability, beginning</b>	<u>23,560,408</u>	<u>22,441,207</u>	<u>21,804,483</u>
<b>Total pension liability, ending</b>	<u>\$ 25,249,376</u>	<u>\$ 23,560,408</u>	<u>\$ 22,441,207</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Employer contributions	\$ 1,040,583	\$ 1,037,299	\$ 898,067
Member contributions	208,316	210,969	201,295
Net investment income	2,997,018	3,430,831	3,555,875
Benefit payments	(1,371,548)	(1,243,387)	(1,176,744)
Administrative expense	<u>(2,198)</u>	<u>(1,550)</u>	<u>(7,510)</u>
<b>Net change in plan fiduciary net position</b>	2,872,171	3,434,162	3,470,983
<b>Fiduciary net position, beginning</b>	<u>24,617,430</u>	<u>21,183,268</u>	<u>17,712,285</u>
<b>Fiduciary net position, ending</b>	<u>\$ 27,489,601</u>	<u>\$ 24,617,430</u>	<u>\$ 21,183,268</u>
<b>Net pension liability (asset), ending</b>	<u>\$ (2,240,225)</u>	<u>\$ (1,057,022)</u>	<u>\$ 1,257,939</u>
<b>Fiduciary net position as a % of total pension liability</b>	108.87%	104.49%	94.39%
<b>Covered payroll</b>	4,020,500	3,984,800	3,713,400
<b>Net pension liability (asset) as a % of covered payroll</b>	-55.72%	-26.53%	33.88%

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.

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**Police Pension Fund**

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 510,178	\$ 485,884	\$ 429,254	\$ 408,813
1,659,004	1,587,508	1,529,918	1,459,905
-	(610,434)	-	-
-	451,029	-	-
<u>(1,184,153)</u>	<u>(1,223,814)</u>	<u>(1,049,233)</u>	<u>(978,739)</u>
985,029	690,173	909,939	889,979
<u>20,819,454</u>	<u>20,129,281</u>	<u>19,219,342</u>	<u>18,329,363</u>
<u>\$ 21,804,483</u>	<u>\$ 20,819,454</u>	<u>\$ 20,129,281</u>	<u>\$ 19,219,342</u>
\$ 880,560	\$ 706,800	\$ 683,920	\$ 807,481
185,865	184,067	184,481	177,296
(899,461)	2,575,422	1,004,594	57,395
(1,184,153)	(1,223,814)	(1,049,233)	(978,739)
<u>(1,475)</u>	<u>(8,465)</u>	<u>(2,057)</u>	<u>(8,063)</u>
(1,018,664)	2,234,010	821,705	55,370
<u>18,730,949</u>	<u>16,496,939</u>	<u>15,675,234</u>	<u>15,619,864</u>
<u>\$ 17,712,285</u>	<u>\$ 18,730,949</u>	<u>\$ 16,496,939</u>	<u>\$ 15,675,234</u>
<u>\$ 4,092,198</u>	<u>\$ 2,088,505</u>	<u>\$ 3,632,342</u>	<u>\$ 3,544,108</u>
81.23%	89.97%	81.95%	81.56%
3,509,350	3,754,070	3,426,420	3,597,000
116.61%	55.63%	106.01%	98.53%

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# STROUD AREA REGIONAL POLICE DEPARTMENT

## SCHEDULE OF DEPARTMENT PENSION CONTRIBUTIONS

Year ended December 31,

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### 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>
2021	\$ 1,040,583	\$ 1,040,583	\$ -	\$ 4,020,500	25.88%
2020	\$ 1,037,299	\$ 1,037,299	\$ -	\$ 3,984,800	26.03%
2019	\$ 898,067	\$ 898,067	\$ -	\$ 3,713,400	24.18%
2018	\$ 880,559	\$ 880,560	\$ (1)	\$ 3,509,350	25.09%
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%

# STROUD AREA REGIONAL POLICE DEPARTMENT

## SCHEDULE OF CHANGES IN OPEB LIABILITY

Year ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 148,207	\$ 130,147	\$ 135,254	\$ 148,922
Interest on total OPEB liability	129,106	119,022	103,523	134,514
Differences between expected and actual experience	-	393,264	-	(606,578)
Changes of assumptions	413,904	166,630	(116,463)	112,657
Benefit payments	<u>(144,658)</u>	<u>(127,240)</u>	<u>(118,907)</u>	<u>(133,276)</u>
<b>Net change in total OPEB liability</b>	546,559	681,823	3,407	(343,761)
<b>Total OPEB liability, beginning</b>	<u>3,890,448</u>	<u>3,208,625</u>	<u>3,205,218</u>	<u>3,548,979</u>
<b>Total OPEB liability, ending</b>	<u>\$ 4,437,007</u>	<u>\$ 3,890,448</u>	<u>\$ 3,208,625</u>	<u>\$ 3,205,218</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 2,573,240	\$ 2,573,240	\$ 2,851,062	\$ 2,851,062
<b>Net OPEB liability as a % of covered payroll</b>	172.43%	151.19%	112.54%	112.42%

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

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**STROUD AREA REGIONAL POLICE DEPARTMENT**

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

**December 31, 2021**

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	<b><u>Police Pension Fund</u></b>	<b><u>Non- Uniform Pension Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Investments	<u>\$ 27,489,601</u>	<u>\$ 302,770</u>	<u>\$ 27,792,371</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 27,489,601</u>	<u>\$ 302,770</u>	<u>\$ 27,792,371</u>

# STROUD AREA REGIONAL POLICE DEPARTMENT

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

Year ended December 31, 2021

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	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ 1,040,583	\$ 31,461	\$ 1,072,044
Member contributions	<u>208,316</u>	<u>-</u>	<u>208,316</u>
<b>Total contributions</b>	<u>1,248,899</u>	<u>31,461</u>	<u>1,280,360</u>
<b>Investment income</b>			
Interest, dividends and investment income	<u>2,997,018</u>	<u>46,558</u>	<u>3,043,576</u>
<b>Total additions</b>	<u>4,245,917</u>	<u>78,019</u>	<u>4,323,936</u>
<b>DEDUCTIONS</b>			
Benefits paid	1,371,548	210,592	1,582,140
Administrative expenses	<u>2,198</u>	<u>5,354</u>	<u>7,552</u>
<b>Total deductions</b>	<u>1,373,746</u>	<u>215,946</u>	<u>1,589,692</u>
<b>CHANGE IN NET POSITION</b>	2,872,171	(137,927)	2,734,244
<b>NET POSITION</b>			
Beginning of year	<u>24,617,430</u>	<u>440,697</u>	<u>25,058,127</u>
<b>End of year</b>	<u>\$ 27,489,601</u>	<u>\$ 302,770</u>	<u>\$ 27,792,371</u>

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**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, the 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, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 3, 2022.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BBD, LLP****Philadelphia, Pennsylvania****June 3, 2022**