



**Borough of East Stroudsburg  
East Stroudsburg, Pennsylvania  
Monroe County**

Financial Statements  
Year Ended December 31, 2015



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Philadelphia, PA 19103

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# BOROUGH OF EAST STROUDSBURG

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**BOROUGH OF EAST STROUDSBURG**

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## INDEPENDENT AUDITOR'S REPORT

**Borough Council  
Borough of East Stroudsburg  
East Stroudsburg, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Borough of East Stroudsburg's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Change In Accounting Principle***

As described in Note 10 to the financial statements, the Borough changed its method of accounting for pensions as a result of implementing GASB Statement No. 68, Accounting and Financial Reporting For Pensions. Our opinions are not modified with respect to that matter.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the schedules of changes in net pension liability and Borough pension contributions on pages 3 through 13 and 48 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's basic financial statements. The combining and individual fund financial statements on pages 66 through 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information on pages 70 through 73 is presented for purposes of additional analysis and is not a required part of the 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.

The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2016, on our consideration of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania'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 Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
August 10, 2016**

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

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Management's discussion and analysis ("**MD&A**") of the financial performance of Borough of East Stroudsburg, East Stroudsburg (the "**Borough**") provides an overview of the Borough's financial performance for fiscal year ended December 31, 2015. Readers should also review the basic financial statements and related notes to enhance their understanding of the Borough's financial performance.

### BOROUGH PROFILE

The Borough was established in 1870 and operates as a Borough under the Borough Code of the Commonwealth of Pennsylvania and governed by a Borough (the legislative branch of the local government), made up of an elected six (6) members and a mayor. The Borough is one of 20 municipalities in Monroe County. The Borough originally was the industrial center of Monroe County due to the railroad but has now evolved into the home of the two largest service institutions in Monroe County, East Stroudsburg University and the Pocono Medical Center. As of the census of 2010, there were approximately 10,000 people residing in the Borough. The major services provided by the Borough include general administration; public safety (police, fire, ambulance and codes), public works (highways and streets and sanitation), planning and zoning, water and sewer utility services, culture and recreation and community development. During 2015, there were approximately 60 full-time and part-time employees including public works and water and sewer employees, administrative clerks, seasonal employees for the pool and municipal golf course and administrative positions which include the Borough Manager, Director of Public Works and a Codes Officer.

### FINANCIAL HIGHLIGHTS

- \* Effective 2015, the Borough was required to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The major impact of GASB Statement No. 68 is to present, on the Statement of Financial Position, certain items related to the Borough's proportionate liability from its participation in the Pennsylvania Municipal Retirement System ("**PMRS**"), which was not required to be presented in the past.

Elements of GASB Statement No. 68 included within the Statement of Net Position include an actuarially determined liability for PMRS of \$806,094 and deferred outflows of \$244,368 (primarily contributions by the Borough during 2015 which were made after the measurement date of December 31, 2014 – an effective reduction of the liability) and deferred inflows of \$9,595 (Investment return on pension assets over projected returns, to be recognized as a future reduction in pension expense – an effective increase in the liability until fully recognized).

- \* On a government-wide basis including all governmental activities and the business-type activities, the assets and deferred outflows of resources of the Borough exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2015 fiscal year of \$20,790,507. During the 2015 fiscal year, the Borough had a decrease in total net position of \$652,960. The net position of the governmental activities decreased by \$94,440 and net position of business-type activities decreased by \$558,520.
- \* As of the close of the 2015 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$2,376,805, an increase of \$131,062 in comparison with the prior year.
- \* The General Fund reported an increase in fund balance of \$192,600, bringing the cumulative balance to \$1,492,643 at the conclusion of the 2015 fiscal year.
- \* At December 31, 2015, the General Fund fund balance includes \$150,176 which is considered nonspendable, \$603,650 committed to balance the 2016 budget and unassigned amounts of \$738,817 or 13.24% of the \$5,580,000 2016 General Fund budget.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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

The MD&A is intended to serve as an introduction to the Borough's basic financial statements. The Borough'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 Borough's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Borough'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 Borough is improving or deteriorating. To assess the Borough's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Borough's tax base and the condition of the Borough's assets.

The Statement of Activities presents information showing how the Borough'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 (e.g., uncollected taxes and earned but unused vacation leave).

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

In the government-wide financial statements, the Borough's activities are divided into two categories:

#### **Governmental Activities**

Most of the Borough's basic services are included here, such as general administration, public safety, public works and culture and recreation.

#### **Business-type Activities**

The Borough's business-type activities charge a fee to customers to help cover all or most of the cost of certain services it provides. The Borough's sewer, water and municipal golf course activities are reported as business-type activities.

The government-wide financial statements can be found on pages 14 and 15 of this report.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Borough'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 Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Borough's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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### **Governmental Funds**

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

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

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

The Borough 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 16 through 19 of this report.

### **Proprietary Funds**

The Borough maintains one type of proprietary fund. All of the Borough's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Borough uses enterprise funds to account for the Sewer Fund, Water Fund and the Golf Course Fund.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

### **Fiduciary Funds**

The Borough is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are not reflected in the government-wide financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Borough has two nonuniform pension trust funds.

The fiduciary fund financial statements can be found on pages 23 and 24 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 financial statements.

The notes to the financial statements can be found on pages 25 through 47 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 for the general fund and proprietary funds and schedules concerning the Borough's progress in funding its obligation to provide pension benefits, as well as additional analysis which consists of combining and individual fund financial statements and supplemental tax data.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

The required supplementary information and additional analysis can be found on pages 48 through 73 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Borough's financial condition. At the close of the 2015 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$20,790,507. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2015 and 2014.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>						
Current assets	\$ 3,273,417	\$ 3,865,196	\$3,538,222	\$3,782,346	\$ 6,811,639	\$ 7,647,542
Noncurrent assets	<u>13,259,059</u>	<u>13,539,921</u>	<u>6,886,243</u>	<u>7,255,102</u>	<u>20,145,302</u>	<u>20,795,023</u>
<b>Total assets</b>	<u>16,532,476</u>	<u>17,405,117</u>	<u>10,424,465</u>	<u>11,037,448</u>	<u>26,956,941</u>	<u>28,442,565</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred employer contributions - pensions	<u>152,630</u>	<u>113,531</u>	<u>91,738</u>	<u>80,105</u>	<u>244,368</u>	<u>193,636</u>
<b>LIABILITIES</b>						
Current liabilities	442,126	1,062,336	68,376	38,012	510,502	1,100,348
Noncurrent liabilities	<u>4,233,790</u>	<u>4,358,490</u>	<u>1,656,915</u>	<u>1,733,896</u>	<u>5,890,705</u>	<u>6,092,386</u>
<b>Total liabilities</b>	<u>4,675,916</u>	<u>5,420,826</u>	<u>1,725,291</u>	<u>1,771,908</u>	<u>6,401,207</u>	<u>7,192,734</u>
<b>DEFERRED INFLOWS</b>						
Deferred investment earnings - pensions	<u>5,808</u>	<u>-</u>	<u>3,787</u>	<u>-</u>	<u>9,595</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	9,535,447	9,680,121	5,563,948	5,858,993	15,099,395	15,539,114
Restricted	884,162	893,932	-	-	884,162	893,932
Unrestricted	<u>1,583,773</u>	<u>1,523,769</u>	<u>3,223,177</u>	<u>3,486,652</u>	<u>4,806,950</u>	<u>5,010,421</u>
<b>Total net position</b>	<u>\$12,003,382</u>	<u>\$12,097,822</u>	<u>\$8,787,125</u>	<u>\$9,345,645</u>	<u>\$20,790,507</u>	<u>\$21,443,467</u>

The Borough's total assets as of December 31, 2015 were \$26,956,941 of which \$4,802,284 or 17.82% consisted of cash and \$20,145,302 or 74.73% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2015 were \$6,401,207 of which \$4,351,295 or 67.98% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2015, \$4,806,950 is unrestricted and may be used to meet the Borough's ongoing obligations to citizens and creditors. The Borough's unrestricted net position decreased by \$203,471 during 2015 primarily due to the results of current year operations.

A portion of the Borough's net position reflects its restricted net position which totaled \$884,162 as of December 31, 2015. All of the Borough's restricted net position relate to the net position of the Borough's special revenue, capital and debt service funds.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

The largest portion of the Borough's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to residents of the Borough; consequently, these assets are not available for future spending. Although the Borough'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. For the year ended December 31, 2015, the Borough's net investment in capital assets decreased by \$439,719 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

The following table presents condensed information for the *Statement of Activities* of the Borough for 2015 and 2014:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$1,465,965	\$1,594,198	\$2,904,485	\$3,011,733	\$4,370,450	\$4,605,931
Operating grants and contributions	372,259	333,729	51,530	-	423,789	333,729
Capital grants and contributions	337,505	60,202	-	-	337,505	60,202
<b>General revenues</b>						
Taxes	2,789,014	2,903,148	-	-	2,789,014	2,903,148
Franchise fees	135,684	130,896	-	-	135,684	130,896
Investment earnings	12,895	4,930	42,981	34,342	55,876	39,272
<b>Total revenues</b>	<u>5,113,322</u>	<u>5,027,103</u>	<u>2,998,996</u>	<u>3,046,075</u>	<u>8,112,318</u>	<u>8,073,178</u>
<b>EXPENSES</b>						
General government	485,042	406,419	-	-	485,042	406,419
Public safety	2,754,643	2,845,730	-	-	2,754,643	2,845,730
Health and human services	9,728	6,285	-	-	9,728	6,285
Public works	1,740,390	2,061,893	-	-	1,740,390	2,061,893
Culture and recreation	697,202	743,466	-	-	697,202	743,466
Community development	43,370	140,334	-	-	43,370	140,334
Interest expense related to noncurrent liabilities	119,709	120,618	-	-	119,709	120,618
Sewer operations	-	-	1,245,383	1,156,747	1,245,383	1,156,747
Water operations	-	-	1,403,389	1,260,991	1,403,389	1,260,991
Golf course operations	-	-	266,422	299,056	266,422	299,056
<b>Total expenses</b>	<u>5,850,084</u>	<u>6,324,745</u>	<u>2,915,194</u>	<u>2,716,794</u>	<u>8,765,278</u>	<u>9,041,539</u>
<b>Change in net position before transfers</b>	(736,762)	(1,297,642)	83,802	329,281	(652,960)	(968,361)
Transfers	642,322	888,009	(642,322)	(888,009)	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ (94,440)</u>	<u>\$ (409,633)</u>	<u>\$ (558,520)</u>	<u>\$ (558,728)</u>	<u>\$ (652,960)</u>	<u>\$ (968,361)</u>

### Governmental Activities

The cost of all governmental activities in 2015 was \$5,850,084. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$2,789,014 or 47.68%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,465,965 or 25.06%).

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

Capital grants and contributions increased from the prior year by \$277,303 due to funding received in current year for capital projects related to the Downtown Streetscape Project from the Pennsylvania Department of Transportation.

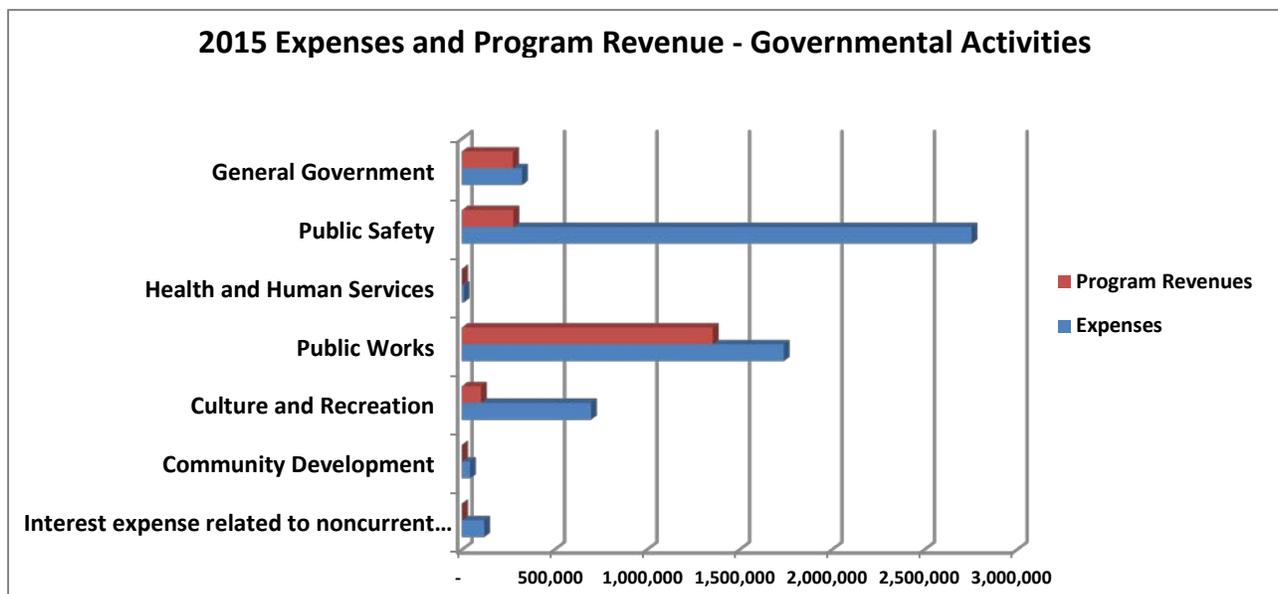
Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,495,033 or 76.84%. Public works expenses decreased by \$321,503 in 2015 compared to 2014 primarily due to a decrease in the cost of the garbage contract of approximately \$200,000 as the result of a competitive bid and changes to the terms of services and 2014 soft costs for capital projects that were not capitalized. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,090,921 for 2015.

### Business-Type Activities and Proprietary Funds

The business-type activities and proprietary funds of the Borough include water and sewer operations. The Borough operates its own sewage collection and water supply systems. The Borough Council establishes the rates charged to the users of the water and sewer systems. Charges for services represent the principal revenue source for the Borough's business-type activities. Current year charges for water and sewer services decreased by approximately \$100,000 or 3.32% due to a decrease in one time other charges for services not related to monthly water and sewer rents. Water and sewer expenses increased by \$231,034 in 2015 compared to 2014 as a result of costs associated with professional services related to operational and procedural evaluations surrounding the Boroughs water and sewer systems.

In April, 2006, the Borough purchased the Terra Greens Golf Club to operate as a public municipal golf course. Activities of the golf course are reported in the business-type activities and proprietary funds in the financial statements. Revenues generated by the course are to be solely used for funding golf course development and maintenance. The General Fund historically makes a contribution to the golf course to subsidize operations which totaled \$41,046 for 2015.

The *Statement of Activities* provides detail that focuses on how the Borough finances its services. The *Statement of Activities* compares the costs of the Borough functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Borough's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.

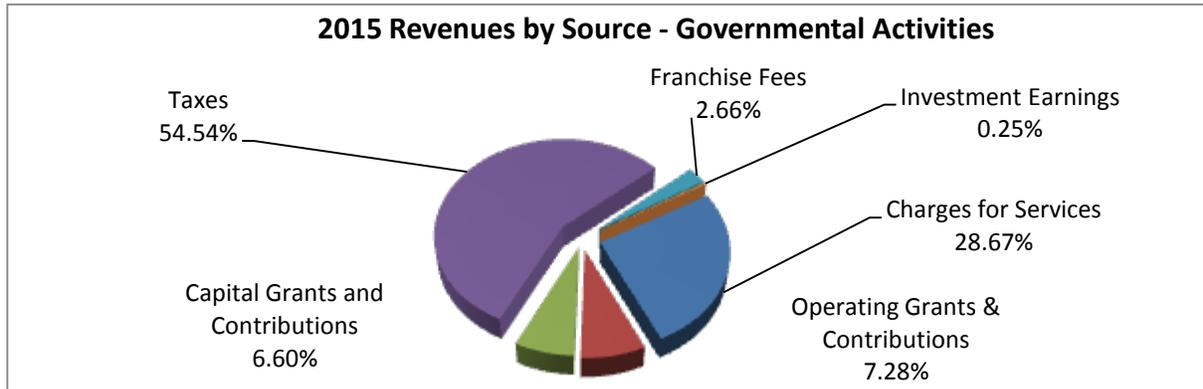


# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

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



### GOVERNMENTAL FUNDS

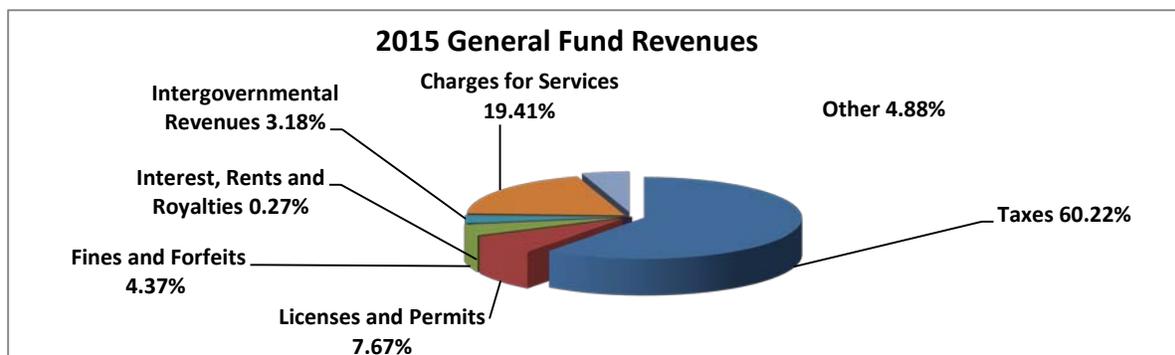
The governmental fund financial statements provide detailed information of the Borough's major funds. Some funds are required to be established by State statute while other funds are established by the Borough to manage monies restricted for a specific purpose. As of December 31, 2015, the Borough's governmental funds reported a combined fund balance of \$2,376,805 which is an increase of \$131,062 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2015 and 2014 and the total 2015 change in governmental fund balances.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
General Fund	\$1,492,643	\$1,300,043	\$192,600
Capital Projects Fund	682,503	708,678	(26,175)
Nonmajor Governmental Funds	<u>201,659</u>	<u>237,022</u>	<u>(35,363)</u>
	<u>\$2,376,805</u>	<u>\$2,245,743</u>	<u>\$131,062</u>

### GENERAL FUND

The General Fund is the Borough's primary operating fund. At the conclusion of the 2015 fiscal year the General Fund fund balance was \$1,492,643 representing an increase of \$192,600 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 2015 fiscal year.

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 60.22% of General Fund revenues are derived from local taxes.



# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

### General Fund Revenues

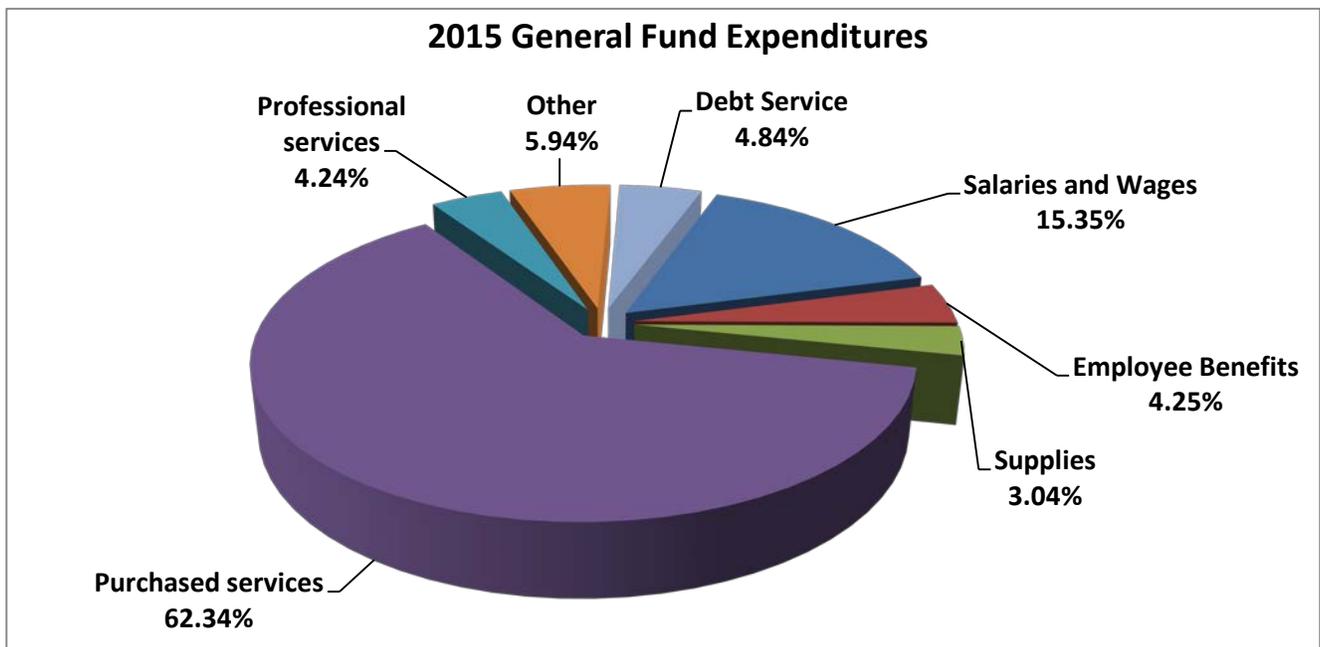
	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,768,758	\$2,730,157	\$ 38,601	1.41
Licenses and permits	352,636	309,078	43,558	14.09
Fines and forfeits	200,728	172,523	28,205	16.35
Interest, rents and royalties	12,431	4,453	7,978	179.16
Intergovernmental revenues	146,213	158,662	(12,449)	(7.85)
Charges for services	892,388	890,468	1,920	0.22
Other	<u>224,298</u>	<u>222,130</u>	<u>2,168</u>	<u>0.98</u>
	<u>\$4,597,452</u>	<u>\$4,487,471</u>	<u>\$109,981</u>	<u>2.45</u>

Taxes increased by \$38,601 or 1.41% primarily due to increases in both earned income and real estate transfer taxes in 2015 compared to 2014. These increases are indicative of an improvement to the economy in our local community.

Licenses and permits increased by \$43,558 or 14.09% as a result of an increase in zoning permits and fines issued in 2015 compared to 2014.

Fines and forfeits increased by \$28,205 or 16.35% solely due to an increase in parking fines assessed and collected by the Borough in 2015 compared to 2014.

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



# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2015

### General Fund Expenditures

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 758,606	\$ 852,961	\$ (94,355)	(11.06)
Employee benefits	210,089	247,626	(37,537)	(15.16)
Supplies	150,420	168,816	(18,396)	(10.90)
Purchased services	3,079,982	3,227,019	(147,037)	(4.56)
Professional services	204,809	148,138	56,671	38.25
Other	297,993	290,955	7,038	2.42
Debt service	<u>239,183</u>	<u>269,179</u>	<u>(29,996)</u>	<u>(11.14)</u>
	<u>\$4,941,082</u>	<u>\$5,204,694</u>	<u>\$(263,612)</u>	<u>(5.06)</u>

Salaries and wages and employee benefits decreased by \$94,355 or 11.06% and \$37,537 or 15.16%, respectively, in 2015 compared to 2014 primarily as a result of the elimination of three full-time recreation employees related to the Day Camp operated by the Stroud Region Open Space and Recreation Commission (the "**SROSRC**"). Starting in 2015, the SROSRC administers and contracts for payroll and employee benefits.

Purchased services decreased by \$147,037 or 4.56% as a direct result of a decrease in the cost of the garbage contract due to a competitive bid and changes to the terms of services.

Increase in professional services of \$56,671 or 38.25% can be attributed to an increase in costs associated with special legal counsel related to delinquent collections and contract and project review and other consultants.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Projects Fund is primarily funded through transfers from the General Fund, general obligation debt and capital grants and contributions. During 2015, the Capital Projects Fund fund balance decreased by \$26,175 for a cumulative balance of \$682,503 as of December 31, 2015.

### **NONMAJOR GOVERNMENTAL FUNDS**

The Nonmajor Governmental Funds consist of special revenue funds which are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes and a debt service fund. The nonmajor special revenue funds include the State Liquid Fuels Fund, CDBG Fund and Community Development Fund. Major revenue sources for these funds include taxes and intergovernmental revenues. During 2015, the Nonmajor Governmental Funds fund balance decreased by \$35,363 for a cumulative balance of \$201,659 as of December 31, 2015. Of the cumulative fund balance at December 31, 2015, \$122,698 is restricted for the CDBG Fund. The CDBG Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Community and Economic Development for its Small Cities Program which is financed through a grant from the Federal Community Development Block Grant program. Also, within the nonmajor governmental funds the State Liquid Fuels Fund, Community Development Fund and Debt Service Fund represent \$7,606, \$66,211 and \$5,144 respectively, of the cumulative fund balance as of December 31, 2015.

### **GENERAL FUND BUDGET INFORMATION**

The Borough maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Borough budgets and expends funds according to procedures mandated by Borough code of the Commonwealth of Pennsylvania. An annual operating budget is prepared by management and submitted to the Borough Council for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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Total General Fund revenues were \$460,452 or 11.13% more than budgeted amounts, total General Fund expenditures were \$371,388 or 7.00% less than budgeted amounts and General Fund other financing sources uses were \$13,820 less than budgeted amounts resulting in a net positive variance of \$845,660. The 2015 General Fund budget included the use of \$625,420 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 48 through 60. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources and uses for the fiscal year.

### **CAPITAL ASSETS**

The Borough's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounted to \$20,145,302 net of accumulated depreciation. This investment in capital assets includes land, construction-in-progress, buildings and improvements, land improvements, infrastructure, and machinery and equipment. The total net decrease in the Borough's investment in capital assets for 2015 was \$649,721 or 3.12%. The decrease was the result of current year depreciation in excess of current year capital additions.

Current year capital additions were \$676,249 and depreciation expense was \$1,325,970.

Major capital additions for the current fiscal year included the following:

Governmental Activities	
Downtown Streetscape Project – Construction in Progress	\$347,507
Street Sweeper	\$208,240

### **NONCURRENT LIABILITIES**

As of December 31, 2015, the Borough had total general obligation debt of \$4,351,295 consisting of notes payable. The entire amount is backed by the full faith and credit of the Borough. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Borough's general obligation debt for the current fiscal year was \$299,614 or 6.44%.

The Borough has a subsidy agreement with the Borough of Stroudsburg to finance the purchase of land and for the construction of the Central Headquarters for the Stroud Area Regional Police Department. The subsidy agreement requires the Borough to make debt service payments sufficient to retire the general obligation debt issued by the Borough of Stroudsburg through annual budget appropriations. The Borough owns a proportionate share of the real estate. The lease rental payable was \$553,287 at December 31, 2015 and decreased by \$51,713 or 8.55% in the current fiscal year.

In 2015, the Borough reported for the first time its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PMRS. As noted earlier, this reporting is being required by GASB Statement No. 68 and has been reported retroactively in the accompanying financial statements. The Borough's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$806,094 as of December 31, 2015.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and a capital lease which totaled \$180,029 as of December 31, 2015.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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

According to the 2010 U.S. Census, the Borough had a population of approximately 10,000. The current services provided and infrastructure of the Borough is sufficient to meet the Borough's current needs. Over the years the demographics of the Borough have transitioned from an industrial center to an area that is centered on two main service organizations, East Stroudsburg University and the Pocono Medical Center. The Borough will continually evaluate various facets of the community and identify areas for improvement to ensure that it is accommodating the needs of its residents.

In response to current Borough capital needs the Borough issued general obligation debt in January 2016 for approximately \$7 million to address capital improvements for the water system, Borough facilities, streets, parking lots, park swimming pool and vehicles for the fire and public works departments.

The Borough continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.

The Borough adopted a balanced 2016 General Fund budget which used \$603,650 of the General Fund fund balance as of December 31, 2015 and the real estate tax millage rate was 20.3 mills for general purposes 2.70 mills for debt service representing an increase of 6.5% over the prior year. In addition, water fees for 2016 were increased by approximately 10%.

Costs for services and development within the Borough have increased at a rate greater than the revenues being generated to pay for these costs.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the Borough's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Borough Manager, Borough of East Stroudsburg, 24 Analomink Street, East Stroudsburg, PA 18301.

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION

December 31, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 2,656,137	\$ 2,146,147	\$ 4,802,284
Taxes receivable	234,419	-	234,419
Due from other governments	221,224	-	221,224
Accounts receivable, net	543,691	985,135	1,528,826
Internal balances	(387,532)	387,532	-
Prepaid expenses	5,478	19,408	24,886
<b>Total current assets</b>	<u>3,273,417</u>	<u>3,538,222</u>	<u>6,811,639</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	<u>13,259,059</u>	<u>6,886,243</u>	<u>20,145,302</u>
<b>Total assets</b>	<u>16,532,476</u>	<u>10,424,465</u>	<u>26,956,941</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer contributions - pensions	<u>152,630</u>	<u>91,738</u>	<u>244,368</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	183,589	59,337	242,926
Accrued salaries and benefits	22,203	9,039	31,242
Accrued interest payable	21,800	-	21,800
Escrow deposits	214,534	-	214,534
<b>Total current liabilities</b>	<u>442,126</u>	<u>68,376</u>	<u>510,502</u>
<b>NONCURRENT LIABILITIES</b>			
Due within one year	354,816	74,320	429,136
Due in more than one year	3,878,974	1,582,595	5,461,569
<b>Total noncurrent liabilities</b>	<u>4,233,790</u>	<u>1,656,915</u>	<u>5,890,705</u>
<b>Total liabilities</b>	<u>4,675,916</u>	<u>1,725,291</u>	<u>6,401,207</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred investment earnings - pensions	<u>5,808</u>	<u>3,787</u>	<u>9,595</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,535,447	5,563,948	15,099,395
Restricted	884,162	-	884,162
Unrestricted	1,583,773	3,223,177	4,806,950
<b>Total net position</b>	<u>\$ 12,003,382</u>	<u>\$ 8,787,125</u>	<u>\$ 20,790,507</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 485,042	\$ 423,750	\$ 15,172	\$ -	\$ (46,120)	\$ -	\$ (46,120)
Public safety	2,754,643	200,728	62,264	15,000	(2,476,651)	-	(2,476,651)
Health and human services	9,728	-	-	-	(9,728)	-	(9,728)
Public works	1,740,390	743,044	290,174	322,505	(384,667)	-	(384,667)
Culture and recreation	697,202	98,443	4,649	-	(594,110)	-	(594,110)
Community development	43,370	-	-	-	(43,370)	-	(43,370)
Interest expense related to noncurrent liabilities	119,709	-	-	-	(119,709)	-	(119,709)
<b>Total governmental activities</b>	<u>5,850,084</u>	<u>1,465,965</u>	<u>372,259</u>	<u>337,505</u>	<u>(3,674,355)</u>	<u>-</u>	<u>(3,674,355)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer	1,245,383	1,315,921	25,765	-	-	96,303	96,303
Water	1,403,389	1,383,989	25,765	-	-	6,365	6,365
Golf course	266,422	204,575	-	-	-	(61,847)	(61,847)
<b>Total business-type activities</b>	<u>2,915,194</u>	<u>2,904,485</u>	<u>51,530</u>	<u>-</u>	<u>-</u>	<u>40,821</u>	<u>40,821</u>
<b>Total primary government</b>	<u>\$8,765,278</u>	<u>\$4,370,450</u>	<u>\$423,789</u>	<u>\$337,505</u>	<u>(3,674,355)</u>	<u>40,821</u>	<u>(3,633,534)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Real estate taxes					1,421,693	-	1,421,693
Earned income taxes					865,204	-	865,204
Real estate transfer taxes					156,014	-	156,014
Municipal services taxes					346,103	-	346,103
Franchise fees					135,684	-	135,684
Investment earnings					12,895	42,981	55,876
<b>TRANSFERS</b>					<u>642,322</u>	<u>(642,322)</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>3,579,915</u>	<u>(599,341)</u>	<u>2,980,574</u>
<b>CHANGE IN NET POSITION</b>					(94,440)	(558,520)	(652,960)
<b>NET POSITION</b>							
Beginning of year, restated					<u>12,097,822</u>	<u>9,345,645</u>	<u>21,443,467</u>
<b>End of year</b>					<u>\$12,003,382</u>	<u>\$8,787,125</u>	<u>\$20,790,507</u>

See accompanying notes

**BOROUGH OF EAST STROUDSBURG**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2015

	<b>Major Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	
<b>ASSETS</b>				
Cash	\$ 1,342,031	\$ 1,227,528	\$ 86,578	\$ 2,656,137
Due from other governments	37,972	60,554	122,698	221,224
Receivables				
Taxes	234,419	-	-	234,419
Garbage fees, net	310,911	-	-	310,911
Other	232,780	-	-	232,780
Due from other funds	46,180	-	4,044	50,224
Prepaid items	5,478	-	-	5,478
<b>Total assets</b>	<b>\$ 2,209,771</b>	<b>\$ 1,288,082</b>	<b>\$ 213,320</b>	<b>\$ 3,711,173</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 65,082	\$ 106,846	\$ 11,661	\$ 183,589
Accrued salaries and benefits	22,203	-	-	22,203
Due to other funds	-	437,756	-	437,756
Escrow deposits	153,557	60,977	-	214,534
<b>Total liabilities</b>	<b>240,842</b>	<b>605,579</b>	<b>11,661</b>	<b>858,082</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes and garbage fees	476,286	-	-	476,286
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	5,478	-	-	5,478
Long-term receivables	144,698	-	-	144,698
Restricted for				
Fire vehicle fund	-	312,640	-	312,640
Public works - roads	-	-	7,606	7,606
Community development	-	-	188,909	188,909
Debt service	-	-	5,144	5,144
Committed to				
Balance 2016 budget	603,650	-	-	603,650
Road improvements fund	-	515,171	-	515,171
Unassigned	738,817	(145,308)	-	593,509
<b>Total fund balances</b>	<b>1,492,643</b>	<b>682,503</b>	<b>201,659</b>	<b>2,376,805</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,209,771</b>	<b>\$ 1,288,082</b>	<b>\$ 213,320</b>	<b>\$ 3,711,173</b>

See accompanying notes

## BOROUGH OF EAST STROUDSBURG

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

December 31, 2015

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 2,376,805</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	13,259,059
Some of the Borough's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	476,286
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.	146,822
Accrued interest payable on noncurrent liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	(21,800)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(4,233,790)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 12,003,382</u></b>

**BOROUGH OF EAST STROUDSBURG**

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

Year ended December 31, 2015

	<b>Major Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	
<b>REVENUES</b>				
Taxes	\$ 2,768,758	\$ -	\$ 158,752	\$ 2,927,510
Licenses and permits	352,636	-	-	352,636
Fines and forfeits	200,728	-	-	200,728
Interest, rent and royalties	12,431	621	43	13,095
Intergovernmental revenues	146,213	322,505	226,046	694,764
Charges for services	892,388	-	-	892,388
Contributions and donations	-	15,000	-	15,000
Miscellaneous	224,298	-	-	224,298
<b>Total revenues</b>	<b>4,597,452</b>	<b>338,126</b>	<b>384,841</b>	<b>5,320,419</b>
<b>EXPENDITURES</b>				
Current				
General government	417,590	20	794	418,404
Public safety	2,536,955	-	-	2,536,955
Health and human services	9,728	-	-	9,728
Public works - sanitation	642,018	-	-	642,018
Public works - highways and streets	575,685	572,048	213,481	1,361,214
Public works - other services	46,097	7,928	-	54,025
Culture and recreation	473,826	38,588	-	512,414
Community development	-	4,569	43,370	47,939
Debt service				
Principal	173,633	-	108,500	282,133
Interest	65,550	-	54,159	119,709
<b>Total expenditures</b>	<b>4,941,082</b>	<b>623,153</b>	<b>420,304</b>	<b>5,984,539</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(343,630)</b>	<b>(285,027)</b>	<b>(35,463)</b>	<b>(664,120)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of general long-term debt	609,620	-	-	609,620
Repayment of general long-term debt - refinancing	(605,000)	-	-	(605,000)
Proceeds from extended-term financing	-	148,240	-	148,240
Transfers in	622,000	110,612	100	732,712
Transfers out	(90,390)	-	-	(90,390)
<b>Total other financing sources (uses)</b>	<b>536,230</b>	<b>258,852</b>	<b>100</b>	<b>795,182</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>192,600</b>	<b>(26,175)</b>	<b>(35,363)</b>	<b>131,062</b>
<b>FUND BALANCES</b>				
Beginning of year, restated	1,300,043	708,678	237,022	2,245,743
<b>End of year</b>	<b>\$ 1,492,643</b>	<b>\$ 682,503</b>	<b>\$ 201,659</b>	<b>\$ 2,376,805</b>

See accompanying notes

## BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2015

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 131,062**

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	\$ 584,545	
Depreciation expense	<u>(865,407)</u>	(280,862)

Because some tax will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources December 31, 2014	(683,383)	
Deferred inflows of resources December 31, 2015	<u>476,286</u>	(207,097)

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. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(609,620)	
Repayment of notes payable	225,800	
Repayment of lease rental payable	<u>661,333</u>	277,513

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	(15,412)	
Current year change in capital lease payable	(141,325)	
Current year change in accrued interest payable	113,196	
Change in net pension liability and related deferred inflows and outflows	<u>28,485</u>	(15,056)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (94,440)**

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See accompanying notes

**BOROUGH OF EAST STROUDSBURG**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

December 31, 2015

	<b>Major Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Golf Course Fund</b>	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,076,248	\$ 1,069,312	\$ 587	\$ 2,146,147
Accounts receivable, net	489,465	495,670	-	985,135
Due from other funds	-	413,577	-	413,577
Prepaid expenses	8,388	8,380	2,640	19,408
<b>Total current assets</b>	<b>1,574,101</b>	<b>1,986,939</b>	<b>3,227</b>	<b>3,564,267</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	2,850,951	3,731,721	303,571	6,886,243
<b>Total assets</b>	<b>4,425,052</b>	<b>5,718,660</b>	<b>306,798</b>	<b>10,450,510</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred employer contributions - pensions	39,095	31,497	21,146	91,738
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of notes payable	-	74,320	-	74,320
Accounts payable	39,857	19,480	-	59,337
Accrued salaries and benefits	4,040	3,767	1,232	9,039
Due to other funds	25,647	-	398	26,045
<b>Total current liabilities</b>	<b>69,544</b>	<b>97,567</b>	<b>1,630</b>	<b>168,741</b>
<b>NONCURRENT LIABILITIES</b>				
Notes payable, net of current portion	-	1,247,975	-	1,247,975
Net pension liability	135,548	109,206	73,317	318,071
Compensated absences	1,063	587	14,899	16,549
<b>Total noncurrent liabilities</b>	<b>136,611</b>	<b>1,357,768</b>	<b>88,216</b>	<b>1,582,595</b>
<b>Total liabilities</b>	<b>206,155</b>	<b>1,455,335</b>	<b>89,846</b>	<b>1,751,336</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred investment earnings - pensions	1,614	1,300	873	3,787
<b>NET POSITION</b>				
Net investment in capital assets	2,850,951	2,409,426	303,571	5,563,948
Unrestricted (deficit)	1,405,427	1,884,096	(66,346)	3,223,177
<b>Total net position</b>	<b>\$ 4,256,378</b>	<b>\$ 4,293,522</b>	<b>\$ 237,225</b>	<b>\$ 8,787,125</b>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended December 31, 2015

	Major Funds			Total
	Sewer Fund	Water Fund	Golf Course Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,135,620	\$ 1,207,778	\$ 192,426	\$ 2,535,824
Other	180,301	176,211	12,149	368,661
<b>Total operating revenues</b>	<u>1,315,921</u>	<u>1,383,989</u>	<u>204,575</u>	<u>2,904,485</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	325,825	351,906	143,216	820,947
Employee benefits	259,551	288,439	41,832	589,822
Administrative expenses	354	1,024	9,140	10,518
Insurance	17,181	15,924	4,900	38,005
Professional services	130,348	186,644	3,973	320,965
Repairs and maintenance	100,779	145,746	10,962	257,487
Supplies	52,435	130,104	19,565	202,104
Utilities	101,319	84,932	3,116	189,367
Depreciation	257,591	173,254	29,718	460,563
<b>Total operating expenses</b>	<u>1,245,383</u>	<u>1,377,973</u>	<u>266,422</u>	<u>2,889,778</u>
<b>Operating income (loss)</b>	<u>70,538</u>	<u>6,016</u>	<u>(61,847)</u>	<u>14,707</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	21,628	21,330	23	42,981
Interest expense	-	(25,416)	-	(25,416)
Intergovernmental revenues	25,765	25,765	-	51,530
<b>Total nonoperating revenues (expenses)</b>	<u>47,393</u>	<u>21,679</u>	<u>23</u>	<u>69,095</u>
<b>Income (loss) before capital contributions and transfers</b>	117,931	27,695	(61,824)	83,802
Transfers in	-	-	41,046	41,046
Transfers out	(60,000)	(623,368)	-	(683,368)
<b>CHANGE IN NET POSITION</b>	57,931	(595,673)	(20,778)	(558,520)
<b>NET POSITION</b>				
Beginning of year, restated	4,198,447	4,889,195	258,003	9,345,645
<b>End of year</b>	<u>\$ 4,256,378</u>	<u>\$ 4,293,522</u>	<u>\$ 237,225</u>	<u>\$ 8,787,125</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2015

	Major Funds			Total
	Sewer Fund	Water Fund	Golf Course Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 1,125,962	\$ 1,193,887	\$ 192,426	\$ 2,512,275
Payments to suppliers for goods and services	(391,145)	(555,864)	(51,656)	(998,665)
Payments to employees	(557,961)	(654,758)	(195,545)	(1,408,264)
Other receipts	201,027	176,211	12,149	389,387
<b>Net cash provided by (used for) operating activities</b>	<u>377,883</u>	<u>159,476</u>	<u>(42,626)</u>	<u>494,733</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues	25,765	25,765	-	51,530
Transfers from other funds	-	408,783	41,046	449,829
Transfers to other funds	(60,000)	(623,368)	-	(683,368)
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>(34,235)</u>	<u>(188,820)</u>	<u>41,046</u>	<u>(182,009)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	-	(91,704)	-	(91,704)
Repayment of notes payable	-	(73,814)	-	(73,814)
Interest paid	-	(25,416)	-	(25,416)
<b>Net cash used for capital and related financing activities</b>	<u>-</u>	<u>(190,934)</u>	<u>-</u>	<u>(190,934)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	21,628	21,330	23	42,981
<b>Net increase (decrease) in cash</b>	365,276	(198,948)	(1,557)	164,771
<b>CASH</b>				
Beginning of year	710,972	1,268,260	2,144	1,981,376
Ending of year	<u>\$ 1,076,248</u>	<u>\$ 1,069,312</u>	<u>\$ 587</u>	<u>\$ 2,146,147</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
<b>Operating income (loss)</b>	\$ 70,538	\$ 6,016	\$ (61,847)	14,707
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
Depreciation	257,591	173,254	29,718	460,563
(Increase) decrease in				
Accounts receivable	(9,658)	(13,891)	-	(23,549)
Due from other funds	17,027	-	-	17,027
Prepaid expenses	2,426	2,425	(101)	4,750
Deferred outflows	(7,549)	(6,082)	(4,084)	(17,715)
Increase (decrease) in				
Accounts payable	31,997	8,510	-	40,507
Accrued salaries and benefits	(11,133)	(11,474)	(3,515)	(26,122)
Due to other funds	25,647	-	(1,702)	23,945
Compensated balances	404	241	(1,416)	(771)
Net pension liability	(1,021)	(823)	(552)	(2,396)
Deferred inflows	1,614	1,300	873	3,787
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 377,883</u>	<u>\$ 159,476</u>	<u>\$ (42,626)</u>	<u>\$ 494,733</u>

See accompanying notes

**BOROUGH OF EAST STROUDSBURG**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2015**

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**ASSETS**

Investments \$ 4,306,536

**NET POSITION**

Assets held in trust for pension benefits \$ 4,306,536

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2015

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### ADDITIONS

#### Contributions

Employer contributions \$ 244,262

Member contributions 44,346

**Total contributions** 288,608

#### Investment income

Interest 211,759

**Total additions** 500,367

### DEDUCTIONS

Administrative expenses 680

Other expenses 572

**Total deductions** 1,252

**CHANGE IN NET POSITION** 499,115

### NET POSITION

Beginning of year 3,807,421

**End of year** \$ 4,306,536

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of East Stroudsburg (the "**Borough**") was established in 1870 and operates as a Borough under the Borough Code of the Commonwealth of Pennsylvania and is governed by a Borough Council (the legislative branch of the local government), made up of an elected six (6) members and a mayor. The Borough provides the following services: general government; public safety - police, fire, ambulance, codes and planning and zoning; public works - highways and streets and sanitation; culture and recreation; community development; water and sewer utility services and a municipal golf course.

The financial statements of the Borough have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### 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 Borough as a reporting entity, management has addressed all potential component units which may or may not fall within the Borough's accountability. The criteria used to evaluate component units for possible inclusion as part of the Borough's reporting entity are financial accountability and the nature and significance of the relationship. The Borough is considered to be an independent reporting entity and has no component units.

#### Joint Ventures

The Borough and the Borough of Stroudsburg participate in the Twin Boroughs Recycling Program. The Twin Boroughs Recycling Program provides for curbside recycling collection and processing and marketing of recycling materials. All revenues and expenses of the Twin Boroughs Recycling Program are shared equally by each participant. The Twin Boroughs Recycling Program is controlled by a joint Board comprised of two Council members from each Borough and the Borough managers. Borough oversight of the Twin Borough Recycling Program is the responsibility of the joint Board. The Twin Boroughs Recycling Program issues separate audited financial statements which are available to the public through the Borough office.

The Borough participates with the Borough of Stroudsburg and Stroud Township in the Stroud Area Regional Police Department (the "**SARPD**") through an Intergovernmental Cooperation Agreement to provide police services to the three participating members. The SARPD is controlled by a joint Board comprised of a commission of officials from the three participating members. The governing body of each participating member must approve the annual operating budget of the SARPD but the participating members have no ongoing fiduciary interest or responsibility to the SARPD. The Borough's share of operating costs for police services for 2015 was \$2,090,921. The SARPD prepares financial statements that are available to the public from their administrative offices located at 100 East Day Street, East Stroudsburg, PA 18301.

#### Jointly Governed Organization

The Borough participates with the Borough of Stroudsburg in the Monroe County Control Center (the "**Center**") through an Intergovernmental Cooperation Agreement to provide county-wide services for the receiving and transmitting of messages and information for public safety services. The Center is controlled by a joint Board representing all participating members. Borough oversight of the Center is the responsibility of the joint Board. The Borough's share of operating costs for 2015 was \$38,988. The Center prepares financial statements that are available to the public from their administrative offices located at 100 Gypsum Road, Suite, 201, Stroudsburg, PA 18360.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### Basis of Presentation

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

The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. 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 is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the Borough 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 Borough is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position 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 function of the business-type activities of the Borough and 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 Borough.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

#### **Fund Financial Statements**

During the year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Borough. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

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# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015**

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### ***Governmental Funds***

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

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

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

In addition, the Borough reports the following nonmajor governmental funds:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Borough reports the following Special Revenue Funds:

The State Liquid Fuels Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department.

The CDBG Fund accounts for appropriations from Commonwealth of Pennsylvania Department of Community and Economic Development for its Small Cities Program which is financed through a grant from the Federal Community Development Block Grant program.

The Community Development Fund accounts for program revenue received as part of Federal community development projects which is financed through repayment of program loans or through close-out of prior period projects.

### ***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. For this purpose, the Borough considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Borough 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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### ***Proprietary Funds***

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

The Sewer Fund is used to account for the operation of a sewage collection system.

The Water Fund is used to account for the operation of a water supply system.

The Golf Course Fund accounts for the activities of the Borough for the operation of and maintenance of the Borough's golf course facilities.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Borough's proprietary funds are charges for services. Operating expenses for the Borough's proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds account for the assets held by the Borough as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Borough's own programs. The Borough reports the following fiduciary funds:

The Pension Trust Funds account for the activities of the Borough's defined benefit pension plans which accumulate resources for pension benefit payments to qualified employees upon retirement.

### **Cash and Cash Equivalents**

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

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Taxes**

Property taxes are levied on January 1 and are payable in the following periods:

March 1 – April 30	- Discount period, 2% of gross levy
May 1 – June 30	- Face period
July 1 to collection	- Penalty period, 10% of gross levy
January 1	- Lien date

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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The Monroe County Board of Assessments determines assessed valuations of property, and the Borough's taxes are billed and collected by an elected tax collector. The tax on real estate for fiscal 2015 was 19.20 mills (\$19.20 for \$1,000 of assessed valuation) for general purposes and 2.30 mills (\$2.30 for \$1,000 of assessed valuation) for debt service. The Borough experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Borough for property taxes receivable. The Borough is permitted by statute to levy taxes up to 30 mills of assessed valuation for general purposes and additional millage for other purposes as provided in the statutes.

Other taxes levied in 2015 consisted of the following:

Real estate transfer tax	- 0.50% of gross sales price
Earned income tax	- 0.50% for general purposes
Municipal services tax	- \$47.00 per year

### **Accounts Receivable**

The Borough's accounts receivables are reported at net realizable value. The Borough's sewer, water and garbage operations experience very small losses from uncollectible accounts. Sewer, water and garbage fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accounts receivable are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

### **Prepaid Items**

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

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Borough is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 50 years, improvements other than buildings – 20 years and machinery and equipment – 5 years.

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

The Borough evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Borough. No impairment losses were recognized in the year ended December 31, 2015.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### **Compensated Absences**

Borough policies permit employees to accumulate earned but unused vacation and sick days and compensatory leave. There is no liability for sick days as the Borough does not pay out unused balances at separation. The liability for unused vacation 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 and retirement.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses.

### **Fund Equity**

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

#### ***Nonspendable***

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

#### ***Restricted***

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

#### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Borough's highest level of decision-making authority, the Borough Council. Committed amounts cannot be used for any other purpose unless the Borough Council 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 Borough's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Borough Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the Borough has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

#### ***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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Effective January 1, 2015, the Borough adopted the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*", GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*", GASB Statement No. 70, "*Accounting and Financial Reporting for Non-Exchange Financial Guarantees*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*".

GASB Statement No. 68 improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures and identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71 is required to be applied simultaneously with the provisions of GASB Statement No. 68 and addresses an issue regarding application of the transitions provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The implementation of GASB Statement No. 69 had no impact on the financial statements of the Borough for the year ended December 31, 2015.

GASB Statement No. 70 provides accounting and financial reporting guidance to a governmental financial reporting entity that offers nonexchange financial guarantees and for governmental entities that receive guarantees on their obligations. The implementation of GASB Statement No. 70 had no impact on the financial statements of the Borough for the year ended December 31, 2015.

### **New Accounting Pronouncements**

GASB Statement No. 72, "*Fair Value Measurement and Application*" will be effective for the Borough for the year ended December 31, 2016. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"* will be effective for the Borough for the year ended December 31, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *"Tax Abatement Disclosures"* will be effective for the Borough for the year ended December 31, 2016. GASB Statement No. 77 is intended to improve financial reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the agreements.

GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"* will be effective for the Borough for the year ended December 31, 2016. GASB Statement No. 78 amends the scope and applicability of GASB No. Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria.

GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"* will be effective for the Borough for the year ended December 31, 2016. The objective of GASB Statement No. 79 is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards.

## (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Borough code of the Commonwealth of Pennsylvania requires that an annual budget for all funds be adopted no later than December 31 for the succeeding fiscal year beginning January 1. The Borough is required to publish notice by advertisement at least once in one newspaper of general circulation in the Borough, and within 30 days of final action, that the budget has been prepared and is available for public inspection for a period of 10 days at the Borough offices. Notice that public hearings will be held on the proposed budget must be included in the advertisement.

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

The Borough is legally required to maintain budgetary controls at the major function level. 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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### (3) DEPOSITS

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. The Borough 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, 2015, the carrying amount of the Borough's deposits was \$4,802,284 and the bank balance was \$5,020,038. Of the bank balance, \$708,351 was covered by federal depository insurance and \$418,045 was collateralized by the Borough'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 Borough 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, 2015, PLGIT was rated AAA by a nationally recognized statistical rating agency.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2015</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 5,893,960	\$ -	\$ -	\$ 5,893,960
Construction in progress	-	<u>347,507</u>	-	<u>347,507</u>
<b>Total capital assets not being depreciated</b>	<u>5,893,960</u>	<u>347,507</u>	-	<u>6,241,467</u>
<b>Capital assets being depreciated</b>	<u>14,617,120</u>	<u>237,038</u>	-	<u>14,854,158</u>
<b>Less accumulated depreciation</b>	<u>(6,971,159)</u>	<u>(865,407)</u>	-	<u>(7,836,566)</u>
<b>Total capital assets being depreciated, net</b>	<u>7,645,961</u>	<u>(628,369)</u>	-	<u>7,017,592</u>
<b>Governmental activities, net</b>	<u>\$ 13,539,921</u>	<u>\$(280,862)</u>	<u>\$ -</u>	<u>\$ 13,259,059</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,009,165	\$ -	\$ -	\$ 1,009,165
Capital assets being depreciated				
Buildings and improvements	4,985,044	-	-	4,985,044
Improvements other than buildings	13,896,237	91,704	-	13,987,941
Machinery and equipment	<u>318,847</u>	-	-	<u>318,847</u>
<b>Total capital assets being depreciated</b>	<u>19,200,128</u>	<u>91,704</u>	-	<u>19,291,832</u>

**BOROUGH OF EAST STROUDSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015**

Less accumulated depreciation for				
Buildings and improvements	(4,308,883)	(129,656)	-	(4,438,539)
Improvements other than buildings	(8,366,429)	(307,591)	-	(8,674,020)
Machinery and equipment	<u>(278,879)</u>	<u>(23,316)</u>	<u>-</u>	<u>(302,195)</u>
<b>Total accumulated depreciation</b>	<u>(12,954,191)</u>	<u>(460,563)</u>	<u>-</u>	<u>(13,414,754)</u>
<b>Total capital assets being depreciated, net</b>	<u>6,245,937</u>	<u>(368,859)</u>	<u>-</u>	<u>5,877,078</u>
<b>Business-type activities, net</b>	<u>\$ 7,255,102</u>	<u>\$(368,859)</u>	<u>\$ -</u>	<u>\$ 6,886,243</u>

Depreciation expense was charged to functions/programs of the Borough as follows:

<b>Governmental activities</b>	
General government	\$ 62,185
Public safety	218,940
Public works	404,063
Culture and recreation	<u>180,219</u>
<b>Total depreciation expense - governmental activities</b>	<u>\$865,407</u>
<b>Business-type activities</b>	
Sewer	\$257,591
Water	173,254
Golf course	<u>29,718</u>
<b>Total depreciation expense - business-type activities</b>	<u>\$460,563</u>

As of December 31, 2015 the Borough had outstanding construction projects to be completed. Construction commitments and the amounts completed as of December 31, 2015 are as follows:

	<u>Project Amount</u>	<u>Completed Through December 31, 2015</u>	<u>Remaining Commitments</u>
Downtown Streetscape Project	<u>\$701,000</u>	<u>\$347,507</u>	<u>\$353,493</u>

**(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 25,647	Sewer Fund	\$ 25,647
General Fund	25,647	Water Fund	25,647
Debt Service Fund	4,044	General Fund	4,044
General Fund	398	Golf Course Fund	398
Capital Projects Fund	1,468	General Fund	1,468
Water Fund	<u>439,224</u>	Capital Projects Fund	<u>439,224</u>
	<u>\$496,428</u>		<u>\$496,428</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of revenues and expenditures. The balances are generally repaid shortly after year-end.

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$622,000	Water Fund	\$622,000
Capital Projects Fund	49,243	General Fund	49,243
Golf Course Fund	41,046	General Fund	41,046
Nonmajor Governmental Fund	100	General Fund	100
Capital Projects Fund	60,000	Sewer Fund	60,000
Capital Projects Fund	<u>1,369</u>	Water Fund	<u>1,369</u>
	<u>\$773,758</u>		<u>\$773,758</u>

Interfund transfers represent annual appropriations to subsidize operations and capital projects within other funds.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2015:

	<u>Balance January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2015</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt:</b>					
Notes payable	<u>\$3,254,800</u>	<u>\$ -</u>	<u>\$225,800</u>	<u>\$3,029,000</u>	<u>\$230,000</u>
<b>Other noncurrent liabilities</b>					
Lease rental payable	605,000	609,620	661,333	553,287	89,030
Capital lease payable	-	148,240	6,915	141,325	28,163
Compensated absences	6,743	15,412	-	22,155	7,623
Net pension liability	<u>491,568</u>	<u>-</u>	<u>3,545</u>	<u>488,023</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>1,103,311</u>	<u>773,272</u>	<u>671,793</u>	<u>1,204,790</u>	<u>124,816</u>
<b>Total noncurrent liabilities governmental activities</b>	<u>\$4,358,111</u>	<u>\$773,272</u>	<u>\$897,593</u>	<u>\$4,233,790</u>	<u>\$354,816</u>

Noncurrent liabilities of governmental activities are to be liquidated by the General Fund and Debt Service Fund.

<b>Business-type activities</b>					
<b>General obligation debt:</b>					
Notes payable	<u>\$1,396,109</u>	<u>\$ -</u>	<u>\$ 73,814</u>	<u>\$1,322,295</u>	<u>\$ 74,320</u>
<b>Other noncurrent liabilities</b>					
Net pension liability	320,467	-	2,396	318,071	-
Compensated absences	<u>17,320</u>	<u>-</u>	<u>771</u>	<u>16,549</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>337,787</u>	<u>-</u>	<u>3,167</u>	<u>334,620</u>	<u>-</u>
<b>Total noncurrent liabilities business-type activities</b>	<u>\$1,733,896</u>	<u>\$ -</u>	<u>\$ 76,981</u>	<u>\$1,656,915</u>	<u>\$ 74,320</u>

Noncurrent liabilities of business-type activities are to be liquidated by water, sewer and golf operations.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### General Obligation Debt

General obligation debt is a direct obligation of the Borough for which full faith and credit are pledged and are payable from local sources. The Borough has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of December 31, 2015 consisted of the following:

### Governmental Activities

On April 3, 2006, the Borough issued a \$2,315,000 Note Payable (the "**Series 2006 Note**") to a financial institution. The proceeds of the Series 2006 Note were used for (a) acquiring lands for open space and public recreation, including, acquiring an existing golf course and all related facilities; (b) constructing storm sewer replacements and (c) payment of the costs to issue the Series 2006 Note. The Series 2006 Note is payable annually in varying amounts from October 2007 to October 2025. The interest on the Series 2006 Note is payable semi-annually in April and October at rates ranging from 3.60% to 4.00%. This amount outstanding under the Series 2006 Note was \$1,395,000 at December 31, 2015.

On August 14, 2009, the Borough issued a \$2,230,000 Note Payable (the "**Series 2009 Note**") to a financial institution. The proceeds of the Series 2009 Note were used for (a) construction and renovation of a new fire station and related facilities and (b) payment of the costs to issue the Series 2009 Note. The Series 2009 Note is payable annually in varying amounts from November 2010 to November 2028. The interest on the Series 2009 Note is payable semi-annually in April and October at a rate of 3.11%. The amount outstanding under the Series 2009 Note was \$1,634,000 at December 31, 2015.

Annual debt service requirements under the governmental activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Maturities</u>	<u>Total</u> <u>Maturities</u>
2016	\$ 230,000	\$ 103,828	\$ 333,828
2017	236,700	98,414	335,114
2018	246,000	89,978	335,978
2019	241,500	81,212	322,712
2020	239,200	72,539	311,739
2021-2025	1,377,100	224,684	1,601,784
2026-2028	<u>458,500</u>	<u>29,048</u>	<u>487,548</u>
	<u>\$3,029,000</u>	<u>\$699,703</u>	<u>\$3,728,703</u>

### Business-Type Activities

On August 31, 2009, the Borough issued an \$899,947 Note Payable (the "**2009 Loan**") to a government sponsored lending institution ("**Pennvest**"). The proceeds of the 2009 Loan were used for (a) the water line improvement project and (b) payment of costs to issue the 2009 Loan. The 2009 Loan is payable in 204 monthly payments ranging from \$4,195 to \$4,597, including interest ranging from 1.274% to 2.547%, through March 2030. The amount outstanding under the 2009 Loan was \$658,586 at December 31, 2015.

On May 2, 2012, the Borough issued an \$943,000 Note Payable (the "**2012 Loan**") to a government sponsored lending institution ("**Pennvest**"). The proceeds of the 2012 Loan were used for (a) dam rehabilitation project and (b) payment of costs to issue the 2012 Loan. The 2012 Loan is payable in 204 monthly payments ranging from \$3,773 to \$4,201, including interest ranging from 1.512% to 3.024%, through July 2032. The amount outstanding under the 2009 Loan was \$663,709 at December 31, 2015.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Annual debt service requirements under the business-type activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2016	\$ 74,320	\$ 26,113	\$ 100,433
2017	74,204	28,368	102,572
2018	73,767	31,800	105,567
2019	75,829	29,738	105,567
2020	77,949	27,618	105,567
2021-2025	423,696	104,141	527,837
2026-2030	444,692	41,776	486,468
2031-2032	<u>77,838</u>	<u>1,976</u>	<u>79,814</u>
	<u>\$1,322,295</u>	<u>\$291,530</u>	<u>\$1,613,825</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2015.

### Lease Rental Payable

On October 5, 2001, the Borough entered into a subsidy agreement with the Borough of Stroudsburg and Stroud Township to finance the purchase of land and for the construction of the Central Headquarters (the "**project**") for the SARPD. 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 of SARPD 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 members in the SARPD requires the Borough to make debt service payments sufficient to retire the Borough of Stroudsburg's outstanding debt obligations through annual budget appropriations. On March 26, 2015, the Borough of Stroudsburg issued General Obligation Note, Series of 2015A (the "**Series 2015A Note**"). The proceeds of the Series 2015A Note were used for (a) the refunding of the Series 2010 Bonds and (b) payment of cost to issue the Series 2015A Note. The Series 2015A Note is payable annually in varying amounts from December 2015 to December 2021. The interest on the Series 2015A Note is payable semi-annually in June and December at rates ranging from 1.55% to 3.00%. The amount outstanding under the lease rental payable was \$553,287 at December 31, 2015.

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2015 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 89,030	\$ 8,576	\$ 97,606
2017	90,037	7,196	97,233
2018	92,473	5,800	98,273
2019	92,973	4,368	97,341
2020	94,987	2,926	97,913
2021	<u>93,787</u>	<u>2,814</u>	<u>96,601</u>
	<u>\$553,287</u>	<u>\$31,680</u>	<u>\$584,967</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### Capital Lease

The Borough has entered into a long-term lease agreement for a street sweeper. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments as of December 31, 2015 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 28,163	\$ 3,793	\$ 31,956
2017	28,988	2,968	31,956
2018	29,839	2,118	31,957
2019	30,712	1,244	31,956
2020	<u>23,623</u>	<u>343</u>	<u>23,966</u>
	<u>\$141,325</u>	<u>\$10,466</u>	<u>\$151,791</u>

## (7) EMPLOYEE RETIREMENT PLAN

### Non-Uniform Pension Fund

The East Stroudsburg Borough Non-Uniform Pension Fund accounts for a single-employer defined benefit pension plan (the "**Plan**") controlled by the provisions of Ordinance Number 1258 of the Borough. The Police Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at <http://www.pmrs.state.pa.us/publications/index.html>.

### Plan Membership

Membership in the Plan consisted of the following at December 31, 2015:

Active employees	20
Retirees and beneficiaries currently receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	<u>2</u>
Total	<u>34</u>

### Benefit Provisions

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

### Basis of Accounting

The 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 Plan are reported at fair value. The Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's comprehensive annual financial report.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### Contributions

Annual contributions to the Plan are based upon the minimum municipal obligation (the "**MMO**"). The MMO is derived from the Plan's biennial actuarial valuation. Members in the Plan are required to contribute up to a maximum of 3.5% of total compensation determined annually by Borough Council. 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 Borough. The Borough's 2015 MMO contribution totaled \$232,435 and employee contributions totaled \$44,346.

### Administrative Costs

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

### Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.50% percent investment rate of return (net of administrative costs) and (b) 3.0% inflation and age related scale for merit/seniority for salary projections. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 7.00 years.

### Discount Rate

The discount rate used to measure the total pension liability is 5.50%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Rate of Return

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	8.7 %
Domestic Equities (Small Capitalized Firms)	15%	8.4 %
International Equities (International Developed Markets)	15%	4.6 %
International Equities (Emerging Markets)	10%	8.1 %
Real Estate	20%	6.7 %
Fixed Income	<u>15%</u>	<u>(1.0)%</u>
Total Portfolio	<u>100%</u>	<u>6.2 %</u>

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2014.

### Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2014. The total pension liability was determined by an actuarial valuation as of December 31, 2014, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$805,889 measured as the difference between the total pension liability of \$6,506,246 and the fiduciary net position of \$5,700,357.

As of December 31, 2015, the net pension liability of \$487,818 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. The remaining \$318,071 of the net pension liability is recorded as a liability in the Sewer Fund for \$135,548, in the Water Fund for \$109,206 and in the Golf Course Fund for \$73,317 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2014 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
<b>Balances as of December 31, 2013</b>	\$6,270,056	\$5,458,088	\$ 811,968
<b>Changes for the year:</b>			
Service cost	173,277	-	173,277
Interest on total pension liability	346,877	-	346,877
Differences between expected and actual experience	(8,711)	-	(8,711)
Employer contributions	-	187,558	(187,558)
Member contributions	-	41,696	(41,696)
PMRS investment income	-	297,934	(297,934)
Market value investment income	-	2,460	(2,460)
Benefit payments	(275,253)	(275,253)	-
PMRS administrative expense	-	(700)	700
Additional administrative expense	-	(11,426)	11,426
<b>Net changes</b>	<u>236,190</u>	<u>242,269</u>	<u>(6,079)</u>
<b>Balances as of December 31, 2014</b>	<u>\$6,506,246</u>	<u>\$5,700,357</u>	<u>\$ 805,889</u>

### Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the Borough calculated using the discount rate 5.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate:

	<u>1% Decrease 4.50%</u>	<u>Current Discount Rate 5.50%</u>	<u>1% Increase 6.50%</u>
Net Pension Liability (Asset)	\$1,538,779	\$805,889	\$169,502

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

For the year ended December 31, 2015, the Borough recognized net negative pension expense of \$41,361. At December 31, 2015 the Borough 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	\$ -	\$7,626
Net difference between projected and actual earnings on pension plan investments	-	1,969
Contributions subsequent to the measurement date	<u>232,435</u>	<u>-</u>
	<u>\$232,435</u>	<u>\$9,595</u>

An amount of \$232,435 reported as deferred outflows of resources related to pensions resulting from the Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

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

#### Year ended December 31:

2016	\$1,919
2017	1,919
2018	1,919
2019	1,919
2020	<u>1,919</u>
	<u>\$9,595</u>

### Actuarial Methods and Significant Assumptions

- Investment return – 5.50%
- Discount rate – 5.50%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA
- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

### Nonuniform Cash Balance Pension Fund

The East Stroudsburg Nonuniform Cash Balance Pension Fund accounts for a single-employer defined benefit pension plan (the "**Cash Balance Plan**") controlled by the provisions of Ordinance Number 1258 of the Borough. All employees hired after June 30, 2012 are required to participate in the Cash Balance Pension Plan. The Cash Balance Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at <http://www.pMrs.state.pa.us/publications/index.html>.

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### Plan Membership

Membership in the Cash Balance Plan consisted of the following at December 31, 2015:

Active employees	4
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>4</u>

### Benefit Provisions

The Cash Balance Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Cash Balance Plan. However the benefits are limited to each members' account balance at retirement.

### Basis of Accounting

The Cash Balance 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 Nonuniform Pension Plan are reported at fair value. The Nonuniform Pension Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's comprehensive annual financial report.

### Contributions

The Borough is required to contribute 6.00% of the members' total compensation to the Cash Balance Plan. Members are not required to contribute to the Cash Balance Plan but may make a voluntary contribution up to 10% of total compensation. The Borough's 2015 contribution totaled \$11,827 and member contributions totaled \$0.

### Administrative Costs

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

### Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.50% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and age related scale for merit/seniority for salary projections.

### Discount Rate

The discount rate used to measure the total pension liability is 5.50%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### Rate of Return

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	8.7 %
Domestic Equities (Small Capitalized Firms)	15%	8.4 %
International Equities (International Developed Markets)	15%	4.6 %
International Equities (Emerging Markets)	10%	8.1 %
Real Estate	20%	6.7 %
Fixed Income	<u>15%</u>	<u>(1.0)%</u>
Total Portfolio	<u>100%</u>	<u>6.2 %</u>

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2014.

### Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2014. The total pension liability was determined by an actuarial valuation as of December 31, 2014, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$205 measured as the difference between the total pension liability of \$15,495 and the fiduciary net position of \$15,290. As of December 31, 2015, \$205 of the net pension liability is related to the governmental funds and is only recorded in the government-wide statement of net position.

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2014 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Pension Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
<b>Balances as of December 31, 2013</b>	<u>\$ 6,720</u>	<u>\$ 6,653</u>	<u>\$ 67</u>
<b>Changes for the year:</b>			
Service cost	8,272	-	8,272
Interest on total pension liability	503	-	503
Employer contributions	-	8,352	(8,352)
Member contributions	-	-	-
PMRS investment income	-	518	(518)
Market value investment income	-	(133)	133
Benefit payments	-	-	-
PMRS administrative expense	-	(80)	80
Additional administrative expense	-	(20)	20
<b>Net changes</b>	<u>8,775</u>	<u>8,637</u>	<u>138</u>
<b>Balances as of December 31, 2014</b>	<u>\$15,495</u>	<u>\$15,290</u>	<u>\$ 205</u>

**BOROUGH OF EAST STROUDSBURG**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

**Sensitivity of the Net Pension Liability to changes in the discount rate**

The following presents the net pension liability of the Borough calculated using the discount rate 5.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate:

	<b>1% Decrease</b> <b><u>4.50%</u></b>	<b>Current Discount Rate</b> <b><u>5.50%</u></b>	<b>1% Increase</b> <b><u>6.50%</u></b>
Net Pension Liability (Asset)	\$3,304	\$205	\$(2,894)

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

For the year ended December 31, 2015, the Borough recognized net negative pension expense of \$3,443. At December 31, 2015, the Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	106	-
Contributions subsequent to the measurement date	<u>11,827</u>	<u>-</u>
	<b><u>\$11,933</u></b>	<b><u>\$ -</u></b>

An amount of \$11,827 reported as deferred outflows of resources related to pensions resulting from the Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

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

**Year ended December 31:**

2016	\$ 27
2017	27
2018	27
2019	<u>25</u>
	<b><u>\$106</u></b>

**Actuarial Methods and Significant Assumptions**

- Investment return – 5.50%
- Discount rate – 5.50%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

### (8) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The Borough receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Borough officials do not expect any significant adjustments as a result of these examinations.

#### Litigation

The Borough is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

### (9) RISK MANAGEMENT

The Borough 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 2015. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended December 31, 2015:

Insurance claims surplus (liability) – beginning of year	\$ 283,056
Current year insurance claims, fees and changes in estimates	(142,393)
Insurance claims and fees paid to third party administrator	<u>250,730</u>
Insurance claims surplus (liability) – end of year	<u>\$ 391,393</u>

### (10) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 68, the Borough made a prior period adjustment to record its net pension liability and deferred outflows of resources related to employer pension contributions. The Borough also made prior period adjustments to adjust amounts previously recorded on the cash basis of accounting to the accrual basis of accounting in accordance with GAAP. These prior period adjustments and their effect on net position and fund balance as of January 1, 2014 and the change in net position and fund balance for the year ended December 31, 2014 are summarized in the following table:

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**BOROUGH OF EAST STROUDSBURG**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

	<b>Governmental Activities Unrestricted Net Position</b>	<b>General Fund Fund Balance</b>	<b>Nonmajor Governmental Fund Balance</b>
Net position/fund balance at January 1, 2014, as previously reported	\$12,202,488	\$1,031,329	\$284,776
Prior period adjustment to			
Record net pension liability	(491,947)	-	-
Record deferred inflows of resources	113,531	-	-
Recognize taxes and garbage fees receivable on full accrual	<u>683,383</u>	<u>-</u>	<u>-</u>
Net position/fund balance at January 1, 2014, as restated	<u>12,507,455</u>	<u>1,031,329</u>	<u>284,776</u>
Change in net position/fund balance for 2014, as previously reported	(490,055)	175,857	(33,333)
Prior period adjustment to			
Record net effect of adjustments from cash basis to accrual basis	<u>80,422</u>	<u>92,857</u>	<u>(14,421)</u>
Change in net position/fund balance for 2014, as restated	<u>(409,633)</u>	<u>268,714</u>	<u>(47,754)</u>
Net position/fund balance at December 31, 2014, as restated	<u>\$12,097,822</u>	<u>\$1,300,043</u>	<u>\$237,022</u>

	<b>Water Fund Net Position</b>	<b>Sewer Fund Net Position</b>	<b>Golf Course Fund Net Position</b>	<b>Business-type Activities Unrestricted Net Position</b>
Net position at January 1, 2014, as previously reported	\$4,975,971	\$4,796,475	\$372,289	\$10,144,735
Prior period adjustment to				
Record net pension liability	(136,569)	(110,029)	(73,869)	(320,467)
Record deferred outflows of resources	<u>31,546</u>	<u>31,497</u>	<u>17,062</u>	<u>80,105</u>
Net position at January 1, 2014, as restated	<u>4,870,948</u>	<u>4,717,943</u>	<u>315,482</u>	<u>9,904,373</u>
Change in net position for 2014, as previously reported	13,587	(480,127)	(38,956)	(505,496)
Prior period adjustment to				
Record net effect of adjustments from cash basis to accrual basis	<u>4,660</u>	<u>(39,369)</u>	<u>(18,523)</u>	<u>(53,232)</u>
Change in net position for 2014, as restated	<u>18,247</u>	<u>(519,496)</u>	<u>(57,479)</u>	<u>(558,728)</u>
Net position at December 31, 2014, as restated	<u>\$4,889,195</u>	<u>\$4,198,447</u>	<u>\$258,003</u>	<u>\$ 9,345,645</u>

**(11) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 10, 2016, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in the financial statements.

## **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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On January 15, 2016, the Borough issued General Obligation Note, Series of 2016, in the amount of \$7,232,270. The proceeds from the issuance of the bonds will be used (a) refund the Borough's General Obligation Note, Series of 2006; (b) the acquisition and construction of upgrades alterations and improvements to the Middle Dam and Reservoir, aeration improvements in the water distribution system and other capital water system improvements; (c) the acquisition and construction of capital improvements to the Borough's facilities, including municipal building entry security renovations, improvements to Borough streets, garage, municipal parking lot, storm culverts, park swimming pool and restrooms, an electronic parking meter system and a park sprinkler system; (4) acquisition of equipment including a fire pumper truck, dump truck, a boom mower and other capital improvements and acquisitions and (d) to pay for the costs of issuance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
<b>Taxes</b>			
Real estate-current year levy	\$ 1,282,200	\$ 1,265,219	\$ (16,981)
Real estate-current year levy - interim	1,000	1,581	581
Real estate-prior years levy	20,000	29,009	9,009
Real estate-delinquent taxes	106,800	105,629	(1,171)
<b>Total real estate taxes</b>	<b>1,410,000</b>	<b>1,401,438</b>	<b>(8,562)</b>
Local tax enabling act (Act 511):			
Real estate transfer	80,000	156,013	76,013
Earned income tax	800,000	865,204	65,204
Local services tax	350,000	346,103	(3,897)
<b>Total local tax enabling act</b>	<b>1,230,000</b>	<b>1,367,320</b>	<b>137,320</b>
<b>Total taxes</b>	<b>2,640,000</b>	<b>2,768,758</b>	<b>128,758</b>
<b>Licenses and permits</b>			
Engineering review fees	6,000	2,458	(3,542)
Restaurant licenses	9,500	12,959	3,459
Zoning permits and fees	50,000	82,352	32,352
Rental housing licenses	75,000	94,179	19,179
Zoning fines	2,500	23,375	20,875
TV cable franchise fees	129,000	135,684	6,684
Licenses and permits	2,000	1,629	(371)
<b>Total licenses and permits</b>	<b>274,000</b>	<b>352,636</b>	<b>78,636</b>
<b>Fines and forfeits</b>			
Parking fines - miscellaneous	200	283	83
Parking fines	120,000	172,041	52,041
Fines and forefeits	40,000	28,404	(11,596)
<b>Total fines and forfeits</b>	<b>160,200</b>	<b>200,728</b>	<b>40,528</b>
<b>Interest, rent and royalties</b>			
Interest income	4,100	12,230	8,130
Rent of buildings	26,500	201	(26,299)
<b>Total interest, rent and royalties</b>	<b>30,600</b>	<b>12,431</b>	<b>(18,169)</b>
<b>Intergovernmental revenues</b>			
General municipal pension aid	95,000	46,491	(48,509)
Fire insurance premium	60,000	52,966	(7,034)
Other shared state revenue	11,200	10,523	(677)
Main street program	-	25,415	25,415
Miscellaneous grants	-	10,818	10,818
<b>Total intergovernmental revenues</b>	<b>166,200</b>	<b>146,213</b>	<b>(19,987)</b>

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<b><u>Original and Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Final Budget Positive (Negative)</u></b>
<b>Revenues (continued)</b>			
<b>Charges for services</b>			
Housing authority pilot	2,500	2,940	440
Garbage user fees	590,000	646,159	56,159
Street openings	4,000	11,280	7,280
Rental housing reinspections and appeals	500	-	(500)
Parking meters	115,400	120,224	4,824
Parking lot rental	7,000	10,188	3,188
Parking permits	200	197	(3)
Code office supplies	200	139	(61)
Street department services	3,500	2,817	(683)
Recreation (pools/tables/fields)	<u>100,300</u>	<u>98,444</u>	<u>(1,856)</u>
<b>Total charges for services</b>	<u>823,600</u>	<u>892,388</u>	<u>68,788</u>
<b>Other</b>			
Miscellaneous income	3,400	16,038	12,638
Other reimbursements	2,000	24,588	22,588
Recycling reimbursement - Stroudsburg Borough	7,000	20,580	13,580
Recycling proceeds - Twin Boroughs	25,000	-	(25,000)
Damages to borough property	-	2,763	2,763
Refunds and other reimbursements	<u>5,000</u>	<u>160,329</u>	<u>155,329</u>
<b>Total other</b>	<u>42,400</u>	<u>224,298</u>	<u>181,898</u>
<b>Total revenues</b>	<u>4,137,000</u>	<u>4,597,452</u>	<u>460,452</u>
<b>General government</b>			
<b>Legislative</b>			
Councilman	3,000	3,000	-
Mayor	5,000	5,000	-
General expense-elected officials	8,000	7,068	932
Association dues	5,800	5,087	713
Convention expense	2,500	984	1,516
Social security	812	500	312
Medicare	<u>177</u>	<u>117</u>	<u>60</u>
<b>Total legislative</b>	<u>25,289</u>	<u>21,756</u>	<u>3,533</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Administration</b>			
Salaries and wages	69,400	56,799	12,601
Office supplies	8,000	13,868	(5,868)
Gas and oil	1,100	633	467
Office equipment	3,000	3,178	(178)
Postage	15,000	8,759	6,241
General expense	2,500	2,118	382
Telephone expense	8,000	6,723	1,277
Association dues	2,700	2,225	475
Vehicle maintenance	700	285	415
Contracted services	18,000	18,236	(236)
Conference expense	3,300	-	3,300
Group accident insurance-disability	786	396	390
PMRS defined contributions	1,119	1,036	83
Workmens compensation	2,357	1,415	942
Health insurance opt out	884	884	-
Hospitalization insurance	11,784	7,431	4,353
Contribution to HRA	589	491	98
Group life insurance	167	139	28
Contribution to PMRS pension	4,581	4,565	16
Social security	5,767	3,550	2,217
Medicare	1,257	830	427
Unemployment compensation	2,013	2,044	(31)
Comprehensive insurance	982	1,149	(167)
Public official liability	1,277	1,198	79
Accident insurance	49	49	-
Insurance claims deductions	491	-	491
<b>Total administration</b>	<u>165,803</u>	<u>138,001</u>	<u>27,802</u>
<b>Financial administration</b>			
Auditing service	<u>7,000</u>	<u>7,000</u>	<u>-</u>
<b>Tax collection</b>			
Salaries - tax collector	7,910	7,687	223
General expenses	1,800	1,331	469
Commissions			
Real estate	6,000	5,903	97
Local service tax	7,960	5,160	2,800
Earned income tax	12,450	12,836	(386)
Deed transfers	1,600	3,109	(1,509)
Real estate surety	-	-	-
Social security	781	480	301
Medicare	170	112	58
<b>Total tax collection</b>	<u>38,671</u>	<u>36,618</u>	<u>2,053</u>
<b>Clerk/Secretary Expense</b>			
Insurance and bonding	<u>2,500</u>	<u>2,486</u>	<u>14</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Legal expense</b>			
Solicitor retainer	25,000	25,000	-
Legal expenses	24,000	54,190	(30,190)
Codification expenses	7,000	6,224	776
Public notice/advertising	<u>8,000</u>	<u>5,317</u>	<u>2,683</u>
<b>Total legal expense</b>	<u>64,000</u>	<u>90,731</u>	<u>(26,731)</u>
<b>Engineering services</b>			
Engineering services	8,000	9,071	(1,071)
Consulting services	<u>5,000</u>	<u>11,546</u>	<u>(6,546)</u>
<b>Total engineering services</b>	<u>13,000</u>	<u>20,617</u>	<u>(7,617)</u>
<b>Municipal buildings and offices</b>			
Salaries and wages	10,000	7,878	2,122
Janitorial supplies	3,000	2,716	284
Materials and supplies	2,500	277	2,223
Real estate taxes - Analomink	9,620	8,954	666
Property /auto insurance	5,000	4,981	19
Electricity			
Municipal building	10,000	8,676	1,324
Analomink building	6,500	1,287	5,213
Gas			
Analomink building	1,500	840	660
Maintenance and repairs			
Municipal building	25,000	47,397	(22,397)
Analomink building	4,000	13,773	(9,773)
Loder building	500	70	430
Day Street building	2,380	1,200	1,180
Social security	800	492	308
Medicare	<u>174</u>	<u>115</u>	<u>59</u>
<b>Total municipal buildings and offices</b>	<u>80,974</u>	<u>98,656</u>	<u>(17,682)</u>
<b>Refund of prior year revenue</b>	<u>5,000</u>	<u>1,725</u>	<u>3,275</u>
<b>Total general government</b>	<u>402,237</u>	<u>417,590</u>	<u>(15,353)</u>
<b>Public safety</b>			
<b>Police protection</b>			
Monroe County Control Center	38,990	38,988	2
Regional police services	<u>2,103,010</u>	<u>2,090,921</u>	<u>12,089</u>
<b>Total police protection</b>	<u>2,142,000</u>	<u>2,129,909</u>	<u>12,091</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety (continued)</b>			
<b>Fire protection</b>			
Salaries and wages	3,500	330	3,170
Workmens compensation	20,000	20,011	(11)
Fire and rescue supplies	3,000	692	2,308
Vehicle operating expense-gas/oil	5,000	637	4,363
Vehicle repairs and supplies	600	1,879	(1,279)
Fire fighting equipment - minor	1,000	675	325
Building maintenance supplies	1,000	37	963
General expense	3,000	1,800	1,200
Telephone expense	3,000	2,133	867
Property /auto insurance	20,000	20,555	(555)
Electric fire hall	13,000	11,719	1,281
Natural gas heating	8,000	4,274	3,726
Radio maintenance	1,000	797	203
Building maintenance	5,000	11,174	(6,174)
Vehicle maintenance and equipment	15,000	4,228	10,772
Contracted services	3,990	3,262	728
Monroe county control center	16,710	16,708	2
Contribution-acme hose company	12,500	10,500	2,000
Contribution-fireman's relief association	60,000	52,967	7,033
Social security	34	21	13
Medicare	7	5	2
<b>Total fire protection</b>	<u>195,341</u>	<u>164,404</u>	<u>30,937</u>
<b>Building regulation</b>			
Salaries and wages	146,000	72,082	73,918
Parking enforcement	78,000	58,082	19,918
Salaries and wages - vehicle	-	-	-
Material and supplies	6,000	690	5,310
Gas and oil	5,000	1,691	3,309
Vehicle maintenance and supplies	500	250	250
Minor equipment	-	-	-
General expense	3,000	1,164	1,836
Engineering services	11,000	6,547	4,453
Legal services	15,000	31,913	(16,913)
Advertising expense	3,000	1,937	1,063
Property/auto insurance	3,000	2,922	78
Association dues	1,500	1,376	124
Vehicle expense	2,500	1,502	998
Contracted services	14,000	4,787	9,213
Conference expense	1,000	-	1,000
Group accident insurance-disability	1,800	906	894
PMRS defined contributions	2,565	2,375	190
Workmens compensation	5,402	3,243	2,159
Health insurance opt out	2,025	2,025	-
Hospitalization insurance	27,005	17,030	9,975
Contribution to HRA	1,350	1,125	225

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety (continued)</b>			
<b>Building regulation (continued)</b>			
Group life insurance	383	319	64
Contribution to PMRS pension	10,498	10,462	36
Social security	13,217	8,135	5,082
Medicare	2,881	1,902	979
Unemployment compensation	4,613	4,684	(71)
Comprehensive insurance	2,250	2,634	(384)
Public official liability	2,926	2,746	180
Accident insurance	113	113	-
Insurance claims deductions	1,125	-	1,125
<b>Total building regulation</b>	<u>367,653</u>	<u>242,642</u>	<u>125,011</u>
<b>Emergency management and communications</b>			
Emergency management	500	-	500
<b>Total public safety</b>	<u>2,705,494</u>	<u>2,536,955</u>	<u>168,539</u>
<b>Human and health services</b>			
<b>General health services</b>			
Salaries and wages	10,000	7,175	2,825
Material and supplies	1,000	-	1,000
Vector control	2,000	2,000	-
Social security	729	448	281
Medicare	159	105	54
<b>Total human and health services</b>	<u>13,888</u>	<u>9,728</u>	<u>4,160</u>
<b>Public works - sanitation</b>			
<b>Garbage collection and disposal</b>			
Salaries - recycling	117,000	105,153	11,847
Materials and supplies	2,000	68	1,932
Postage and printing	3,000	2,976	24
General expenses	500	17	483
Landfill - engineering	7,000	6,005	995
Recycling costs	4,500	24,135	(19,635)
Contracted services-garbage contract	460,800	457,051	3,749
Group accident insurance-disability	1,454	732	722
PMRS defined contributions	2,073	1,919	154
Workmens compensation	4,363	2,620	1,743
Health insurance opt out	1,636	1,636	-
Hospitalization insurance	21,816	13,757	8,059
Contribution to HRA	1,091	909	182
Group life insurance	309	258	51

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - sanitation (continued)</b>			
<b>Garbage collection and disposal (continued)</b>			
Contribution to PMRS pension	8,482	8,452	30
Social security	10,677	6,572	4,105
Medicare	2,327	1,537	790
Unemployment compensation	3,727	3,784	(57)
Comprehensive insurance	1,818	2,128	(310)
Public official liability	2,363	2,218	145
Accident insurance	91	91	-
Insurance claims deductions	909	-	909
<b>Total public works - sanitation</b>	<u>657,936</u>	<u>642,018</u>	<u>15,918</u>
<b>Public works - highways and streets</b>			
<b>General services</b>			
Salaries and wages	35,000	18,243	16,757
Vacations and holidays	56,000	56,499	(499)
Materials and supplies	15,000	14,161	839
Gas and oil	16,000	5,328	10,672
Uniforms and clothing	5,000	1,756	3,244
Vehicle maintenance and repair	14,000	9,722	4,278
Minor equipment	5,000	7,584	(2,584)
Building maintenance supplies	1,000	-	1,000
General expense	4,000	584	3,416
Engineering services	6,000	11,150	(5,150)
Telephone expense-DPW	1,000	1,008	(8)
Property/ auto insurance	11,000	10,761	239
Electricity - DPW	3,000	2,430	570
Gas heat - DPW garage	5,000	3,891	1,109
Building maintenance	2,000	1,231	769
Vehicle maintenance	14,000	4,427	9,573
Contracted services	4,000	1,894	2,106
Group accident insurance-disability	1,034	521	513
PMRS defined contributions	1,473	1,364	109
Workmens compensation	3,101	1,862	1,239
Health insurance opt out	1,163	1,163	-
Hospitalization insurance	15,507	9,779	5,728
Contribution to HRA	776	646	130
Group life insurance	220	183	37
Contribution to PMRS pension	6,028	6,008	20
Social security	7,589	4,671	2,918
Medicare	1,654	1,092	562
Unemployment compensation	2,649	2,689	(40)
Comprehensive insurance	1,292	1,513	(221)
Public official liability	1,680	1,577	103
Accident insurance	65	65	-
Insurance claims deductions	646	-	646
<b>Total general services</b>	<u>241,877</u>	<u>183,802</u>	<u>58,075</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
<b>Cleaning streets</b>			
Salaries and wages	26,000	27,259	(1,259)
Vehicle maintenance and supplies	5,000	7,989	(2,989)
Vehicle maintenance and services	3,000	439	2,561
Group accident insurance-disability	377	190	187
PMRS defined contributions	537	497	40
Workmens compensation	1,131	679	452
Health insurance opt out	424	424	-
Hospitalization insurance	5,656	3,567	2,089
Contribution to HRA	282	236	46
Group life insurance	80	67	13
Contribution to PMRS pension	2,199	2,191	8
Social security	2,768	1,704	1,064
Medicare	603	398	205
Unemployment compensation	966	981	(15)
Comprehensive insurance	471	552	(81)
Public official liability	613	575	38
Accident insurance	24	24	-
Insurance claims deductions	236	-	236
	<u>50,367</u>	<u>47,772</u>	<u>2,595</u>
<b>Snow removal</b>			
Salaries and wages	40,000	10,098	29,902
Materials and supplies	6,000	-	6,000
Salt and cinders	13,000	11,060	1,940
Minor equipment	5,000	713	4,287
Equipment rental	5,000	2,185	2,815
Social security	1,025	631	394
Medicare	223	148	75
	<u>70,248</u>	<u>24,835</u>	<u>45,413</u>
<b>Traffic signals and signs</b>			
Salaries and wages	15,000	9,389	5,611
Materials and supplies	12,000	7,118	4,882
Electricity	9,000	5,583	3,417
Maintenance and repairs	20,000	12,089	7,911
Social security	953	587	366
Medicare	208	137	71
	<u>57,161</u>	<u>34,903</u>	<u>22,258</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
<b>Street lighting</b>			
Salaries and wages	3,000	971	2,029
Materials and supplies	10,000	6,945	3,055
Electric - street lighting	20,000	12,316	7,684
Contracted services	3,000	3,138	(138)
Social security	99	61	38
Medicare	21	14	7
	<u>36,120</u>	<u>23,445</u>	<u>12,675</u>
<b>Leaves/ yard waste pickup</b>			
Salaries and wages	32,000	34,552	(2,552)
Materials and supplies	2,000	-	2,000
Group accident insurance-disability	478	241	237
PMRS defined contributions	681	630	51
Workmens compensation	1,434	861	573
Health insurance opt out	538	538	-
Hospitalization insurance	7,168	4,521	2,647
Contribution to HRA	358	299	59
Group life insurance	102	85	17
Contribution to PMRS pension	2,787	2,777	10
Social security	3,508	2,159	1,349
Medicare	765	505	260
Unemployment compensation	1,225	1,243	(18)
Comprehensive insurance	597	699	(102)
Public official liability	777	729	48
Accident insurance	30	30	-
Insurance claims deductions	298	-	298
	<u>54,746</u>	<u>49,869</u>	<u>4,877</u>
<b>Storm Sewers</b>			
Salaries and wages	25,000	13,460	11,540
Materials and supplies	1,000	4,683	(3,683)
Electric - flory property	1,000	240	760
Repairs and maintenance	2,000	12,500	(10,500)
Social security	1,367	841	526
Medicare	298	197	101
	<u>30,665</u>	<u>31,921</u>	<u>(1,256)</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
<b>Highway repairs</b>			
Salaries and wages	95,000	93,930	1,070
Materials and supplies	16,000	12,148	3,852
Maintenance and repairs	20,000	7,734	12,266
Group accident insurance-disability	1,299	654	645
PMRS defined contributions	1,851	1,714	137
Workmens compensation	3,898	2,340	1,558
Health insurance opt out	1,462	1,462	-
Hospitalization insurance	19,488	12,290	7,198
Contribution to HRA	973	812	161
Group life insurance	276	230	46
Contribution to PMRS pension	7,576	7,550	26
Social security	9,538	5,870	3,668
Medicare	2,079	1,373	706
Unemployment compensation	3,329	3,380	(51)
Comprehensive insurance	1,624	1,901	(277)
Public official liability	2,111	1,982	129
Accident insurance	81	81	-
Insurance claims deductions	812	-	812
	<u>187,397</u>	<u>155,451</u>	<u>31,946</u>
<b>Parking facilities</b>			
Salaries and wages - parking lot	5,000	13,895	(8,895)
Salaries and wages - meter	1,000	-	1,000
Materials and supplies	13,000	7,475	5,525
Maintenance and repairs	4,000	1,246	2,754
Social security	1,411	868	543
Medicare	308	203	105
	<u>24,719</u>	<u>23,687</u>	<u>1,032</u>
<b>Total public works - highways and streets</b>	<u>753,300</u>	<u>575,685</u>	<u>177,615</u>
<b>Public works - other</b>			
Salaries and wages	20,000	15,753	4,247
Materials and supplies	2,000	150	1,850
Engineering services	2,000	13,612	(11,612)
Contracted services	5,000	9,600	(4,600)
Group accident insurance-disability	218	110	108
PMRS defined contributions	310	287	23
Workmens compensation	654	392	262
Health insurance opt out	245	245	-
Hospitalization insurance	3,268	2,061	1,207
Contribution to HRA	165	136	29
Group life insurance	46	39	7
Contribution to PMRS pension	1,270	1,266	4
Social security	1,599	984	615
Medicare	349	230	119

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - other (continued)</b>			
Unemployment compensation	558	567	(9)
Comprehensive insurance	272	319	(47)
Public official liability	354	332	22
Accident insurance	14	14	-
Insurance claims deductions	136	-	136
<b>Total public works - other</b>	<u>38,458</u>	<u>46,097</u>	<u>(7,639)</u>
<b>Culture and recreation</b>			
<b>Swimming pools</b>			
Salaries and wages - pool	18,000	20,299	(2,299)
Salaries and wages - pool staff	75,000	87,988	(12,988)
Materials and supplies	26,000	9,189	16,811
Pool chemicals	15,000	8,869	6,131
Electric and propane - pool/bathhouse	10,000	7,311	2,689
Propane - pool heating	10,000	4,333	5,667
Maintenance and repairs	8,000	6,358	1,642
Building maintenance and repairs	8,000	51,964	(43,964)
Contracted services	8,000	8,377	(377)
Social security	10,995	6,767	4,228
Medicare	2,396	1,583	813
	<u>191,391</u>	<u>213,038</u>	<u>(21,647)</u>
<b>Parks and playgrounds</b>			
Salaries			
Regular	20,000	19,419	581
Park caretaker	35,000	20,624	14,376
Recreation program	-	-	-
Materials and supplies	3,000	1,999	1,001
Concession supplies	15,500	16,849	(1,349)
Summer program supplies	-	-	-
Recreation equipment	3,000	2,227	773
Parks maintenance supplies	5,000	2,709	2,291
General expenses	1,000	221	779
Telephone expense	1,000	805	195
Property / auto insurance	7,000	7,193	(193)
Electricity - Dansbury Park	4,000	3,636	364
Electricity - Zacharias Pond	300	232	68
Maintenance and repairs	12,000	15,288	(3,288)
Contracted services	62,000	53,534	8,466
Sanitation services	2,000	3,460	(1,460)
Contribution - joint recreation	43,900	43,876	24
Group accident insurance-disability	554	279	275
PMRS defined contributions	789	731	58
Workmens compensation	1,662	998	664
Health insurance opt out	623	623	-

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Culture and recreation (continued)</b>			
<b>Parks and playgrounds (continued)</b>			
Hospitalization insurance	8,308	5,239	3,069
Contribution to HRA	416	346	70
Group life insurance	118	98	20
Contribution to PMRS pension	3,230	3,219	11
Social security	4,066	2,503	1,563
Medicare	886	585	301
Unemployment compensation	1,419	1,441	(22)
Comprehensive insurance	692	810	(118)
Public official liability	900	845	55
Accident insurance	35	35	-
Insurance claims deductions	346	-	346
<b>Total parks and playgrounds</b>	<u>238,744</u>	<u>209,824</u>	<u>28,920</u>
<b>Shade trees</b>			
Salaries and wages	4,000	2,603	1,397
Materials and supplies	6,000	2,775	3,225
Tree maintenance service	10,000	4,260	5,740
Social security	264	163	101
Medicare	58	38	20
<b>Total shade trees</b>	<u>20,322</u>	<u>9,839</u>	<u>10,483</u>
<b>Other culture and recreation</b>			
Salaries and wages	2,000	-	2,000
Materials and supplies	1,000	1,075	(75)
Town clock	400	-	400
Contracted service	3,000	1,735	1,265
Civic contributions	5,000	2,900	2,100
Contributions to ECA	10,000	35,415	(25,415)
<b>Total other culture and recreation</b>	<u>21,400</u>	<u>41,125</u>	<u>(19,725)</u>
<b>Total culture and recreation</b>	<u>471,857</u>	<u>473,826</u>	<u>(1,969)</u>
<b>Debt service</b>			
Principal	197,300	173,633	23,667
Interest	72,000	65,550	6,450
<b>Total debt service</b>	<u>269,300</u>	<u>239,183</u>	<u>30,117</u>
<b>Total expenditures</b>	<u>5,312,470</u>	<u>4,941,082</u>	<u>371,388</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,175,470)</u>	<u>(343,630)</u>	<u>831,840</u>

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2015

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Other financing sources (uses)</b>			
Proceeds from issuance of general long-term debt	-	609,620	(609,620)
Repayment of general long-term debt - refinancing	-	(605,000)	605,000
Transfers in	622,000	622,000	-
Transfers out	<u>(71,950)</u>	<u>(90,390)</u>	<u>18,440</u>
<b>Total other financing sources (uses)</b>	<u>550,050</u>	<u>536,230</u>	<u>13,820</u>
<b>Net change in fund balances</b>	<u>\$ (625,420)</u>	192,600	<u>\$ 845,660</u>
<b>Fund balances</b>			
Beginning of the year, restated		<u>1,300,043</u>	
<b>End of year</b>		<u>\$ 1,492,643</u>	

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - SEWER FUND**

For the year ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,167,000	\$ 1,135,620	\$ (31,380)
Other	270,550	180,301	(90,249)
<b>Total operating revenues</b>	<u>1,437,550</u>	<u>1,315,921</u>	<u>(121,629)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	350,000	325,825	24,175
Employee benefits	276,400	259,551	16,849
Administrative expenses	500	354	146
Insurance	18,000	17,181	819
Professional services	84,100	130,348	(46,248)
Repairs and maintenance	185,500	100,779	84,721
Supplies	69,600	52,435	17,165
Utilities	135,000	101,319	33,681
Depreciation	-	257,591	(257,591)
<b>Total operating expenses</b>	<u>1,119,100</u>	<u>1,245,383</u>	<u>(126,283)</u>
<b>Operating income (loss)</b>	<u>318,450</u>	<u>70,538</u>	<u>(247,912)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	-	21,628	21,628
Interest expense	-	-	-
Intergovernmental revenues	-	25,765	25,765
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>47,393</u>	<u>47,393</u>
<b>Income (loss) before capital contributions and transfers</b>	318,450	117,931	(200,519)
Transfers in	-	-	-
Transfers out	(248,300)	(60,000)	188,300
<b>CHANGE IN NET POSITION</b>	<u>70,150</u>	<u>57,931</u>	<u>(12,219)</u>
<b>NET POSITION</b>			
Beginning of year, restated	<u>4,198,447</u>	<u>4,198,447</u>	-
<b>End of year</b>	<u>\$ 4,268,597</u>	<u>\$ 4,256,378</u>	<u>\$ 12,219</u>

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - WATER FUND**

For the year ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,441,800	\$ 1,207,778	\$ (234,022)
Other	<u>163,300</u>	<u>176,211</u>	<u>12,911</u>
<b>Total operating revenues</b>	<u>1,605,100</u>	<u>1,383,989</u>	<u>(221,111)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	427,000	351,906	75,094
Employee benefits	302,400	288,439	13,961
Administrative expenses	1,000	1,024	(24)
Insurance	17,000	15,924	1,076
Professional services	62,500	186,644	(124,144)
Repairs and maintenance	188,040	145,746	42,294
Supplies	142,200	130,104	12,096
Utilities	92,500	84,932	7,568
Depreciation	<u>-</u>	<u>173,254</u>	<u>(173,254)</u>
<b>Total operating expenses</b>	<u>1,232,640</u>	<u>1,377,973</u>	<u>(145,333)</u>
<b>Operating income (loss)</b>	<u>372,460</u>	<u>6,016</u>	<u>(366,444)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	-	21,330	21,330
Interest expense	(99,260)	(25,416)	73,844
Intergovernmental revenues	<u>-</u>	<u>25,765</u>	<u>25,765</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(99,260)</u>	<u>21,679</u>	<u>120,939</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>273,200</u>	<u>27,695</u>	<u>(245,505)</u>
Transfers in	-	-	-
Transfers out	<u>(795,100)</u>	<u>(623,368)</u>	<u>171,732</u>
<b>CHANGE IN NET POSITION</b>	<u>(521,900)</u>	<u>(595,673)</u>	<u>(73,773)</u>
<b>NET POSITION</b>			
Beginning of year, restated	<u>4,889,195</u>	<u>4,889,195</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,367,295</u>	<u>\$ 4,293,522</u>	<u>\$ (73,773)</u>

**BOROUGH OF EAST STROUDSBURG****BUDGETARY COMPARISON SCHEDULE - GOLF COURSE FUND**

For the year ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 196,580	\$ 192,426	\$ (4,154)
Other	<u>3,400</u>	<u>12,149</u>	<u>8,749</u>
<b>Total operating revenues</b>	<u>199,980</u>	<u>204,575</u>	<u>4,595</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	141,500	143,216	(1,716)
Employee benefits	46,750	41,832	4,918
Administrative expenses	9,050	9,140	(90)
Insurance	5,000	4,900	100
Professional services	4,000	3,973	27
Repairs and maintenance	18,000	10,962	7,038
Supplies	19,000	19,565	(565)
Utilities	3,600	3,116	484
Depreciation	<u>-</u>	<u>29,718</u>	<u>(29,718)</u>
<b>Total operating expenses</b>	<u>246,900</u>	<u>266,422</u>	<u>(19,522)</u>
<b>Operating income (loss)</b>	<u>(46,920)</u>	<u>(61,847)</u>	<u>(14,927)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	20	23	3
Interest expense	-	-	-
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total nonoperating revenues (expenses)</b>	<u>20</u>	<u>23</u>	<u>3</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(46,900)</u>	<u>(61,824)</u>	<u>(14,924)</u>
Transfers in	46,950	41,046	(5,904)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>50</u>	<u>(20,778)</u>	<u>(20,828)</u>
<b>NET POSITION</b>			
Beginning of year, restated	<u>258,003</u>	<u>258,003</u>	<u>-</u>
<b>End of year</b>	<u>\$ 258,053</u>	<u>\$ 237,225</u>	<u>\$ 20,828</u>

# BOROUGH OF EAST STROUDSBURG

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Year ended December 31, 2015

	<b>Nonuniform Pension Fund</b>	<b>Nonuniform Cash Balance Pension Fund</b>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 173,277	\$ 8,272
Interest on total pension liability	346,877	503
Differences between expected and actual experience	(8,711)	-
Benefit payments, including refunds of member contributions	<u>(275,253)</u>	<u>-</u>
<b>Net change in total pension liability</b>	236,190	8,775
<b>Total pension liability, beginning</b>	<u>6,270,056</u>	<u>6,720</u>
<b>Total pension liability, ending</b>	<u><b>\$ 6,506,246</b></u>	<u><b>\$ 15,495</b></u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Employer contributions	\$ 187,558	\$ 8,352
Member contributions	41,696	-
PMRS investment income	297,934	518
Market value investment income	2,460	(133)
Benefit payments	(275,253)	-
PMRS administrative expense	(700)	(80)
Additional administrative expense	<u>(11,426)</u>	<u>(20)</u>
<b>Net change in plan fiduciary net position</b>	242,269	8,637
<b>Fiduciary net position, beginning</b>	<u>5,458,088</u>	<u>6,653</u>
<b>Fiduciary net position, ending</b>	<u><b>\$ 5,700,357</b></u>	<u><b>\$ 15,290</b></u>
<b>Net pension liability, ending</b>	<u><b>\$ 805,889</b></u>	<u><b>\$ 205</b></u>
<b>Fiduciary net position as a % of total pension liability</b>	87.61%	98.68%
<b>Covered payroll</b>	1,176,548	137,840
<b>Net pension liability as a % of covered payroll</b>	68.50%	11.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding year is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**BOROUGH OF EAST STROUDSBURG****SCHEDULE OF BOROUGH PENSION CONTRIBUTIONS**

Year ended December 31, 2015

**Nonuniform Pension Fund**

<b>Fiscal Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	187,558	187,558	-	1,176,548	15.94%
2015	232,435	232,435	-	1,185,628	19.60%

**Nonuniform Cash Balance Pension Fund**

<b>Fiscal Year Ended December 31</b>	<b>Statutorily Required Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	8,352	8,352	-	137,840	6.06%
2015	11,827	11,827	-	191,612	6.17%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding year is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

**BOROUGH OF EAST STROUDSBURG**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES**

December 31, 2015

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	
<b>ASSETS</b>					
Cash	\$ 16,640	\$ 2,627	\$ 66,211	\$ 1,100	\$ 86,578
Due from other governments	-	122,698	-	-	122,698
Due from other funds	-	-	-	4,044	4,044
<b>Total assets</b>	<u>\$ 16,640</u>	<u>\$ 125,325</u>	<u>\$ 66,211</u>	<u>\$ 5,144</u>	<u>\$ 213,320</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 9,034	\$ 2,627	\$ -	-	\$ 11,661
<b>FUND BALANCES</b>					
Restricted for					
Public works - roads	7,606	-	-	-	7,606
Community development	-	122,698	66,211	-	188,909
Debt service	-	-	-	5,144	5,144
<b>Total fund balances</b>	<u>7,606</u>	<u>122,698</u>	<u>66,211</u>	<u>5,144</u>	<u>201,659</u>
<b>Total liabilities and fund balances</b>	<u>\$ 16,640</u>	<u>\$ 125,325</u>	<u>\$ 66,211</u>	<u>\$ 5,144</u>	<u>\$ 213,320</u>

**BOROUGH OF EAST STROUDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUND TYPES**

Year ended December 31, 2015

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 158,752	\$ 158,752
Interest, rents and royalties	22	-	21	-	43
Intergovernmental revenues	<u>211,790</u>	<u>14,256</u>	<u>-</u>	<u>-</u>	<u>226,046</u>
<b>Total revenues</b>	<u>211,812</u>	<u>14,256</u>	<u>21</u>	<u>158,752</u>	<u>384,841</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	794	794
Public works - highways and streets	213,481	-	-	-	213,481
Community development	-	43,370	-	-	43,370
Debt Service					
Principal	-	-	-	108,500	108,500
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,159</u>	<u>54,159</u>
<b>Total expenditures</b>	<u>213,481</u>	<u>43,370</u>	<u>-</u>	<u>163,453</u>	<u>420,304</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,669)	(29,114)	21	(4,701)	(35,463)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,569)	(29,114)	21	(4,701)	(35,363)
<b>FUND BALANCES</b>					
Beginning of year	<u>9,175</u>	<u>151,812</u>	<u>66,190</u>	<u>9,845</u>	<u>237,022</u>
<b>End of year</b>	<u>\$ 7,606</u>	<u>\$ 122,698</u>	<u>\$ 66,211</u>	<u>\$ 5,144</u>	<u>\$ 201,659</u>

**BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2015**

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Investments	<u>\$ 4,278,063</u>	<u>\$ 28,473</u>	<u>\$ 4,306,536</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 4,278,063</u>	<u>\$ 28,473</u>	<u>\$ 4,306,536</u>

**BOROUGH OF EAST STROUDSBURG****COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended December 31, 2015

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ 232,435	\$ 11,827	\$ 244,262
Member contributions	44,346	-	44,346
<b>Total contributions</b>	<u>276,781</u>	<u>11,827</u>	<u>288,608</u>
<b>Investment income</b>			
Interest	210,623	1,136	211,759
<b>Total additions</b>	<u>487,404</u>	<u>12,963</u>	<u>500,367</u>
<b>DEDUCTIONS</b>			
Administrative expenses	680	-	680
Other expenses	572	-	572
<b>Total deductions</b>	<u>1,252</u>	<u>-</u>	<u>1,252</u>
 <b>CHANGE IN NET POSITION</b>	 486,152	 12,963	 499,115
<b>NET POSITION</b>			
Beginning of year	<u>3,791,911</u>	<u>15,510</u>	<u>3,807,421</u>
<b>End of year</b>	<u>\$ 4,278,063</u>	<u>\$ 28,473</u>	<u>\$ 4,306,536</u>

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**SUPPLEMENTAL INFORMATION**

# BOROUGH OF EAST STROUDSBURG

## ASSESSED VALUE AND MARKET VALUE OF TAXABLE PROPERTY - UNAUDITED

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Value of Taxable Property</u>	<u>Assessed Value as A Percentage of Market Value</u>
2015	\$ 73,004,920	\$ 292,019,680	25.00%
2014	75,431,702	301,726,808	25.00%
2013	72,173,003	288,692,012	25.00%
2012	73,305,840	293,223,360	25.00%
2011	72,015,350	288,061,400	25.00%
2010	71,631,940	286,527,760	25.00%
2009	71,316,010	285,264,040	25.00%
2008	71,000,370	284,001,480	25.00%
2007	69,413,610	277,654,440	25.00%
2006	68,228,650	272,914,600	25.00%

# BOROUGH OF EAST STROUDSBURG

## PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes To Tax Levy</u>
2015	\$ 1,570,093	\$ 1,456,780	92.8%	\$ -	\$ 1,456,780	92.8%	113,313	7.2%
2014	1,642,461	1,475,215	89.8%	118,915	1,594,130	97.1%	48,331	2.9%
2013	1,586,019	1,468,307	92.6%	110,502	1,578,809	99.5%	7,210	0.5%
2012	1,528,868	1,369,295	89.6%	157,513	1,526,808	99.9%	2,060	0.1%
2011	1,338,657	1,229,488	91.8%	107,714	1,337,202	99.9%	1,455	0.1%
2010	1,233,172	1,174,611	95.3%	58,320	1,232,931	100.0%	241	0.0%
2009	947,774	868,196	91.6%	79,522	947,718	100.0%	56	0.0%
2008	937,895	877,984	93.6%	59,855	937,839	100.0%	56	0.0%
2007	925,948	867,531	93.7%	58,361	925,892	100.0%	56	0.0%
2006	918,582	892,224	97.1%	26,302	918,526	100.0%	56	0.0%

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# BOROUGH OF EAST STROUDSBURG

## TAX RATES - UNAUDITED

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Real Estate Transfer</u>	<u>Wage &amp; Income Tax</u>	<u>Municipal Services Tax</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Borough Total</u>			
2015	19.20	2.30	21.50	0.5%	0.5%	\$ 47.00
2014	19.10	2.30	21.40	0.5%	0.5%	47.00
2013	19.10	2.40	21.50	0.5%	0.5%	47.00
2012	17.90	2.60	20.50	0.5%	0.5%	47.00
2011	16.20	2.30	18.50	0.5%	0.5%	47.00
2010	14.90	2.10	17.00	0.5%	0.5%	47.00
2009	13.00	N/A	13.00	0.5%	0.5%	47.00
2008	13.00	N/A	13.00	0.5%	0.5%	47.00
2007	13.00	N/A	13.00	0.5%	0.5%	47.00
2006	13.00	N/A	13.00	0.5%	0.5%	47.00

# BOROUGH OF EAST STROUDSBURG

## PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2015

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<u>Taxpayer</u>	<u>Assessed Valuation</u>
Wal-Mart Real Estate Business	\$ 2,500,000
Green Valley Apartment A	1,125,150
Eagle Valley Realty LP	1,051,130
The Kimco Development Co.	967,680
Pocono Senior Housing LLP	934,200
E Stroudsburg Elderly As	600,000
Prospect Hill Investors	575,850
Dalio Holdings LLP	517,670
GPH East Stroudsburg LP	460,220
Dein Properties LP	435,890
	<u>\$ 9,167,790</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Borough Council  
Borough of East Stroudsburg  
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 business-type activities, each major fund, and the aggregate remaining fund information of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania (the "**Borough**"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough'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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 a 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (**See Findings 2015-01, 2015-02, 2015-03 and 2015-04**).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough'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*.

### **Borough of East Stroudsburg's Response to Findings**

The Borough of East Stroudsburg's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of East Stroudsburg's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
August 10, 2016**

# **BOROUGH OF EAST STROUDSBURG**

## **SCHEDULE OF FINDINGS AND RESPONSES**

**December 31, 2015**

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### **2015-01 – INTERNAL CONTROL OVER FINANCIAL REPORTING**

#### **Criteria**

Our audit procedures identified several material misstatements such that we concluded that the Borough was unable to present its financial statements in accordance with generally accepted accounting principles. As a result, we proposed and management recorded journal entries to correct the misstatements that had a material effect on the Borough's financial statements. Journal entries proposed by us and recorded by management primarily related to the conversion from the cash basis of accounting to the accrual and modified accrual bases of accounting for financial statement reporting purposes.

#### **Condition**

Statement on Auditing Standards No. 115 "*Communicating Internal Control Related Matters Identified in an Audit*" ("**SAS 115**") focuses on how the auditor communicates matters related to internal controls to the client. One area SAS 115 emphasizes is internal control over financial reporting.

#### **Cause**

The Borough has relied on the predecessor auditor to record the necessary entries at year end to adjust the Borough's financial records to comply with generally accepted accounting principles.

#### **Effect**

Errors and/or fraud surrounding financial reporting can occur and not be detected and corrected on a timely basis.

#### **Auditor Recommendation**

We recommend that procedures and controls be implemented in order for the Borough to prepare timely and accurate financial statements in accordance with generally accepted accounting principles.

#### **Views of Responsible Officials and Corrective Actions**

Management concurs with the finding. The Borough Finance Officer will work in conjunction with the auditors to ensure that year end journal adjusting entries can be made prior to audit to comply with generally accepted accounting principles.

### **2015-02 – CAPITAL ASSET MANAGEMENT**

#### **Condition**

Currently, the Borough's capital asset inventory and depreciation records are maintained on excel spreadsheets that are not consistent with any type of policy and lack the level of detail that is needed to effectively manage and update capital asset records on an on-going basis. In addition, the Borough does not have a policy that establishes policies and procedures surrounding the management of capital assets.

#### **Criteria**

Capital assets represent the Borough's most significant investment. Capital assets are the most visible expenditures of the Borough and are a daily reminder to taxpayers of their tax dollars at work. Over time, purchases of buildings and improvements and furniture and equipment result in the accumulation of tens of millions of dollars of long-term assets. Hence, it is important that the Borough's capital assets are actively managed to ensure proper reporting of capital assets in accordance with generally accepted accounting principles to satisfy reporting requirements of Federal and State agencies, debt underwriters and other creditors and to demonstrate stewardship of public monies.

# **EAST STROUDSBURG BOROUGH**

## **SCHEDULE OF FINDINGS AND RESPONSES**

**December 31, 2015**

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### **Effect**

Errors and/or fraud surrounding financial reporting can occur and not be detected and corrected on a timely basis.

### **Recommendation**

We recommend that the Borough Council and management develop a capital asset policy that at minimum addresses asset categories, a capitalization threshold, estimated useful lives of asset categories, depreciation methods to be utilized and the maintenance of capital asset records for financial reporting purposes. In addition, the policy should address assets that fall below the capitalization threshold that may require control due to the risk of theft. Upon completion of the Borough policy for the management of capital assets, we recommend that the Borough contract with a third party to conduct an appraisal of the Borough's capital assets consistent with Borough policy. The establishment of updated capital asset records through a third party appraisal will assist the Borough in developing a means to accurately track capital assets and keep these records up to date. We recommend that the Borough track its capital asset records through the use of a capital asset module which will allow the Borough to calculate and update depreciation schedules as additions and disposals are made.

### **Views of Responsible Officials and Corrective Actions**

Management will develop for review and adoption by Borough Council a capital asset policy that addresses asset categories, capitalization threshold, estimated useful lives by category, depreciation methods, and maintenance of capital asset records. Management also agrees to contract for a third party appraisal of Borough capital assets to assist in tracking/updating such assets and a capital asset module for calculating/updating depreciation schedules.

## **2015-03 – EMPLOYEE MANUAL POLICIES**

### **Condition**

Borough employment policies are not being adhered to and Borough practice related to employment policies are not in all instances consistent with the Borough employee manual (i.e. overtime, vacation and sick pay etc.) due to a lack of controls and not properly communicating expectations to employees.

The most recent employee handbook for the Borough is dated July, 1998 with amendments to certain policies and procedures made thereto. The employee manual should be reviewed and updated annually. In addition, the employee handbook should be reviewed with employees on a regular basis. Many laws and regulations pertaining to Federal and State laws have changed and have not been appropriately updated in the Borough's policies and procedures. Also, it should be noted that many of the Borough current practices are not consistent with the employee manual which could result in a weak defense in the face of a dispute.

### **Criteria**

Employee manuals set forth expectations between the employer and employee and are a tool to provide clear boundaries for the employee and to let the employee know what the Borough's rules and benefits are. Clear policies and procedures when properly administered can prevent liability.

### **Effect**

Errors and/or fraud can occur and not be detected and corrected on a timely basis.

### **Recommendation**

We recommend that the Borough revise its current employee manual to be consistent with current laws and regulations in conjunction with an experienced human resources consulting firm.

# **EAST STROUDSBURG BOROUGH**

## **SCHEDULE OF FINDINGS AND RESPONSES**

**December 31, 2015**

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### **Views of Responsible Officials and Corrective Actions**

Management is currently working with Labor Counsel on a complete update of the Borough employee manual which is scheduled for presentation to and review by Borough Council this month with adoption in September 2016.

### **2015-04 – EVALUATE ADEQUACY OF ALLOWANCE FOR DOUBTFUL ACCOUNTS**

#### **Condition**

Currently, the Borough has recorded an allowance for delinquent accounts receivable based on an estimate which was derived by management's professional judgment. During our current year auditing procedures it was noted that the aging on delinquent accounts receivable indicates that certain receivables have been delinquent in some cases in excess of one year. The current allowance estimated by management is not indicative of the deteriorating accounts receivable aging.

#### **Criteria**

An adequate allowance for doubtful accounts will allow management and users of the financial statements to make more accurate assessments of the financial condition of the Borough.

#### **Effect**

Overstatement of the Borough's net position resulting in management and financial statement users making financial decisions and assumptions based on inaccurate financial information.

#### **Recommendation**

We recommend that Borough management evaluate the current accounts receivable of the Borough and derive an estimate of allowance for doubtful accounts that is indicative of the deteriorating accounts receivable aging.

### **Views of Responsible Officials and Corrective Actions**

Management and Borough Council have been involved in a major effort over the last year to identify and collect delinquent water/sewer and garbage fees owed to the Borough, and will be able to derive a more accurate estimate of allowance for doubtful accounts by year end. It is anticipated that the main basis for uncollectibility of such delinquent accounts is bankruptcy filings, specifically Chapter 7 filings as most delinquent accounts constitute a lien on real property.