



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

Financial Statements
Year Ended December 31, 2016



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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, 2016, 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, 2016, 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

Report on Summarized Comparative Information

We have previously audited the Borough of East Stroudsburg's 2015 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated August 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the schedules of changes in net pension liability and Borough pension contributions on pages 3 through 13 and 48 through 64 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 65 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information on pages 69 through 72 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 _____, 2017, 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.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

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, 2016. 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 2016, there were approximately 50 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

- 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 2016 fiscal year of \$17,397,960. During the 2016 fiscal year, the Borough had an increase in total net position of \$30,472. The net position of the governmental activities increased by \$298,726 and net position of business-type activities decreased by \$268,254.
- As of the close of the 2016 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$2,247,451, a decrease of \$129,354 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$176,715, bringing the cumulative balance to \$1,669,358 at the conclusion of the 2016 fiscal year.
- At December 31, 2016, the General Fund fund balance includes \$15,681 which is considered nonspendable, \$933,350 committed to balance the 2017 budget and unassigned amounts of \$720,327 or 13.17% of the \$5,470,180 2017 General Fund budget.
- General Fund revenues and other financing sources were \$517,630 or 10.40% more than budgeted amounts and General Fund expenditures and other financing uses were \$262,265 or 4.70% less than budgeted amounts resulting in a net positive variance of \$779,895. The 2016 General Fund budget included the use of \$603,180 of fund balance to balance the budget.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

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, 2016

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, 2016

The required supplementary information and additional analysis can be found on pages 48 through 72 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 2016 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$17,397,960. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2016 and 2015.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
Current assets	\$ 3,074,319	\$ 3,247,372	\$ 3,439,762	\$ 3,564,267	\$ 6,514,081	\$ 6,811,639
Noncurrent assets	<u>6,876,469</u>	<u>6,114,743</u>	<u>10,386,801</u>	<u>10,604,746</u>	<u>17,263,270</u>	<u>16,719,489</u>
Total assets	<u>9,950,788</u>	<u>9,362,115</u>	<u>13,826,563</u>	<u>14,169,013</u>	<u>23,777,351</u>	<u>23,531,128</u>
DEFERRED OUTFLOWS						
Deferred charges						
- pensions	<u>297,410</u>	<u>152,630</u>	<u>204,481</u>	<u>91,738</u>	<u>501,891</u>	<u>244,368</u>
LIABILITIES						
Current liabilities	373,701	416,080	94,266	91,628	467,967	507,708
Noncurrent liabilities	<u>4,684,196</u>	<u>4,233,790</u>	<u>1,672,107</u>	<u>1,656,915</u>	<u>6,356,303</u>	<u>5,890,705</u>
Total liabilities	<u>5,057,897</u>	<u>4,649,870</u>	<u>1,766,373</u>	<u>1,748,543</u>	<u>6,824,270</u>	<u>6,398,413</u>
DEFERRED INFLOWS						
Deferred credits –						
pensions	<u>32,508</u>	<u>5,808</u>	<u>24,504</u>	<u>3,787</u>	<u>57,012</u>	<u>9,595</u>
NET POSITION						
Net investment in						
capital assets	2,812,589	2,391,131	9,138,826	9,282,451	11,951,415	11,673,582
Restricted	578,093	884,162	-	-	578,093	884,162
Unrestricted	<u>1,767,111</u>	<u>1,583,774</u>	<u>3,101,341</u>	<u>3,225,970</u>	<u>4,868,452</u>	<u>4,809,744</u>
Total net position	<u>\$ 5,157,793</u>	<u>\$ 4,859,067</u>	<u>\$12,240,167</u>	<u>\$12,508,421</u>	<u>\$17,397,960</u>	<u>\$17,367,488</u>

The Borough's total assets as of December 31, 2016 were \$23,777,351 of which \$4,623,643 or 19.45% consisted of cash and \$17,263,270 or 72.60% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2016 were \$6,824,270 of which \$4,734,436 or 69.38% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2016, \$4,868,452 is unrestricted and may be used to meet the Borough's ongoing obligations to citizens and creditors. The Borough's unrestricted net position increased by \$58,708 during 2016 primarily due to the results of current year operations.

A portion of the Borough's net position reflects its restricted net position which totaled \$578,093 as of December 31, 2016. 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, 2016

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, 2016, the Borough's net investment in capital assets increased by \$277,833 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the Borough for 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program revenues						
Charges for services	\$1,792,055	\$1,465,965	\$3,219,218	\$2,904,485	\$5,011,273	\$4,370,450
Operating grants and contributions	408,308	372,259	47,755	51,530	456,063	423,789
Capital grants and contributions	131,732	337,505	-	-	131,732	337,505
General revenues						
Taxes	3,017,493	2,789,014	-	-	3,017,493	2,789,014
Franchise fees	135,263	135,684	-	-	135,263	135,684
Investment earnings	18,907	12,895	44,176	42,981	63,083	55,876
Total revenues	<u>5,503,758</u>	<u>5,113,322</u>	<u>3,311,149</u>	<u>2,998,996</u>	<u>8,814,907</u>	<u>8,112,318</u>
EXPENSES						
General government	738,209	444,409	-	-	738,209	444,409
Public safety	2,773,683	2,609,526	-	-	2,773,683	2,609,526
Health and human services	10,582	9,728	-	-	10,582	9,728
Public works	1,689,064	1,467,570	-	-	1,689,064	1,467,570
Culture and recreation	448,634	575,304	-	-	448,634	575,304
Community development	22,981	43,370	-	-	22,981	43,370
Interest expense related to noncurrent liabilities	99,639	119,709	-	-	99,639	119,709
Sewer operations	-	-	1,372,626	1,182,487	1,372,626	1,182,487
Water operations	-	-	1,387,953	1,337,107	1,387,953	1,337,107
Golf course operations	-	-	241,064	253,626	241,064	253,626
Total expenses	<u>5,782,792</u>	<u>5,269,616</u>	<u>3,001,643</u>	<u>2,773,220</u>	<u>8,784,435</u>	<u>8,042,836</u>
Change in net position before transfers	(279,034)	(156,294)	309,506	225,776	30,472	69,482
Transfers	577,760	642,322	(577,760)	(642,322)	-	-
CHANGE IN NET POSITION	<u>\$ 298,726</u>	<u>\$ 486,028</u>	<u>\$ (268,254)</u>	<u>\$ (416,546)</u>	<u>\$ 30,472</u>	<u>\$ 69,482</u>

Governmental Activities

The cost of all governmental activities in 2016 was \$5,782,792. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$3,017,493 or 52.18%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,792,055 or 30.99%).

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

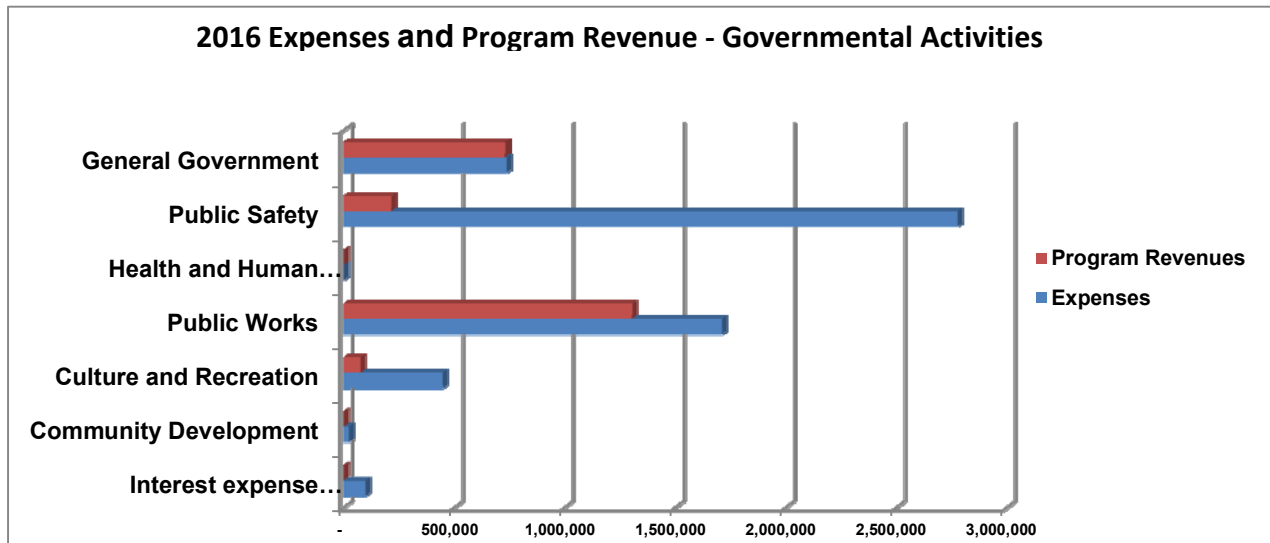
Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,462,747 or 77.17%. Public works expenses increased by \$221,494 in 2016 compared to 2015 primarily due to an increase in contracted services for repairs and maintenance and professional services related to the Boroughs facilities and infrastructure. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,126,175 for 2016.

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 increased by \$327,333 or 12.12% due to an increase in water fees in 2016 of approximately 10%. Water and sewer expenses increased by \$240,985 in 2016 compared to 2015 as a result of costs associated with professional services related to operational, procedural, and future capital evaluations surrounding the Boroughs water and sewer systems. In addition, Borough incurred legal costs associated with the collection of delinquent water and sewer accounts receivable.

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 \$46,628 for 2016.

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.

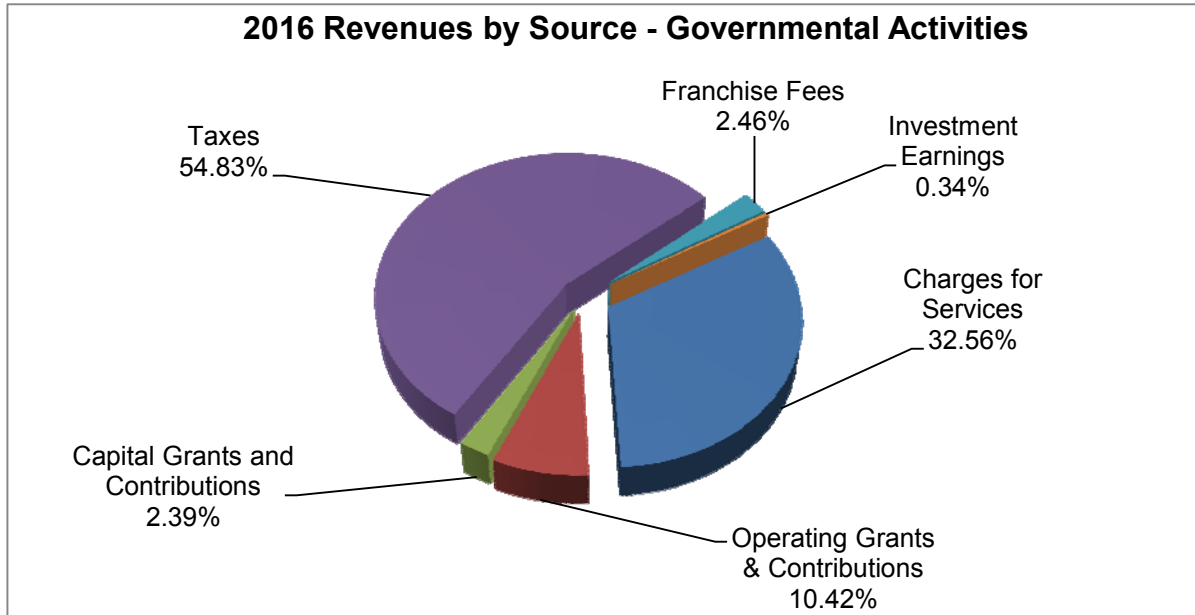


BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

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, 2016, the Borough's governmental funds reported a combined fund balance of \$2,247,451 which is a decrease of \$129,354 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2016 and 2015 and the total 2016 change in governmental fund balances.

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>
General Fund	\$1,669,358	\$1,492,643	\$ 176,715
Capital Projects Fund	370,786	682,503	(311,717)
Nonmajor Governmental Funds	<u>207,307</u>	<u>201,659</u>	<u>5,648</u>
	<u>\$2,247,451</u>	<u>\$2,376,805</u>	<u>\$(129,354)</u>

GENERAL FUND

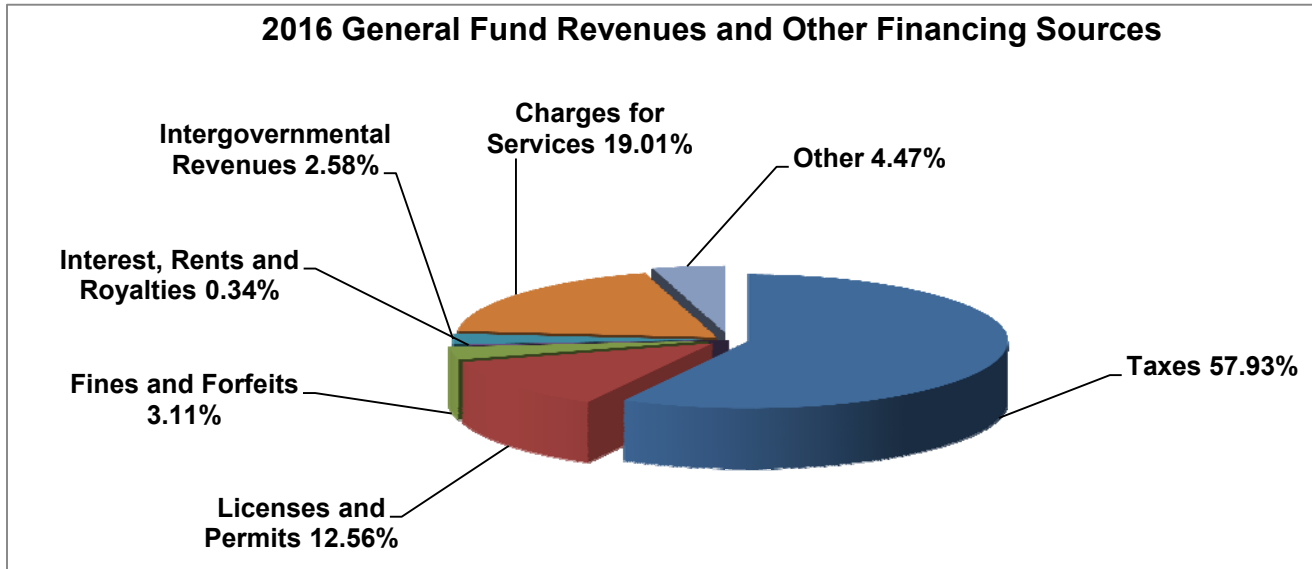
The General Fund is the Borough's primary operating fund. At the conclusion of the 2016 fiscal year the General Fund fund balance was \$1,669,358 representing an increase of \$176,715 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2016 fiscal year.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 57.93% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,835,455	\$2,768,758	\$ 66,697	2.41
Licenses and permits	614,696	352,636	262,060	74.31
Fines and forfeits	152,434	200,728	(48,294)	(24.06)
Interest, rents and royalties	16,514	12,431	4,083	32.85
Intergovernmental revenues	126,078	146,213	(20,135)	(13.77)
Charges for services	930,402	892,388	38,014	4.26
Other	218,864	224,298	(5,434)	(2.42)
	<u>\$4,894,443</u>	<u>\$4,597,452</u>	<u>\$296,991</u>	<u>6.46</u>

Taxes increased by \$66,697 or 2.41% primarily due a millage increase of approximately 5.5% from 19.20 mills in 2015 to 20.30 mills in 2016 which was offset by a decrease in realty transfer fees.

Licenses and permits increased by \$262,060 or 74.31% directly related to approximately \$225,000 in permits received from East Stroudsburg University in 2016 for a new dormitory.

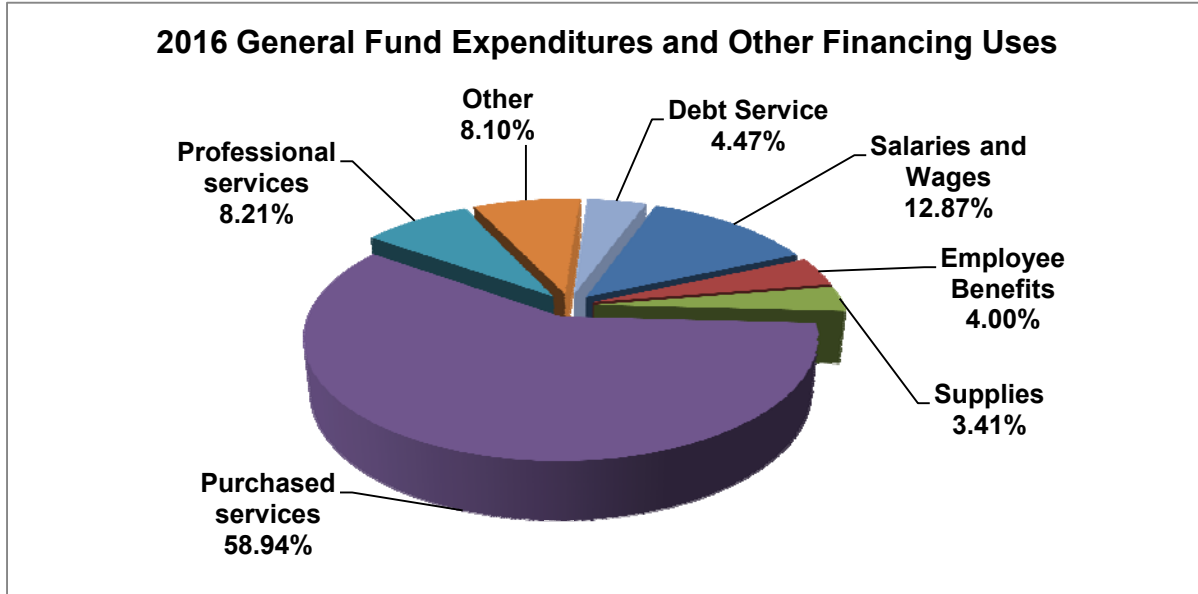
Fines and forfeits decreased by \$48,294 or 24.06% as a direct result of less parking ticket revenue due to less a third less tickets being issued in 2016 compared to 2015. During 2016, the parking enforcement department staff was primarily composed of part-time employees whereas in 2015 there were two full-time employees.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

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.



General Fund Expenditures

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 672,564	\$ 758,606	\$ (86,042)	(11.34)
Employee benefits	208,776	210,089	(1,313)	(0.62)
Supplies	178,274	150,420	27,854	18.52
Purchased services	3,088,985	3,079,982	9,003	0.29
Professional services	420,036	204,809	215,227	105.09
Other	423,048	297,993	125,055	41.97
Debt service	<u>233,801</u>	<u>239,183</u>	<u>(5,382)</u>	<u>(2.25)</u>
	<u>\$5,225,484</u>	<u>\$4,941,082</u>	<u>\$284,402</u>	<u>5.76</u>

Salaries and wages decreased by \$86,042 or 11.34% in 2016 compared to 2015 primarily as a result of contracting out the operation of the Dansbury Park swimming pool to the Stroud Region Open Space and Recreation Commission (the "SROSRC"). During 2015, the Borough hired its own employees to operate the Dansbury Park swimming pool.

Increase in professional services of \$215,227 or 105.09% can be attributed to an increase in costs associated with special legal counsel related to delinquent collections, labor matter and contract and project review and other consultants.

Other expenditures in 2016 includes approximately \$170,000 of amounts considered uncollectable from East Stroudsburg University related to costs incurred prior to 2015 for professional fees incurred by the Borough associated with development at East Stroudsburg University.

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 2016, the Capital Projects Fund fund balance decreased by \$311,717 for a cumulative balance of \$370,786 as of December 31, 2016.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

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 2016, the Nonmajor Governmental Funds fund balance increased by \$5,648 for a cumulative balance of \$207,307 as of December 31, 2016. Of the cumulative fund balance at December 31, 2016, \$99,717 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 \$37,715, \$66,398 and \$3,477 respectively, of the cumulative fund balance as of December 31, 2016.

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.

General Fund revenues and other financing sources were \$517,630 or 10.40% more than budgeted amounts and General Fund expenditures and other financing uses were \$262,265 or 4.70% less than budgeted amounts resulting in a net positive variance of \$779,895. General Fund revenues were more than budgeted primarily due to zoning permit and fees revenue received over budget by \$323,186 related to approximately \$225,000 in permits received from East Stroudsburg University in 2016 for a new dormitory that were not budgeted. The 2016 General Fund budget included the use of \$603,180 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 59. 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, 2016 amounted to \$17,263,270 net of accumulated depreciation. This investment in capital assets includes land, construction-in-progress, buildings and improvements, improvements other than buildings, and machinery and equipment. The total net increase in the Borough's investment in capital assets for 2016 was \$543,781 or 3.25%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$1,178,372 and depreciation expense was \$634,591.

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

Governmental Activities	
Downtown Streetscape Project – Construction in Progress	\$115,756
Municipal Building Security – Entry Renovations	\$ 89,703
Fire Truck	\$669,828
Dump Truck	\$146,448
Business-type Activities	
Dam Rehabilitation Project	\$ 69,797

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2016

NONCURRENT LIABILITIES

As of December 31, 2016, the Borough had total general obligation debt of \$4,734,436 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 increase in the Borough's general obligation debt for the current year was \$383,141 or 8.80%.

In January 2016, the Borough issued approximately \$7 million of general obligation debt a) to currently refund the 2006 note payable b) 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 and c) to pay for the costs of issuance.

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 \$464,257 at December 31, 2016 and decreased by \$89,030 or 16.09% in the current year.

The Borough reports its defined benefit unfunded benefit obligation relate to its participation in the Pennsylvania Municipal Retirement System ("**PMRS**"). The Borough's net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$1,022,598 as of December 31, 2016. The Borough's net pension liability increased by \$216,504 or 26.86% during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and a capital lease which totaled \$135,012 as of December 31, 2016. These liabilities decreased by \$45,017 or 25.01% during the current year.

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.

The Borough continues to evaluate capital needs associated its aging infrastructure and is reviewing funding strategies for these projects without creating an additional fiscal burden on the Borough's residents.

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 2017 General Fund budget which used \$933,350 of the General Fund fund balance as of December 31, 2016 and the real estate tax millage rate was 17.70 mills for general purposes and 6.30 mills for debt service representing an increase of 4.35% over the prior year. In addition, water fees for 2017 were restructured in anticipation of operational and maintenance expenses and capital improvements.

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, 2016 with summarized comparative totals for 2015

	Governmental Activities	Business-type Activities	Totals	
			2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 2,200,394	\$ 2,423,249	\$ 4,623,643	\$ 4,802,284
Taxes receivable	264,134	-	264,134	234,419
Due from other governments	124,491	-	124,491	221,224
Accounts receivable, net	433,383	1,024,772	1,458,155	1,528,826
Internal balances	36,236	(36,236)	-	-
Prepaid expenses	15,681	27,977	43,658	24,886
Total current assets	3,074,319	3,439,762	6,514,081	6,811,639
NONCURRENT ASSETS				
Capital assets, net	6,876,469	10,386,801	17,263,270	16,719,489
Total assets	9,950,788	13,826,563	23,777,351	23,531,128
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	297,410	204,481	501,891	244,368
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	114,968	77,782	192,750	240,132
Accrued salaries and benefits	26,309	16,484	42,793	31,242
Accrued interest payable	20,485	-	20,485	21,800
Escrow deposits	211,939	-	211,939	214,534
Total current liabilities	373,701	94,266	467,967	507,708
NONCURRENT LIABILITIES				
Due within one year	375,508	74,204	449,712	429,136
Due in more than one year	4,308,688	1,597,903	5,906,591	5,461,569
Total noncurrent liabilities	4,684,196	1,672,107	6,356,303	5,890,705
Total liabilities	5,057,897	1,766,373	6,824,270	6,398,413
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	32,508	24,504	57,012	9,595
NET POSITION				
Net investment in capital assets	2,812,589	9,138,826	11,951,415	11,673,582
Restricted	578,093	-	578,093	884,162
Unrestricted	1,767,111	3,101,341	4,868,452	4,809,744
Total net position	\$ 5,157,793	\$ 12,240,167	\$ 17,397,960	\$ 17,367,488

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF ACTIVITIES

Year ended December 31, 2016 with summarized comparative totals for 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			2016	2015
	Services	Contributions	Contributions	Activities	Activities			
GOVERNMENTAL ACTIVITIES								
General government	\$ 738,209	\$ 709,218	\$ 21,982	\$ -	\$ (7,009)	\$ -	\$ (7,009)	\$ (5,487)
Public safety	2,773,683	152,435	65,032	-	(2,556,216)	-	(2,556,216)	(2,331,534)
Health and human services	10,582	-	-	-	(10,582)	-	(10,582)	(9,728)
Public works	1,689,064	854,805	317,618	131,732	(384,909)	-	(384,909)	(111,847)
Culture and recreation	448,634	75,597	3,676	-	(369,361)	-	(369,361)	(472,212)
Community development	22,981	-	-	-	(22,981)	-	(22,981)	(43,370)
Interest expense related to noncurrent liabilities	99,639	-	-	-	(99,639)	-	(99,639)	(119,709)
Total governmental activities	<u>5,782,792</u>	<u>1,792,055</u>	<u>408,308</u>	<u>131,732</u>	<u>(3,450,697)</u>	<u>-</u>	<u>(3,450,697)</u>	<u>(3,093,887)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	1,372,626	1,401,167	23,880	-	-	52,421	52,421	159,199
Water	1,387,953	1,626,076	23,875	-	-	261,998	261,998	72,647
Golf course	241,064	191,975	-	-	-	(49,089)	(49,089)	(49,051)
Total business-type activities	<u>3,001,643</u>	<u>3,219,218</u>	<u>47,755</u>	<u>-</u>	<u>-</u>	<u>265,330</u>	<u>265,330</u>	<u>182,795</u>
Total primary government	<u>\$8,784,435</u>	<u>\$5,011,273</u>	<u>\$456,063</u>	<u>\$131,732</u>	<u>(3,450,697)</u>	<u>265,330</u>	<u>(3,185,367)</u>	<u>(2,911,092)</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					1,705,352	-	1,705,352	1,421,693
Earned income taxes					859,530	-	859,530	865,204
Real estate transfer taxes					97,568	-	97,568	156,014
Municipal services taxes					355,043	-	355,043	346,103
Franchise fees					135,263	-	135,263	135,684
Investment earnings					18,907	44,176	63,083	55,876
TRANSFERS					<u>577,760</u>	<u>(577,760)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>3,749,423</u>	<u>(533,584)</u>	<u>3,215,839</u>	<u>2,980,574</u>
CHANGE IN NET POSITION					298,726	(268,254)	30,472	69,482
NET POSITION								
Beginning of year, restated					<u>4,859,067</u>	<u>12,508,421</u>	<u>17,367,488</u>	<u>17,298,006</u>
End of year					<u>\$5,157,793</u>	<u>\$12,240,167</u>	<u>\$17,397,960</u>	<u>\$17,367,488</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016 with summarized comparative totals for 2015

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	2016	2015
ASSETS					
Cash	\$1,103,039	\$ 940,412	\$156,943	\$2,200,394	\$2,656,137
Due from other governments	-	24,774	99,717	124,491	221,224
Receivables					
Taxes	264,134	-	-	264,134	234,419
Garbage fees, net	300,779	-	-	300,779	310,911
Other	132,604	-	-	132,604	232,780
Due from other funds	540,220	-	-	540,220	50,224
Prepaid items	15,681	-	-	15,681	5,478
Total assets	\$2,356,457	\$ 965,186	\$256,660	\$3,578,303	\$3,711,173
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 69,807	\$ 22,808	\$ 22,353	\$ 114,968	\$ 183,589
Accrued salaries and benefits	26,309	-	-	26,309	22,203
Due to other funds	1,467	475,517	27,000	503,984	437,756
Escrow deposits	115,864	96,075	-	211,939	214,534
Total liabilities	213,447	594,400	49,353	857,200	858,082
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes and garbage fees	473,652	-	-	473,652	476,286
FUND BALANCES					
Nonspendable					
Prepaid items	15,681	-	-	15,681	5,478
Long-term receivables	-	-	-	-	144,698
Restricted for					
Fire vehicle fund	-	-	-	-	312,640
Public works - roads	-	-	37,715	37,715	7,606
Community development	-	-	166,115	166,115	188,909
Debt service	-	-	3,477	3,477	5,144
Committed to					
Balance 2016 budget	-	-	-	-	603,650
Balance 2017 budget	933,350	-	-	933,350	-
Road improvements fund	-	513,856	-	513,856	515,171
Unassigned	720,327	(143,070)	-	577,257	593,509
Total fund balances	1,669,358	370,786	207,307	2,247,451	2,376,805
Total liabilities, deferred inflows of resources and fund balances	\$2,356,457	\$ 965,186	\$256,660	\$3,578,303	\$3,711,173

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, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$ 2,247,451
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.	6,876,469
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.	473,652
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.	264,902
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.	(20,485)
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>(4,684,196)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,157,793</u>

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2016 with summarized comparative totals for 2015

	Major Funds			Totals	
	General	Capital	Nonmajor	2016	2015
	Fund	Projects	Governmental		
	Fund	Fund	Funds		
REVENUES					
Taxes	\$2,835,455	\$ -	\$188,210	\$ 3,023,665	\$2,927,510
Licenses and permits	614,696	-	-	614,696	352,636
Fines and forfeits	152,434	-	-	152,434	200,728
Interest, rent and royalties	16,514	2,040	553	19,107	13,095
Intergovernmental revenues	126,078	147,201	246,293	519,572	694,764
Charges for services	930,402	-	-	930,402	892,388
Contributions and donations	-	20,227	-	20,227	15,000
Miscellaneous	218,864	7,420	-	226,284	224,298
Total revenues	<u>4,894,443</u>	<u>176,888</u>	<u>435,056</u>	<u>5,506,387</u>	<u>5,320,419</u>
EXPENDITURES					
Current					
General government	689,675	213,338	6	903,019	418,404
Public safety	2,571,831	669,828	-	3,241,659	2,536,955
Health and human services	10,582	-	-	10,582	9,728
Public works - sanitation	631,491	-	-	631,491	642,018
Public works - highways and streets	643,461	336,367	216,550	1,196,378	1,361,214
Public works - other services	72,843	-	-	72,843	54,025
Culture and recreation	371,795	28,010	-	399,805	512,414
Community development	-	2,220	22,981	25,201	47,939
Debt service					
Principal	225,230	-	112,000	337,230	282,133
Interest	8,576	-	77,871	86,447	119,709
Total expenditures	<u>5,225,484</u>	<u>1,249,763</u>	<u>429,408</u>	<u>6,904,655</u>	<u>5,984,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(331,041)</u>	<u>(1,072,875)</u>	<u>5,648</u>	<u>(1,398,268)</u>	<u>(664,120)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of general long-term debt	-	2,100,661	-	2,100,661	609,620
Repayment of general long-term debt - refinancing	-	(1,409,508)	-	(1,409,508)	(605,000)
Proceeds from extended-term financing	-	-	-	-	148,240
Transfers in	600,000	70,005	-	670,005	732,712
Transfers out	(92,244)	-	-	(92,244)	(90,390)
Total other financing sources (uses)	<u>507,756</u>	<u>761,158</u>	<u>-</u>	<u>1,268,914</u>	<u>795,182</u>
NET CHANGE IN FUND BALANCES	176,715	(311,717)	5,648	(129,354)	131,062
FUND BALANCES					
Beginning of year	<u>1,492,643</u>	<u>682,503</u>	<u>201,659</u>	<u>2,376,805</u>	<u>2,245,743</u>
End of year	<u>\$1,669,358</u>	<u>\$ 370,786</u>	<u>\$207,307</u>	<u>\$ 2,247,451</u>	<u>\$2,376,805</u>

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, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (129,354)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 1,077,592	
Depreciation expense	<u>(315,866)</u>	761,726

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, 2015	(476,286)	
Deferred inflows of resources December 31, 2016	<u>473,652</u>	(2,634)

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	(2,100,661)	
Repayment of notes payable	1,643,200	
Repayment of lease rental payable	<u>89,030</u>	(368,431)

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	16,290	
Current year change in capital lease payable	28,163	
Current year change in accrued interest payable	1,316	
Change in net pension liability and related deferred inflows and outflows	<u>(8,350)</u>	<u>37,419</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 298,726</u>
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See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2016 with summarized comparative totals for 2015

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$1,553,741	\$ 861,482	\$ 8,026	\$ 2,423,249	\$ 2,146,147
Accounts receivable, net	477,284	547,488	-	1,024,772	985,135
Due from other funds	15,091	422,219	-	437,310	413,577
Prepaid expenses	11,802	13,333	2,842	27,977	19,408
Total current assets	<u>2,057,918</u>	<u>1,844,522</u>	<u>10,868</u>	<u>3,913,308</u>	<u>3,564,267</u>
NONCURRENT ASSETS					
Capital assets, net	2,720,323	3,429,023	4,237,455	10,386,801	10,604,746
Total assets	<u>4,778,241</u>	<u>5,273,545</u>	<u>4,248,323</u>	<u>14,300,109</u>	<u>14,169,013</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges contributions - pensions	87,141	70,207	47,133	204,481	91,738
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of notes payable	-	74,204	-	74,204	74,320
Accounts payable	55,197	22,350	235	77,782	56,544
Accrued salaries and benefits	7,621	6,645	2,218	16,484	9,039
Due to other funds	229,456	244,090	-	473,546	26,045
Total current liabilities	<u>292,274</u>	<u>347,289</u>	<u>2,453</u>	<u>642,016</u>	<u>165,948</u>
NONCURRENT LIABILITIES					
Notes payable, net of current portion	-	1,173,771	-	1,173,771	1,247,975
Net pension liability	173,934	140,133	94,080	408,147	318,071
Compensated absences	4,642	1,864	9,479	15,985	16,549
Total noncurrent liabilities	<u>178,576</u>	<u>1,315,768</u>	<u>103,559</u>	<u>1,597,903</u>	<u>1,582,595</u>
Total liabilities	<u>470,850</u>	<u>1,663,057</u>	<u>106,012</u>	<u>2,239,919</u>	<u>1,748,543</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - pensions	10,443	8,413	5,648	24,504	3,787
NET POSITION					
Net investment in capital assets	2,720,323	2,181,048	4,237,455	9,138,826	9,282,451
Unrestricted (deficit)	1,663,766	1,491,234	(53,659)	3,101,341	3,225,970
Total net position	<u>\$4,384,089</u>	<u>\$3,672,282</u>	<u>\$4,183,796</u>	<u>\$12,240,167</u>	<u>\$12,508,421</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2016 with summarized comparative totals for 2015

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2016	2015
OPERATING REVENUES					
Charges for services	\$1,158,406	\$1,451,200	\$ 191,016	\$ 2,800,622	\$ 2,535,824
Other	242,761	174,876	959	418,596	368,661
Total operating revenues	<u>1,401,167</u>	<u>1,626,076</u>	<u>191,975</u>	<u>3,219,218</u>	<u>2,904,485</u>
OPERATING EXPENSES					
Salaries and wages	349,057	367,582	132,669	849,308	820,947
Employee benefits	273,351	311,854	44,498	629,703	589,822
Administrative expenses	358	1,208	8,147	9,713	10,518
Insurance	17,741	16,443	-	34,184	38,005
Professional services	314,523	189,729	3,769	508,021	320,965
Repairs and maintenance	93,075	190,715	14,981	298,771	257,487
Supplies	39,039	109,325	18,706	167,070	202,104
Utilities	90,787	66,076	3,172	160,035	189,367
Depreciation	194,695	108,908	15,122	318,725	318,589
Total operating expenses	<u>1,372,626</u>	<u>1,361,840</u>	<u>241,064</u>	<u>2,975,530</u>	<u>2,747,804</u>
Operating income (loss)	<u>28,541</u>	<u>264,236</u>	<u>(49,089)</u>	<u>243,688</u>	<u>156,681</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	23,416	20,734	26	44,176	42,981
Interest expense	-	(26,113)	-	(26,113)	(25,416)
Intergovernmental revenues	23,880	23,875	-	47,755	51,530
Total nonoperating revenues (expenses)	<u>47,296</u>	<u>18,496</u>	<u>26</u>	<u>65,818</u>	<u>69,095</u>
Income (loss) before capital contributions and transfers	75,837	282,732	(49,063)	309,506	225,776
Transfers in	-	-	46,628	46,628	41,046
Transfers out	(12,194)	(612,194)	-	(624,388)	(683,368)
CHANGE IN NET POSITION	63,643	(329,462)	(2,435)	(268,254)	(416,546)
NET POSITION					
Beginning of year, restated	4,320,446	4,001,744	4,186,231	12,508,421	12,924,967
End of year	<u>\$4,384,089</u>	<u>\$3,672,282</u>	<u>\$4,183,796</u>	<u>\$12,240,167</u>	<u>\$ 12,508,421</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2016 with summarized comparative totals for 2015

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$1,170,587	\$1,402,174	\$ 191,016	\$ 2,763,777	\$ 2,512,275
Payments to suppliers for goods and services	(540,183)	(570,626)	(48,541)	(1,159,350)	(998,665)
Payments to employees	(430,774)	(436,815)	(182,649)	(1,050,238)	(1,408,264)
Other receipts	242,761	174,876	959	418,596	389,387
Net cash provided by (used for) operating activities	<u>442,391</u>	<u>569,609</u>	<u>(39,215)</u>	<u>972,785</u>	<u>494,733</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	23,880	23,875	-	47,755	51,530
Transfers from other funds	-	-	46,628	46,628	449,829
Transfers to other funds	(12,194)	(620,835)	-	(633,029)	(683,368)
Net cash provided by (used for) noncapital financing activities	<u>11,686</u>	<u>(596,960)</u>	<u>46,628</u>	<u>(538,646)</u>	<u>(182,009)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(100,780)	-	(100,780)	(91,704)
Repayment of notes payable	-	(74,320)	-	(74,320)	(73,814)
Interest paid	-	(26,113)	-	(26,113)	(25,416)
Net cash used for capital and related financing activities	<u>-</u>	<u>(201,213)</u>	<u>-</u>	<u>(201,213)</u>	<u>(190,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	23,416	20,734	26	44,176	42,981
Net increase (decrease) in cash	<u>477,493</u>	<u>(207,830)</u>	<u>7,439</u>	<u>277,102</u>	<u>164,771</u>
CASH					
Beginning of year	1,076,248	1,069,312	587	2,146,147	1,981,376
Ending of year	<u>\$1,553,741</u>	<u>\$ 861,482</u>	<u>\$ 8,026</u>	<u>\$ 2,423,249</u>	<u>\$ 2,146,147</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 28,541	\$ 264,236	\$ (49,089)	243,688	156,681
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	194,695	108,908	15,122	318,725	318,589
(Increase) decrease in					
Accounts receivable	12,181	(49,026)	-	(36,845)	(23,549)
Due from other funds	(15,090)	-	-	(15,090)	17,027
Prepaid expenses	(3,414)	(4,954)	(201)	(8,569)	4,750
Deferred outflows - pensions	(48,046)	(38,710)	(25,987)	(112,743)	(17,715)
Increase (decrease) in					
Accounts payable	15,340	2,870	234	18,444	40,507
Accrued salaries and benefits	3,581	2,878	986	7,445	(26,122)
Due to other funds	203,809	244,090	(398)	447,501	23,945
Compensated balances	3,579	1,277	(5,420)	(564)	(771)
Net pension liability	38,386	30,927	20,763	90,076	(2,396)
Deferred inflows - pensions	8,829	7,113	4,775	20,717	3,787
Net cash provided by (used for) operating activities	<u>\$ 442,391</u>	<u>\$ 569,609</u>	<u>\$ (39,215)</u>	<u>\$ 972,785</u>	<u>\$ 494,733</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2016 with summarized comparative totals for 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Investments	<u>\$ 4,278,579</u>	<u>\$ 4,306,536</u>
 NET POSITION		
Assets held in trust for pension benefits	<u>\$ 4,278,579</u>	<u>\$ 4,306,536</u>

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2016 with summarized comparative totals for 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 244,399	\$ 244,262
Member contributions	43,883	44,346
Total contributions	<u>288,282</u>	<u>288,608</u>
Investment income		
Interest	220,028	211,759
Total additions	<u>508,310</u>	<u>500,367</u>
DEDUCTIONS		
Benefits paid	534,905	-
Administrative expenses	803	680
Other expenses	559	572
Total deductions	<u>536,267</u>	<u>1,252</u>
CHANGE IN NET POSITION	(27,957)	499,115
NET POSITION		
Beginning of year	<u>4,306,536</u>	<u>3,807,421</u>
End of year	<u>\$ 4,278,579</u>	<u>\$ 4,306,536</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(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 Twins 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 2016 was \$2,126,175. 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 2016 was \$59,178. 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, 2016

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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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, 2016

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 2016 was 20.30 mills (\$20.30 for \$1,000 of assessed valuation) for general purposes and 2.70 mills (\$2.70 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 2016 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 defined by the Borough as assets with an initial individual cost of more than \$10,000 and an estimated life of two years or more. Such 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 – 20-50 years, improvements other than buildings – 20-75 years and machinery and equipment – 8-10 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, 2016.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Implementation of New Accounting Pronouncements

Effective January 1, 2016, the Borough adopted the provisions of GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", GASB Statement No. 77, "*Tax Abatement Disclosures*"; GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

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.

The objective of GASB Statement No. 76 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 non-authoritative 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 is intended to improve financial reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the agreements. The implementation of GASB Statement No. 77 had no impact on the financial statements of 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. The implementation of GASB Statement No. 78 had no impact on the financial statements of 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. The implementation of GASB Statement No. 79 had no impact on the financial statements of the Borough for the year ended December 31, 2016.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

New Accounting Pronouncements

GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not with the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*" will be effective for the Borough for the year ended December 31, 2017. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, "*Financial Reporting for Pension Plans*", and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" will be effective for the Borough for the year ended December 31, 2017. GASB Statement No. 74 replaces GASB Statements No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", as amended, and GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", as amended, GASB Statement No. 43, and GASB Statement No. 50, "*Pension Disclosures*".

GASB Statement No. 80 "*Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14*" will be effective for the Borough for the year ended December 31, 2017. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*".

GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" will be effective for the Borough for the year ended December 31, 2017. GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82 "*Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73*" will be effective for the Borough for the year ended December 31, 2017. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

(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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.

(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, 2016, the carrying amount of the Borough's deposits was \$4,623,643 and the bank balance was \$4,878,745. Of the bank balance, \$255,103 was covered by federal depository insurance and \$1,568,638 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, 2016, PLGIT was rated AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,932,950	\$ -	\$ -	\$ 1,932,950
Construction in progress	<u>347,507</u>	<u>115,756</u>	<u>-</u>	<u>463,263</u>
Total capital assets not being depreciated	<u>2,280,457</u>	<u>115,756</u>	<u>-</u>	<u>2,396,213</u>
Capital assets being depreciated				
Buildings and improvements	1,866,060	108,977	-	1,975,037
Improvements other than buildings	3,553,324	-	-	3,553,324
Machinery and equipment	<u>2,859,077</u>	<u>852,859</u>	<u>-</u>	<u>3,711,936</u>
Total capital assets being depreciated	<u>8,278,461</u>	<u>961,836</u>	<u>-</u>	<u>9,240,297</u>
Less accumulated depreciation for				
Buildings and improvements	(893,261)	(38,193)	-	(931,454)
Improvements other than buildings	(1,944,161)	(95,015)	-	(2,039,176)
Machinery and equipment	<u>(1,606,753)</u>	<u>(182,658)</u>	<u>-</u>	<u>(1,789,411)</u>
Total accumulated depreciation	<u>(4,444,175)</u>	<u>(315,866)</u>	<u>-</u>	<u>(4,760,041)</u>
Total capital assets being depreciated, net	<u>3,834,286</u>	<u>645,970</u>	<u>-</u>	<u>4,480,256</u>
Governmental activities, net	<u>\$ 6,114,743</u>	<u>\$ 761,726</u>	<u>\$ -</u>	<u>\$ 6,876,469</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Business-type activities

Capital assets not being depreciated				
Land	\$ 4,970,175	\$ -	\$ -	\$ 4,970,175
Capital assets being depreciated				
Buildings and improvements	5,137,807	-	-	5,137,807
Improvements other than buildings	13,312,615	69,797	-	13,382,412
Machinery and equipment	<u>208,114</u>	<u>30,983</u>	<u>-</u>	<u>239,097</u>
Total capital assets being depreciated	18,658,536	100,780	-	18,759,316
Less accumulated depreciation for				
Buildings and improvements	(4,547,415)	(31,085)	-	(4,578,500)
Improvements other than buildings	(8,281,001)	(282,228)	-	(8,563,229)
Machinery and equipment	<u>(195,549)</u>	<u>(5,412)</u>	<u>-</u>	<u>(200,961)</u>
Total accumulated depreciation	(13,023,965)	(318,725)	-	(13,342,690)
Total capital assets being depreciated, net	<u>5,634,571</u>	<u>(217,945)</u>	<u>-</u>	<u>5,416,626</u>
Business-type activities, net	<u>\$ 10,604,746</u>	<u>\$(217,945)</u>	<u>\$ -</u>	<u>\$ 10,386,801</u>

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

Governmental activities

General government	\$ 12,248
Public safety	137,507
Public works	92,238
Culture and recreation	<u>73,873</u>

Total depreciation expense - governmental activities \$315,866

Business-type activities

Sewer	\$194,695
Water	108,908
Golf course	<u>15,122</u>

Total depreciation expense - business-type activities \$318,725

As of December 31, 2016, the Borough had outstanding construction projects to be completed. Construction commitments and the amounts completed as of December 31, 2016 are as follows:

	Project Amount	Completed Through December 31, 2016	Remaining Commitments
Downtown Streetscape Project	<u>\$701,000</u>	<u>\$463,263</u>	<u>\$237,737</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$229,456	Sewer Fund	\$229,456
General Fund	243,998	Water Fund	243,998
Sewer Fund	15,000	Nonmajor Governmental Fund	15,000
General Fund	12,000	Nonmajor Governmental Fund	12,000
General Fund	54,766	Capital Projects Fund	54,766
Water Fund	422,218	Capital Projects Fund	422,218
Sewer Fund	91	Water Fund	91
Capital Projects Fund	<u>1,467</u>	General Fund	<u>1,467</u>
	<u>\$978,996</u>		<u>\$978,996</u>

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	\$600,000	Water Fund	\$600,000
Capital Projects Fund	45,616	General Fund	45,616
Golf Course Fund	46,628	General Fund	46,628
Capital Projects Fund	12,194	Sewer Fund	12,194
Capital Projects Fund	<u>12,194</u>	Water Fund	<u>12,194</u>
	<u>\$716,632</u>		<u>\$716,632</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, 2016:

	<u>Balance January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2016</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt:					
Notes payable	\$3,029,000	\$2,100,661	\$1,643,200	\$3,486,461	\$253,800
Other noncurrent liabilities					
Lease rental payable	553,287	-	89,030	464,257	90,037
Capital lease payable	141,325	-	28,163	113,162	28,988
Compensated absences	22,155	-	16,290	5,865	2,683
Net pension liability	<u>488,023</u>	<u>126,428</u>	<u>-</u>	<u>614,451</u>	<u>-</u>
Total other noncurrent liabilities	<u>1,204,790</u>	<u>126,428</u>	<u>133,483</u>	<u>1,197,735</u>	<u>121,708</u>
Total noncurrent liabilities governmental activities	<u>\$4,233,790</u>	<u>\$2,227,089</u>	<u>\$1,776,683</u>	<u>\$4,684,196</u>	<u>\$375,508</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Business-type activities

General obligation debt:

Notes payable	\$1,322,295	\$ -	\$ 74,320	\$1,247,975	\$ 74,204
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Other noncurrent liabilities

Net pension liability	318,071	90,076	-	408,147	-
Compensated absences	16,549	-	564	15,985	-

Total other noncurrent liabilities

	334,620	90,076	564	424,132	-
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Total noncurrent liabilities business-type activities

	\$1,656,915	\$ 90,076	\$ 74,884	\$1,672,107	\$ 74,204
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Noncurrent liabilities of business-type activities are to be liquidated by water, sewer and golf operations.

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, 2016 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%. During 2016, the Series 2006 Note was fully refunded in the amount of \$1,395,000 by Note Payable, Series of 2016 as described below.

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 \$1,522,000 at December 31, 2016.

On January 15, 2016, the Borough issued a Note Payable (the "**Series 2016 Note**") to a financial institution to borrow a maximum of \$7,232,270. The proceeds from the issuance of the Series 2016 Note will be used to (a) refund the Borough's Series 2006 Note; (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. The full amount borrowed will be payable annually in varying amounts from October 2016 through October 2023. Interest is payable semi-annually in April and October at a rate of 2.45%. The actual amount advanced as of December 31, 2016 is \$1,964,461.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Annual debt service requirements under the governmental 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>
2017	\$ 253,800	\$ 95,463	\$ 349,263
2018	417,960	88,480	506,440
2019	429,880	77,444	507,324
2020	440,650	66,180	506,830
2021	453,420	54,701	508,121
2022-2026	1,176,751	126,491	1,303,242
2027-2028	<u>314,000</u>	<u>14,788</u>	<u>328,788</u>
	<u>\$3,486,461</u>	<u>\$523,547</u>	<u>\$4,010,008</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 \$619,751 at December 31, 2016.

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 \$628,224 at December 31, 2016.

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>
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	80,129	25,439	105,568
2022-2026	435,552	92,285	527,837
2027-2031	401,434	29,877	431,311
2032	<u>29,111</u>	<u>294</u>	<u>29,405</u>
	<u>\$1,247,975</u>	<u>\$265,419</u>	<u>\$1,513,394</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2016.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 \$464,257 at December 31, 2016.

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2016 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,037	\$ 7,196	\$ 97,233
2018	92,473	5,800	98,273
2019	92,973	4,367	97,340
2020	94,987	2,926	97,913
2021	<u>93,787</u>	<u>2,814</u>	<u>96,601</u>
	<u>\$464,257</u>	<u>\$23,103</u>	<u>\$487,360</u>

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, 2016 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 28,988	\$ 2,968	\$ 31,956
2018	29,838	2,118	31,956
2019	30,713	1,243	31,956
2020	<u>23,623</u>	<u>343</u>	<u>23,966</u>
	<u>\$113,162</u>	<u>\$ 6,672</u>	<u>\$119,834</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(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, 2016:

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.

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 2016 MMO contribution totaled \$229,488 and employee contributions totaled \$43,883.

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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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%	6.9%
Domestic Equities (Small Capitalized Firms)	15%	6.8%
International Equities (International Developed Markets)	15%	4.0%
International Equities (Emerging Markets)	10%	7.6%
Real Estate	20%	7.1%
Fixed Income	<u>15%</u>	<u>2.4%</u>
Total Portfolio	<u>100%</u>	<u>5.9%</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, 2015.

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2015. The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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 \$1,020,609 measured as the difference between the total pension liability of \$6,783,777 and the fiduciary net position of \$5,763,168.

As of December 31, 2016, the net pension liability of \$612,462 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 \$408,147 of the net pension liability is recorded as a liability in the Sewer Fund for \$173,934, in the Water Fund for \$140,133 and in the Golf Course Fund for \$94,080 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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:

	Plan Fiduciary Total Pension Liability (A)	Net Fiduciary Position (B)	Net Pension Liability (A) – (B)
Balances as of December 31, 2014	<u>\$6,506,246</u>	<u>\$5,700,357</u>	<u>\$ 805,889</u>
Changes for the year:			
Service cost	173,321	-	173,321
Interest on total pension liability	362,036	-	362,036
Changes of assumptions	(64,731)	-	(64,731)
Employer contributions	-	232,435	(232,435)
Member contributions	-	44,346	(44,346)
PMRS investment income	-	314,814	(314,814)
Market value investment income	-	(321,885)	321,885
Benefit payments	(193,095)	(193,095)	-
PMRS administrative expense	-	(680)	680
Additional administrative expense	-	(13,124)	13,124
Net changes	<u>277,531</u>	<u>62,811</u>	<u>214,720</u>
Balances as of December 31, 2015	<u>\$6,783,777</u>	<u>\$5,763,168</u>	<u>\$1,020,609</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:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net Pension Liability (Asset)	\$1,786,470	\$1,020,609	\$356,851

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2016, the Borough recognized pension expense of \$10,978. At December 31, 2016 the Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,227
Changes in assumptions	-	51,785
Net difference between projected and actual earnings on pension plan investments	256,032	-
Contributions subsequent to the measurement date	<u>229,447</u>	<u>-</u>
	<u>\$485,479</u>	<u>\$57,012</u>

An amount of \$229,447 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, 2017.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

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:

2017	\$ 49,755
2018	49,755
2019	49,755
2020	<u>49,755</u>
	<u>\$199,020</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.pmr.state.pa.us/publications/index.html>.

Plan Membership

Membership in the Cash Balance Plan consisted of the following at December 31, 2016:

Active employees	5
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>5</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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 10.00% of total compensation. The Borough's 2016 contribution totaled \$14,911 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.

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%	6.9 %
Domestic Equities (Small Capitalized Firms)	15%	6.8 %
International Equities (International Developed Markets)	15%	4.0 %
International Equities (Emerging Markets)	10%	7.6 %
Real Estate	20%	7.1 %
Fixed Income	15%	2.4 %
Total Portfolio	100%	5.9 %

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2015.

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2015. The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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 \$1,989 measured as the difference between the total pension liability of \$28,416 and the fiduciary net position of \$26,427. As of December 31, 2016, \$1,989 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 Position Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2014	\$15,495	\$15,290	\$ 205
Changes for the year:			
Service cost	11,827	-	11,827
Interest on total pension liability	1,094	-	1,094
Employer contributions	-	11,927	(11,927)
Member contributions	-	-	-
PMRS investment income	-	1,136	(1,136)
Market value investment income	-	(1,779)	1,779
Benefit payments	-	-	-
PMRS administrative expense	-	(100)	100
Additional administrative expense	-	(47)	47
Net changes	<u>12,921</u>	<u>11,137</u>	<u>1,784</u>
Balances as of December 31, 2015	<u>\$28,416</u>	<u>\$26,427</u>	<u>\$ 1,989</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)	\$7,673	\$1,989	\$(3,694)

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2016, the Borough recognized net negative pension expense of \$2,628. At December 31, 2016, the Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	1,502	-
Contributions subsequent to the measurement date	<u>14,910</u>	<u>-</u>
	<u>\$16,412</u>	<u>\$ -</u>

An amount of \$14,910 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, 2017.

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

Year ended December 31:

2017	\$ 383
2018	383
2019	381
2019	<u>355</u>
	<u>\$1,502</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.

(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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(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 2016. 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, 2016:

Insurance claims surplus (liability) – beginning of year	\$ 391,393
Current year insurance claims, fees and changes in estimates	254,505
Insurance claims and fees paid to third party administrator	<u>(220,090)</u>
Insurance claims surplus (liability) – end of year	<u>\$ 425,808</u>

(10) PRIOR PERIOD ADJUSTMENT

During 2016, the Borough made a prior period adjustment to restate capital assets reported in previously issued financial statements based on an original cost valuation. This prior period adjustment and its effect on net position at January 1, 2015 and on changes in net position for the year ended December 31, 2015 are summarized in the following table:

	<u>Governmental Activities</u>
Net position (deficit) at January 1, 2015, as previously stated	\$12,097,822
Prior period adjustment to	
Restate capital assets based upon original cost valuation	<u>(7,724,783)</u>
Net position at January 1, 2015, as restated	<u>4,373,039</u>
2015 change in net position, as previously stated	(94,440)
Prior period adjustment to	
Adjust depreciation expense as a result of original cost valuation	<u>580,468</u>
2015 change in net position, as restated	<u>486,028</u>
Net position at December 31, 2015, as restated	<u>\$ 4,859,067</u>

BOROUGH OF EAST STROUDSBURG**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total Business- Type Activities</u>
Net position (deficit) at January 1, 2015, as previously stated	\$ 4,198,447	\$4,889,195	\$ 258,003	\$ 9,345,645
Prior period adjustment to Restate capital assets based upon original cost valuation	<u>1,172</u>	<u>(358,060)</u>	<u>3,936,210</u>	<u>3,579,322</u>
Net position at January 1, 2015, as restated	<u>4,199,619</u>	<u>4,531,135</u>	<u>4,194,213</u>	<u>12,924,967</u>
2015 change in net position, as previously stated	57,931	(595,673)	(20,778)	(558,520)
Prior period adjustment to Adjust depreciation expense as a result of original cost valuation	<u>62,896</u>	<u>66,282</u>	<u>12,796</u>	<u>141,974</u>
2015 change in net position, as restated	<u>120,827</u>	<u>(529,391)</u>	<u>(7,982)</u>	<u>(416,546)</u>
Net position at December 31, 2015, as restated	<u>\$4,320,446</u>	<u>\$4,001,744</u>	<u>\$4,186,231</u>	<u>\$12,508,421</u>

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes			
Real estate-current year levy	\$ 1,336,700	\$ 1,364,147	\$ 27,447
Real estate-current year levy - interim	1,500	306	(1,194)
Real estate-prior years levy	17,650	38,700	21,050
Real estate-payment in lieu	2,900	3,537	637
Real estate-delinquent taxes	<u>105,600</u>	<u>116,624</u>	<u>11,024</u>
Total real estate taxes	<u>1,464,350</u>	<u>1,523,314</u>	<u>58,964</u>
Local tax enabling act (Act 511):			
Real estate transfer	100,000	97,568	(2,432)
Earned income tax	875,000	859,530	(15,470)
Local services tax	<u>356,000</u>	<u>355,043</u>	<u>(957)</u>
Total local tax enabling act	<u>1,331,000</u>	<u>1,312,141</u>	<u>(18,859)</u>
Total taxes	<u>2,795,350</u>	<u>2,835,455</u>	<u>40,105</u>
Licenses and permits			
Engineering review fees	5,000	3,985	(1,015)
Restaurant licenses	9,500	12,513	3,013
Zoning permits and fees	50,000	373,186	323,186
Rental housing licenses	83,400	83,765	365
Zoning fines	3,000	2,124	(876)
TV cable franchise fees	130,000	135,263	5,263
Licenses and permits	<u>1,500</u>	<u>3,860</u>	<u>2,360</u>
Total licenses and permits	<u>282,400</u>	<u>614,696</u>	<u>332,296</u>
Fines and forfeits			
Parking fines - miscellaneous	300	70	(230)
Parking fines	155,000	113,427	(41,573)
Fines and forfeits	<u>35,000</u>	<u>38,937</u>	<u>3,937</u>
Total fines and forfeits	<u>190,300</u>	<u>152,434</u>	<u>(37,866)</u>
Interest, rent and royalties			
Interest income	6,200	16,313	10,113
Rent of buildings	<u>26,500</u>	<u>201</u>	<u>(26,299)</u>
Total interest, rent and royalties	<u>32,700</u>	<u>16,514</u>	<u>(16,186)</u>
Intergovernmental revenues			
General municipal pension aid	45,850	57,236	11,386
Fire insurance premium	54,000	53,225	(775)
Other shared state revenue	11,000	15,617	4,617
Miscellaneous grant income	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total intergovernmental revenues	<u>111,850</u>	<u>126,078</u>	<u>14,228</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued)			
Charges for services			
Garbage user fees	640,000	703,968	63,968
Street openings	10,000	9,990	(10)
Rental housing reinspections and appeals	500	-	(500)
Parking meters	116,000	118,470	2,470
Parking lot rental	8,000	16,419	8,419
Parking permits	1,200	845	(355)
Code office supplies	100	5	(95)
Street department services	3,500	5,107	1,607
Recreation (pools/tables/fields)	100,850	75,598	(25,252)
Total charges for services	<u>880,150</u>	<u>930,402</u>	<u>50,252</u>
Other			
Miscellaneous income	3,200	903	(2,297)
Other reimbursements	15,100	50,341	35,241
Damages to borough property	463	6,473	6,010
Refunds and other reimbursements	40,300	161,147	120,847
Total other	<u>59,063</u>	<u>218,864</u>	<u>159,801</u>
Total revenues	<u>4,351,813</u>	<u>4,894,443</u>	<u>542,630</u>
General government			
Legislative body			
Salaries-council	3,000	4,550	(1,550)
Salary-mayor	5,000	5,208	(208)
General expense-elected officials	8,000	966	7,034
Association dues and subscriptions	5,800	6,064	(264)
Training/conference expenses	2,500	1,830	670
Social security	686	609	77
Medicare	150	143	7
Total legislative body	<u>25,136</u>	<u>19,370</u>	<u>5,766</u>

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

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued)			
Executive			
Salaries and wages	70,700	63,879	6,821
Office supplies	8,000	6,317	1,683
Gas and oil	1,100	-	1,100
Office equipment	3,000	1,106	1,894
Postage	14,000	6,228	7,772
General expense	2,500	4,441	(1,941)
Payroll processing fees	-	4,971	(4,971)
Telephone expense	8,000	7,137	863
Credit card expenses	4,000	2,378	1,622
Association dues and subscriptions	2,700	2,370	330
Vehicle maintenance	700	805	(105)
Contracted services	18,000	24,467	(6,467)
Training/conference expenses	3,300	126	3,174
Group accident insurance-disability	451	440	11
Workmens compensation	2,254	1,937	317
Health insurance opt out	811	1,582	(771)
Hospitalization insurance	9,556	10,569	(1,013)
Contribution to HRA	541	752	(211)
Group life insurance	153	170	(17)
Contribution to PMRS pension	5,486	8,038	(2,552)
Social security	6,065	4,930	1,135
Medicare	1,322	1,157	165
Unemployment compensation	1,911	2,467	(556)
Comprehensive liability insurance	1,803	7,578	(5,775)
Public official liability	1,172	1,654	(482)
Accident insurance	45	64	(19)
Total executive	<u>167,570</u>	<u>165,563</u>	<u>2,007</u>
Auditing services/financial administration			
Auditing service	<u>8,000</u>	<u>19,900</u>	<u>(11,900)</u>
Tax collection			
Salary-tax collector	8,060	7,818	242
General expense	1,800	1,529	271
Commissions			
Real estate	5,500	2,664	2,836
Local service tax	8,100	5,444	2,656
Earned income tax	13,600	12,738	862
Deed transfers	2,000	5,749	(3,749)
Social security	691	488	203
Medicare	151	114	37
Total tax collection	<u>39,902</u>	<u>36,544</u>	<u>3,358</u>
Secretary/clerk			
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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued)			
Solicitor/legal services			
Solicitor retainer	26,000	32,390	(6,390)
Legal expenses	30,000	115,737	(85,737)
Codification expenses	7,000	3,848	3,152
Public notice/advertising	8,000	7,552	448
Total solicitor/legal services	<u>71,000</u>	<u>159,527</u>	<u>(88,527)</u>
Other general government administration			
Bank service fees	-	5,873	(5,873)
Engineering services			
Engineering services	9,000	8,711	289
Consulting services	6,000	40,715	(34,715)
Total engineering services	<u>15,000</u>	<u>49,426</u>	<u>(34,426)</u>
General government buildings and plant			
Salaries and wages	10,000	6,309	3,691
Janitorial supplies	3,000	2,822	178
Materials and supplies	2,500	442	2,058
Real estate taxes - Analomink	9,520	8,953	567
Property /auto insurance	5,000	-	5,000
Electricity			
Municipal building	10,000	11,942	(1,942)
Analomink building	1,500	1,169	331
Gas			
Analomink building	1,500	2,898	(1,398)
Maintenance and repairs			
Municipal building	26,000	21,177	4,823
Analomink building	5,000	996	4,004
Loder building	500	426	74
Day Street building	2,480	4,803	(2,323)
Social security	858	394	464
Medicare	187	92	95
Total general government buildings and plant	<u>78,045</u>	<u>62,423</u>	<u>15,622</u>
Refund of prior year revenue	<u>5,000</u>	<u>168,563</u>	<u>(163,563)</u>
Total general government	<u>412,153</u>	<u>689,675</u>	<u>(277,522)</u>
Public safety			
Police			
Monroe County Control Center	39,000	41,425	(2,425)
Regional police services	2,126,200	2,126,175	25
Total police	<u>2,165,200</u>	<u>2,167,600</u>	<u>(2,400)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety (continued)			
Fire			
Salaries and wages	3,000	-	3,000
Workmens compensation	21,000	16,533	4,467
Fire and rescue supplies	3,000	774	2,226
Heating oil	700	-	700
Gas and oil	5,000	-	5,000
Vehicle repairs and supplies	1,000	145	855
Fire fighting equipment - minor	1,000	-	1,000
Building maintenance supplies	1,000	938	62
General expense	3,000	2,119	881
Telephone expense	3,000	2,382	618
Comprehensive liability insurance	21,000	-	21,000
Electric fire hall	13,000	13,930	(930)
Natural gas heating	8,000	2,450	5,550
Radio maintenance	1,000	-	1,000
Building maintenance	6,500	2,481	4,019
Vehicle maintenance and equipment	14,000	5,670	8,330
Contracted services	5,000	7,358	(2,358)
Monroe county control center	16,700	17,753	(1,053)
Contribution-acme hose company	12,500	10,000	2,500
Contribution-fireman's relief association	54,000	53,225	775
Total fire	<u>193,400</u>	<u>135,758</u>	<u>57,642</u>
UCC and code enforcement			
Salaries and wages	103,000	76,463	26,537
Parking enforcement	65,000	53,721	11,279
Material and supplies	5,000	5,202	(202)
Gas and oil	5,000	-	5,000
Vehicle maintenance and supplies	500	654	(154)
Minor equipment	2,000	4,404	(2,404)
General expense	3,000	1,574	1,426
Engineering services	10,000	14,610	(4,610)
Legal services	20,000	31,258	(11,258)
Advertising expense	3,000	663	2,337
Property/auto insurance	3,000	-	3,000
Association dues and subscriptions	1,400	1,306	94
Vehicle maintenance and equipment	2,500	3,263	(763)
Contracted services	12,000	7,257	4,743
Training/conference expenses	1,000	-	1,000
Group accident insurance-disability	1,071	725	346
Workmens compensation	5,356	3,190	2,166
Health insurance opt out	1,928	2,605	(677)
Hospitalization insurance	22,708	17,410	5,298
Contribution to HRA	1,285	1,239	46

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

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety (continued)			
UCC and code enforcement (continued)			
Group life insurance	364	281	83
Contribution to PMRS pension	13,036	13,241	(205)
Social security	14,412	8,122	6,290
Medicare	3,141	1,906	1,235
Unemployment compensation	4,542	4,064	478
Comprehensive liability insurance	4,285	12,483	(8,198)
Public official liability	2,785	2,724	61
Accident insurance	107	108	(1)
Total UCC and code enforcement	<u>311,420</u>	<u>268,473</u>	<u>42,947</u>
Emergency management services			
General expense	<u>500</u>	<u>-</u>	<u>500</u>
Total public safety	<u>2,670,520</u>	<u>2,571,831</u>	<u>98,689</u>
Human and health services			
General health services			
Salaries and wages	10,000	7,913	2,087
Material and supplies	1,000	59	941
Vector control	2,000	2,000	-
Social security	858	494	364
Medicare	187	116	71
Total human and health services	<u>14,045</u>	<u>10,582</u>	<u>3,463</u>
Public works - sanitation			
Recycling/solid waste collection and disposal			
Salaries and wages-recycling	120,000	113,072	6,928
Materials and supplies	1,000	107	893
Postage and printing	3,500	-	3,500
General expense	500	1,377	(877)
Landfill - engineering	7,000	2,017	4,983
Recycling costs	10,000	5,297	4,703
Contracted services-garbage contract	470,000	450,474	19,526
Group accident insurance-disability	765	630	135
Workmens compensation	3,826	2,771	1,055
Health insurance opt out	1,377	2,263	(886)
Hospitalization insurance	16,220	15,121	1,099
Contribution to HRA	918	1,076	(158)
Group life insurance	260	244	16

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - sanitation (continued)			
Recycling/solid waste collection and disposal (continued)			
Contribution to PMRS pension	9,311	11,500	(2,189)
Social security	10,294	7,054	3,240
Medicare	2,243	1,655	588
Unemployment compensation	3,244	3,530	(286)
Comprehensive liability insurance	3,060	10,843	(7,783)
Public official liability	1,989	2,367	(378)
Accident insurance	77	93	(16)
Total public works - sanitation	<u>665,584</u>	<u>631,491</u>	<u>34,093</u>
Public works - highways and streets			
General services - administration			
Salaries and wages	35,000	20,812	14,188
Vacations and holidays-wages	61,000	55,539	5,461
Materials and supplies	15,000	11,445	3,555
Gas and oil	16,000	9,501	6,499
Uniforms and clothing	5,000	2,713	2,287
Vehicle maintenance and repair	14,000	4,738	9,262
Minor equipment	5,000	11,874	(6,874)
Building maintenance supplies	1,000	688	312
General expense	3,000	563	2,437
Engineering services	5,000	8,973	(3,973)
Telephone expense-DPW	1,200	1,388	(188)
Property/ auto insurance	11,000	-	11,000
Electricity - DPW	3,000	2,215	785
Gas heat - DPW garage	5,000	2,924	2,076
Building maintenance	2,000	159	1,841
Vehicle maintenance	14,000	10,715	3,285
Contracted services	4,000	6,205	(2,205)
Street sweeper lease	32,000	31,956	44
Group accident insurance-disability	612	425	187
Workmens compensation	3,060	1,871	1,189
Health insurance opt out	1,102	1,528	(426)
Hospitalization insurance	12,976	10,211	2,765
Contribution to HRA	735	726	9
Group life insurance	208	165	43
Contribution to PMRS pension	7,449	7,765	(316)
Social security	8,235	4,763	3,472
Medicare	1,795	1,118	677
Unemployment compensation	2,595	2,383	212
Comprehensive liability insurance	2,448	7,321	(4,873)
Public official liability	1,591	1,598	(7)
Accident insurance	61	62	(1)
Total general services - administration	<u>275,067</u>	<u>222,344</u>	<u>52,723</u>

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

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - highways and streets (continued)			
Cleaning of streets and gutters			
Salaries and wages	26,500	24,603	1,897
Vehicle maintenance and supplies	3,500	1,800	1,700
Vehicle maintenance and services	3,000	-	3,000
Group accident insurance-disability	169	137	32
Workmens compensation	845	603	242
Health insurance opt out	304	492	(188)
Hospitalization insurance	3,582	3,290	292
Contribution to HRA	203	234	(31)
Group life insurance	57	53	4
Contribution to PMRS pension	2,056	2,502	(446)
Social security	2,273	1,535	738
Medicare	495	360	135
Unemployment compensation	716	768	(52)
Comprehensive liability insurance	676	2,359	(1,683)
Public official liability	439	516	(77)
Accident insurance	17	21	(4)
Total cleaning of street and gutters	<u>44,832</u>	<u>39,273</u>	<u>5,559</u>
Winter maintenance - snow removal			
Salaries and wages	35,000	9,166	25,834
Materials and supplies	6,000	3,558	2,442
Salt and cinders	13,000	11,144	1,856
Minor equipment	5,000	542	4,458
Equipment rental	5,000	1,191	3,809
Social security	3,002	572	2,430
Medicare	654	134	520
Total winter maintenance - snow removal	<u>67,656</u>	<u>26,307</u>	<u>41,349</u>
Traffic control devices			
Salaries and wages	15,000	13,514	1,486
Materials and supplies	12,000	28,586	(16,586)
Electricity	8,000	6,574	1,426
Maintenance and repairs	20,000	18,075	1,925
Social security	1,287	843	444
Medicare	280	198	82
Total traffic control devices	<u>56,567</u>	<u>67,790</u>	<u>(11,223)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - highways and streets (continued)			
Street lighting			
Salaries and wages	3,000	985	2,015
Materials and supplies	10,000	16,716	(6,716)
Electric - street lighting	25,000	21,093	3,907
Contracted services	4,000	8,363	(4,363)
Social security	257	61	196
Medicare	56	15	41
Total street lighting	<u>42,313</u>	<u>47,233</u>	<u>(4,920)</u>
Sidewalks and crosswalks			
Salaries and wages	33,000	34,139	(1,139)
Materials and supplies	2,000	3,319	(1,319)
Group accident insurance-disability	210	190	20
Workmens compensation	1,052	837	215
Health insurance opt out	379	683	(304)
Hospitalization insurance	4,461	4,566	(105)
Contribution to HRA	252	325	(73)
Group life insurance	72	74	(2)
Contribution to PMRS pension	2,560	3,472	(912)
Social security	2,831	2,130	701
Medicare	617	500	117
Unemployment compensation	892	1,066	(174)
Comprehensive liability insurance	842	3,274	(2,432)
Public official liability	547	714	(167)
Accident insurance	21	28	(7)
Total sidewalks and crosswalks	<u>49,736</u>	<u>55,317</u>	<u>(5,581)</u>
Storm sewers and drains			
Salaries and wages	25,000	19,477	5,523
Materials and supplies	2,000	663	1,337
Electric - flory property	1,000	496	504
Repairs and maintenance	5,000	17,658	(12,658)
Group accident insurance-disability	159	109	50
Workmens compensation	797	477	320
Health insurance opt out	287	390	(103)
Hospitalization insurance	3,379	2,605	774
Contribution to HRA	191	185	6
Group life insurance	54	42	12
Contribution to PMRS pension	1,940	1,981	(41)
Social security	2,145	1,215	930
Medicare	467	285	182
Unemployment compensation	676	608	68
Comprehensive liability insurance	638	1,868	(1,230)
Public official liability	414	408	6
Accident insurance	16	16	-
Total storm sewers and drains	<u>44,163</u>	<u>48,483</u>	<u>(4,320)</u>

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

For the year ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public works - highways and streets (continued)			
Maintenance and repairs of roads and bridges			
Salaries and wages	98,000	75,431	22,569
Materials and supplies	16,000	5,331	10,669
Maintenance and repairs	17,000	16,494	506
Group accident insurance-disability	625	420	205
Workmens compensation	3,124	1,849	1,275
Health insurance opt out	1,125	1,510	(385)
Hospitalization insurance	13,247	10,088	3,159
Contribution to HRA	750	718	32
Group life insurance	212	163	49
Contribution to PMRS pension	7,604	7,672	(68)
Social security	8,407	4,706	3,701
Medicare	1,832	1,104	728
Unemployment compensation	2,649	2,355	294
Comprehensive liability insurance	2,499	7,233	(4,734)
Public official liability	1,625	1,578	47
Accident insurance	62	62	-
Total maintenance and repairs of roads and bridges	<u>174,761</u>	<u>136,714</u>	<u>38,047</u>
Total public works - highways and streets	<u>755,095</u>	<u>643,461</u>	<u>111,634</u>
Public works - other			
Parking			
Salaries and wages - parking lot	10,000	4,762	5,238
Salaries and wages - meter	1,000	-	1,000
Materials and supplies	14,000	457	13,543
Maintenance and repairs	7,000	-	7,000
Social security	858	297	561
Medicare	187	70	117
Total parking	<u>33,045</u>	<u>5,586</u>	<u>27,459</u>
Storm water and flood control			
Salaries and wages	20,000	13,450	6,550
Materials and supplies	2,000	100	1,900
Engineering services	4,000	17,870	(13,870)
Contracted services	80,000	34,800	45,200
Social security	1,716	839	877
Medicare	374	198	176
Total storm water and flood control	<u>108,090</u>	<u>67,257</u>	<u>40,833</u>
Total public works - other	<u>141,135</u>	<u>72,843</u>	<u>68,292</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation			
Participant recreation			
Salaries and wages - pool	93,000	23,516	69,484
Materials and supplies	20,000	14,950	5,050
Pool chemicals	15,000	5,838	9,162
Electric and propane - pool/bathhouse	8,000	7,776	224
Propane - pool heating	10,000	975	9,025
Maintenance and repairs	8,000	14,026	(6,026)
Building maintenance and repairs	8,000	258	7,742
Contracted services	8,000	72,434	(64,434)
Social security	7,978	1,467	6,511
Medicare	1,739	344	1,395
Total participant recreation	<u>179,717</u>	<u>141,584</u>	<u>38,133</u>
Parks			
Salaries			
Regular	20,000	4,596	15,404
Park caretaker	34,000	31,681	2,319
Materials and supplies	3,000	1,328	1,672
Concession supplies	16,100	9,439	6,661
Recreation equipment	3,000	309	2,691
Parks maintenance supplies	5,000	1,036	3,964
General expense	1,000	74	926
Telephone expense	1,000	971	29
Electricity - Dansbury Park	4,000	3,589	411
Electricity - Zacharias Pond	300	43	257
Maintenance and repairs	27,000	23,296	3,704
Contracted services	53,500	47,553	5,947
Sanitation services	2,200	3,850	(1,650)
Contribution - joint recreation	43,900	43,879	21
Group accident insurance-disability	937	333	604
Workmens compensation	4,687	1,465	3,222
Health insurance opt out	1,687	1,197	490
Hospitalization insurance	19,870	7,996	11,874
Contribution to HRA	1,125	569	556
Group life insurance	319	129	190
Contribution to PMRS pension	11,406	6,081	5,325
Social security	4,632	2,263	2,369
Medicare	1,010	531	479
Unemployment compensation	3,975	1,866	2,109
Comprehensive liability insurance	10,749	5,734	5,015
Public official liability	2,437	1,251	1,186
Accident insurance	93	49	44
Total parks	<u>276,927</u>	<u>201,108</u>	<u>75,819</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation (continued)			
Shade trees			
Salaries and wages	4,000	1,616	2,384
Materials and supplies	6,000	3,658	2,342
Tree maintenance service	8,000	6,570	1,430
Social security	343	101	242
Medicare	75	24	51
Total shade trees	<u>18,418</u>	<u>11,969</u>	<u>6,449</u>
Other culture and recreation			
Salaries and wages	2,000	343	1,657
Materials and supplies	1,000	1,661	(661)
Town clock	405	235	170
Contracted services	3,000	1,719	1,281
Civic contributions	4,000	3,150	850
Contributions to ECA	10,000	10,000	-
Social security	172	21	151
Medicare	37	5	32
Total other culture and recreation	<u>20,614</u>	<u>17,134</u>	<u>3,480</u>
Total culture and recreation	<u>495,676</u>	<u>371,795</u>	<u>123,881</u>
Debt service			
Principal	223,230	225,230	(2,000)
Interest	36,755	8,576	28,179
Total debt service	<u>259,985</u>	<u>233,806</u>	<u>26,179</u>
Total expenditures	<u>5,414,193</u>	<u>5,225,484</u>	<u>188,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,062,380)</u>	<u>(331,041)</u>	<u>731,339</u>
Other financing sources (uses)			
Transfers in	625,000	600,000	(25,000)
Transfers out	(165,800)	(92,244)	73,556
Total other financing sources (uses)	<u>459,200</u>	<u>507,756</u>	<u>48,556</u>
Net change in fund balance	<u>\$ (603,180)</u>	176,715	<u>\$ 779,895</u>
Fund balance			
Beginning of the year		1,492,643	
End of year		<u>\$ 1,669,358</u>	

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

For the year ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,158,000	\$ 1,158,406	\$ 406
Other	<u>179,130</u>	<u>242,761</u>	<u>63,631</u>
Total operating revenues	<u>1,337,130</u>	<u>1,401,167</u>	<u>64,037</u>
OPERATING EXPENSES			
Salaries and wages	374,500	349,057	25,443
Employee benefits	278,300	273,351	4,949
Administrative expenses	500	358	142
Insurance	24,000	17,741	6,259
Professional services	114,600	314,523	(199,923)
Repairs and maintenance	296,500	93,075	203,425
Supplies	57,600	39,039	18,561
Utilities	128,000	90,787	37,213
Depreciation	<u>-</u>	<u>194,695</u>	<u>(194,695)</u>
Total operating expenses	<u>1,274,000</u>	<u>1,372,626</u>	<u>(98,626)</u>
Operating income (loss)	<u>63,130</u>	<u>28,541</u>	<u>(34,589)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	8,390	23,416	15,026
Intergovernmental revenues	<u>23,880</u>	<u>23,880</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>32,270</u>	<u>47,296</u>	<u>15,026</u>
Income (loss) before capital contributions and transfers	95,400	75,837	(19,563)
Transfers out	<u>(572,000)</u>	<u>(12,194)</u>	<u>559,806</u>
CHANGE IN NET POSITION	<u>(476,600)</u>	<u>63,643</u>	<u>540,243</u>
NET POSITION			
Beginning of year, restated	<u>4,320,446</u>	<u>4,320,446</u>	<u>-</u>
End of year	<u>\$ 3,843,846</u>	<u>\$ 4,384,089</u>	<u>\$ (540,243)</u>

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

For the year ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,445,500	\$ 1,451,200	\$ 5,700
Other	173,290	174,876	1,586
Total operating revenues	<u>1,618,790</u>	<u>1,626,076</u>	<u>7,286</u>
OPERATING EXPENSES			
Salaries and wages	424,000	367,582	56,418
Employee benefits	320,500	311,854	8,646
Administrative expenses	1,200	1,208	(8)
Insurance	20,000	16,443	3,557
Professional services	100,500	189,729	(89,229)
Repairs and maintenance	173,000	190,715	(17,715)
Supplies	166,200	109,325	56,875
Utilities	96,000	66,076	29,924
Depreciation	-	108,908	(108,908)
Total operating expenses	<u>1,301,400</u>	<u>1,361,840</u>	<u>(60,440)</u>
Operating income (loss)	<u>317,390</u>	<u>264,236</u>	<u>(53,154)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	235	20,734	20,499
Interest expense	(96,130)	(26,113)	70,017
Intergovernmental revenues	23,875	23,875	-
Total nonoperating revenues (expenses)	<u>(72,020)</u>	<u>18,496</u>	<u>90,516</u>
Income (loss) before capital contributions and transfers	245,370	282,732	37,362
Transfers out	(669,000)	(612,194)	56,806
CHANGE IN NET POSITION	<u>(423,630)</u>	<u>(329,462)</u>	<u>94,168</u>
NET POSITION			
Beginning of year, restated	<u>4,001,744</u>	<u>4,001,744</u>	-
End of year	<u>\$ 3,578,114</u>	<u>\$ 3,672,282</u>	<u>\$ 94,168</u>

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

For the year ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 198,580	\$ 191,016	\$ (7,564)
Other	<u>24,000</u>	<u>959</u>	<u>(23,041)</u>
Total operating revenues	<u>222,580</u>	<u>191,975</u>	<u>(30,605)</u>
OPERATING EXPENSES			
Salaries and wages	145,000	132,669	12,331
Employee benefits	48,000	44,498	3,502
Administrative expenses	14,300	8,147	6,153
Professional services	4,000	3,769	231
Repairs and maintenance	16,500	14,981	1,519
Supplies	22,000	18,706	3,294
Utilities	3,600	3,172	428
Depreciation	<u>-</u>	<u>15,122</u>	<u>(15,122)</u>
Total operating expenses	<u>253,400</u>	<u>241,064</u>	<u>12,336</u>
Operating income (loss)	<u>(30,820)</u>	<u>(49,089)</u>	<u>(18,269)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>20</u>	<u>26</u>	<u>6</u>
Income (loss) before capital contributions and transfers	<u>(30,800)</u>	<u>(49,063)</u>	<u>(18,263)</u>
Transfers in	<u>30,800</u>	<u>46,628</u>	<u>15,828</u>
CHANGE IN NET POSITION	<u>-</u>	<u>(2,435)</u>	<u>(2,435)</u>
NET POSITION			
Beginning of year, restated	<u>4,186,231</u>	<u>4,186,231</u>	<u>-</u>
End of year	<u>\$ 4,186,231</u>	<u>\$ 4,183,796</u>	<u>\$ 2,435</u>

BOROUGH OF EAST STROUDSBURG

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	2016		2015	
	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund
TOTAL PENSION LIABILITY				
Service cost	\$ 173,321	\$ 11,827	\$ 173,277	\$ 8,272
Interest on total pension liability	362,036	1,094	346,877	503
Changes of assumptions	(64,731)	-	-	-
Differences between expected and actual experience	-	-	(8,711)	-
Benefit payments, including refunds of member contributions	(193,095)	-	(275,253)	-
Net change in total pension liability	277,531	12,921	236,190	8,775
Total pension liability, beginning	6,506,246	15,495	6,270,056	6,720
Total pension liability, ending	\$ 6,783,777	\$ 28,416	\$ 6,506,246	\$ 15,495
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 232,435	\$ 11,927	\$ 187,558	\$ 8,352
Member contributions	44,346	-	41,696	-
PMRS investment income	314,814	1,136	297,934	518
Market value investment income	(321,885)	(1,779)	2,460	(133)
Benefit payments	(193,095)	-	(275,253)	-
PMRS administrative expense	(680)	(100)	(700)	(80)
Additional administrative expense	(13,124)	(47)	(11,426)	(20)
Net change in plan fiduciary net position	62,811	11,137	242,269	8,637
Fiduciary net position, beginning	5,700,357	15,290	5,458,088	6,653
Fiduciary net position, ending	\$ 5,763,168	\$ 26,427	\$ 5,700,357	\$ 15,290
Net pension liability, ending	\$ 1,020,609	\$ 1,989	\$ 805,889	\$ 205
Fiduciary net position as a % of total pension liability	84.96%	93.00%	87.61%	98.68%
Covered payroll	1,163,780	197,118	1,176,548	137,840
Net pension liability as a % of covered payroll	87.70%	14.42%	68.50%	11.24%

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

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

Year ended December 31, 2016

Nonuniform Pension Fund

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	187,558	187,558	-	1,176,548	15.94%
2015	232,435	232,435	-	1,163,780	19.97%
2016	229,488	229,488	-	1,078,644	21.28%

Nonuniform Cash Balance Pension Fund

Fiscal Year Ended December 31	Statutorily Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	8,352	8,352	-	137,840	6.06%
2015	11,927	11,927	-	197,118	6.05%
2016	14,910	14,910	-	248,500	6.00%

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

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

BOROUGH OF EAST STROUDSBURG**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES**

December 31, 2016

	<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>	
ASSETS					
Cash	\$ 64,959	\$ 22,109	\$ 66,398	\$ 3,477	\$ 156,943
Due from other governments	-	99,717	-	-	99,717
Total assets	<u>\$ 64,959</u>	<u>\$ 121,826</u>	<u>\$ 66,398</u>	<u>\$ 3,477</u>	<u>\$ 256,660</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 244	\$ 22,109	\$ -	-	\$ 22,353
Due from other funds	27,000	-	-	-	27,000
Total liabilities	<u>27,244</u>	<u>22,109</u>	<u>-</u>	<u>-</u>	<u>49,353</u>
FUND BALANCES					
Restricted for					
Public works - roads	37,715	-	-	-	37,715
Community development	-	99,717	66,398	-	166,115
Debt service	-	-	-	3,477	3,477
Total fund balances	<u>37,715</u>	<u>99,717</u>	<u>66,398</u>	<u>3,477</u>	<u>207,307</u>
Total liabilities and fund balances	<u>\$ 64,959</u>	<u>\$ 121,826</u>	<u>\$ 66,398</u>	<u>\$ 3,477</u>	<u>\$ 256,660</u>

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2016

	<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>	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 188,210	\$ 188,210
Interest, rents and royalties	366	-	187	-	553
Intergovernmental revenues	<u>246,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,293</u>
Total revenues	<u>246,659</u>	<u>-</u>	<u>187</u>	<u>188,210</u>	<u>435,056</u>
EXPENDITURES					
Current					
General government	-	-	-	6	6
Public works - highways and streets	216,550	-	-	-	216,550
Community development	-	22,981	-	-	22,981
Debt Service					
Principal	-	-	-	112,000	112,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,871</u>	<u>77,871</u>
Total expenditures	<u>216,550</u>	<u>22,981</u>	<u>-</u>	<u>189,877</u>	<u>429,408</u>
NET CHANGE IN FUND BALANCES	30,109	(22,981)	187	(1,667)	5,648
FUND BALANCES					
Beginning of year	<u>7,606</u>	<u>122,698</u>	<u>66,211</u>	<u>5,144</u>	<u>201,659</u>
End of year	<u>\$ 37,715</u>	<u>\$ 99,717</u>	<u>\$ 66,398</u>	<u>\$ 3,477</u>	<u>\$ 207,307</u>

BOROUGH OF EAST STROUDSBURG

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2016

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	<u>\$ 4,233,445</u>	<u>\$ 45,134</u>	<u>\$ 4,278,579</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 4,233,445</u>	<u>\$ 45,134</u>	<u>\$ 4,278,579</u>

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

Year ended December 31, 2016

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 229,488	\$ 14,911	\$ 244,399
Member contributions	43,883	-	43,883
Total contributions	<u>273,371</u>	<u>14,911</u>	<u>288,282</u>
Investment income			
Interest	218,158	1,870	220,028
Total additions	<u>491,529</u>	<u>16,781</u>	<u>508,310</u>
DEDUCTIONS			
Benefits paid	534,905	-	534,905
Administrative expenses	683	120	803
Other expenses	559	-	559
Total deductions	<u>536,147</u>	<u>120</u>	<u>536,267</u>
 CHANGE IN NET POSITION	 (44,618)	 16,661	 (27,957)
NET POSITION			
Beginning of year	<u>4,278,063</u>	<u>28,473</u>	<u>4,306,536</u>
End of year	<u>\$ 4,233,445</u>	<u>\$ 45,134</u>	<u>\$ 4,278,579</u>

SUPPLEMENTAL INFORMATION

BOROUGH OF EAST STROUDSBURG

ASSESSED VALUE AND MARKET VALUE OF TAXABLE PROPERTY - UNAUDITED

Last ten fiscal years ending December 31,

<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>
2016	\$ 73,595,520	\$ 294,382,080	25.00%
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%

BOROUGH OF EAST STROUDSBURG

PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED

Last ten fiscal years ending December 31,

<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>
2016	\$ 1,707,217	\$ 1,587,549	93.0%	\$ -	\$ 1,587,549	93.0%	119,668	7.0%
2015	1,570,093	1,456,780	92.8%	63,547	1,520,327	96.8%	49,766	3.2%
2014	1,642,461	1,475,215	89.8%	160,647	1,635,862	99.6%	6,599	0.4%
2013	1,586,019	1,468,307	92.6%	115,253	1,583,560	99.8%	2,459	0.2%
2012	1,528,868	1,369,295	89.6%	158,516	1,527,811	99.9%	1,057	0.1%
2011	1,338,657	1,229,488	91.8%	108,604	1,338,092	100.0%	565	0.0%
2010	1,233,172	1,174,611	95.3%	58,368	1,232,979	100.0%	193	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%

BOROUGH OF EAST STROUDSBURG

TAX RATES - UNAUDITED

Last ten fiscal years ending December 31,

<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Real Estate Transfer</u>	<u>Wage & Income Tax</u>	<u>Municipal Services Tax</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Borough Total</u>			
2016	20.30	2.70	23.00	0.5%	0.5%	47.00
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

BOROUGH OF EAST STROUDSBURG

PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2016

<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
Sunrest Properties LLC	930,750
E Stroudsburg Elderly As	600,000
Dalot Holdings LLP	517,670
GPH East Stroudsburg LP	460,220
Prospect Hill Investors	448,000
	<hr/>
	<u>\$ 9,534,800</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, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated _____, 2017.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (**See Finding 2016-01**).

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 finding identified in our audit are described in the accompanying schedule of findings and responses. The Borough of East Stroudsburg's response was 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.

**Philadelphia, Pennsylvania
, 2017**

BOROUGH OF EAST STROUDSBURG

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2016

2016-01 – 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.

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

Management oversight and changes in Borough financial personnel and accounting software.

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.