



Borough of East Stroudsburg East Stroudsburg, Pennsylvania Monroe County

Financial Statements
Year Ended December 31, 2017



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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated July 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the schedules of changes in net pension liability and Borough pension contributions on pages 3 through 13 and 47 through 63 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 64 through 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information on pages 68 through 71 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 July 20, 2018, on our consideration of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
July 20, 2018**

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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, 2017. 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 2017, there were approximately 60 full-time and part-time employees including public works and water and sewer employees, administrative clerks, seasonal employees for the parks and municipal golf course and administrative positions which include the Borough Manager, Finance 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 2017 fiscal year of \$17,709,987. During the 2017 fiscal year, the Borough had an increase in total net position of \$312,027. The net position of the governmental activities decreased by \$407,311 and net position of business-type activities increased by \$719,338.
- As of the close of the 2017 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$1,610,781, a decrease of \$636,670 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$412,019, bringing the cumulative balance to \$1,257,339 at the conclusion of the 2017 fiscal year.
- At December 31, 2017, the General Fund fund balance includes \$15,067 which is considered nonspendable, \$172,915 committed to balance the 2018 budget and unassigned amounts of \$1,069,357 or 20.96% of the \$5,101,435 2018 General Fund budget.
- General Fund revenues and other financing sources were \$496,413 or 10.94% more than budgeted amounts and General Fund expenditures and other financing uses were \$8,918 or 0.16% less than budgeted amounts resulting in a net positive variance of \$505,331. The 2017 General Fund budget included the use of \$917,350 of fund balance to balance the budget.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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, 2017

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 six 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 46 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.

The required supplementary information and additional analysis can be found on pages 47 through 71 of this report.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Borough's financial condition. At the close of the 2017 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$17,709,987. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2017 and 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current assets	\$2,730,614	\$3,074,319	\$ 3,995,930	\$ 3,439,762	\$ 6,726,544	\$ 6,514,081
Noncurrent assets	<u>6,903,028</u>	<u>6,876,469</u>	<u>10,606,591</u>	<u>10,386,801</u>	<u>17,509,619</u>	<u>17,263,270</u>
Total assets	<u>9,633,642</u>	<u>9,950,788</u>	<u>14,602,521</u>	<u>13,826,563</u>	<u>24,236,163</u>	<u>23,777,351</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	<u>257,327</u>	<u>297,410</u>	<u>180,210</u>	<u>204,481</u>	<u>437,537</u>	<u>501,891</u>
LIABILITIES						
Current liabilities	687,706	373,701	206,161	94,266	893,867	467,967
Noncurrent liabilities	<u>4,391,512</u>	<u>4,684,196</u>	<u>1,570,609</u>	<u>1,672,107</u>	<u>5,962,121</u>	<u>6,356,303</u>
Total liabilities	<u>5,079,218</u>	<u>5,057,897</u>	<u>1,776,770</u>	<u>1,766,373</u>	<u>6,855,988</u>	<u>6,824,270</u>
DEFERRED INFLOWS						
Deferred credits – pensions	<u>61,269</u>	<u>32,508</u>	<u>46,456</u>	<u>24,504</u>	<u>107,725</u>	<u>57,012</u>
NET POSITION						
Net investment in capital assets	3,018,700	2,812,589	9,432,820	9,138,826	12,451,520	11,951,415
Restricted	353,442	578,093	-	-	353,442	578,093
Unrestricted	<u>1,378,340</u>	<u>1,767,111</u>	<u>3,526,685</u>	<u>3,101,341</u>	<u>4,905,025</u>	<u>4,868,452</u>
Total net position	<u>\$4,750,482</u>	<u>\$5,157,793</u>	<u>\$12,959,505</u>	<u>\$12,240,167</u>	<u>\$17,709,987</u>	<u>\$17,397,960</u>

The Borough's total assets as of December 31, 2017 were \$24,236,163 of which \$5,019,494 or 20.71% consisted of cash and \$17,509,619 or 72.25% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2017 were \$6,855,988 of which \$3,425,934 or 49.97% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2017, \$4,905,025 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 \$36,573 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 \$353,442 as of December 31, 2017. All of the Borough's restricted net position relate to the net position of the Borough's special revenue, capital and debt service funds.

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, 2017, the Borough's net investment in capital assets increased by \$500,105 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.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

The following table presents condensed information for the *Statement of Activities* of the Borough for 2017 and 2016:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues						
Charges for services	\$1,425,886	\$1,792,055	\$3,606,338	\$3,219,218	\$5,032,224	\$5,011,273
Operating grants and contributions	498,895	408,308	59,464	47,755	558,359	456,063
Capital grants and contributions	231,718	131,732	-	-	231,718	131,732
General revenues						
Taxes	3,263,953	3,017,493	-	-	3,263,953	3,017,493
Franchise fees	131,973	135,263	-	-	131,973	135,263
Investment earnings	<u>13,639</u>	<u>18,907</u>	<u>37,213</u>	<u>44,176</u>	<u>50,852</u>	<u>63,083</u>
Total revenues	<u>5,566,064</u>	<u>5,503,758</u>	<u>3,703,015</u>	<u>3,311,149</u>	<u>9,269,079</u>	<u>8,814,907</u>
EXPENSES						
General government	606,884	738,209	-	-	606,884	738,209
Public safety	2,885,047	2,773,683	-	-	2,885,047	2,773,683
Health and human services	18,786	10,582	-	-	18,786	10,582
Public works	1,735,642	1,689,064	-	-	1,735,642	1,689,064
Culture and recreation	491,589	448,634	-	-	491,589	448,634
Community development	165,190	22,981	-	-	165,190	22,981
Interest expense related to noncurrent liabilities	101,044	99,639	-	-	101,044	99,639
Sewer operations	-	-	1,270,897	1,372,626	1,270,897	1,372,626
Water operations	-	-	1,453,705	1,387,953	1,453,705	1,387,953
Golf course operations	-	-	<u>228,268</u>	<u>241,064</u>	<u>228,268</u>	<u>241,064</u>
Total expenses	<u>6,004,182</u>	<u>5,782,792</u>	<u>2,952,870</u>	<u>3,001,643</u>	<u>8,957,052</u>	<u>8,784,435</u>
Change in net position before transfers	(438,118)	(279,034)	750,145	309,506	312,027	30,472
Transfers	<u>30,807</u>	<u>577,760</u>	<u>(30,807)</u>	<u>(577,760)</u>	-	-
CHANGE IN NET POSITION	<u>\$ (407,311)</u>	<u>\$ 298,726</u>	<u>\$ 719,338</u>	<u>\$ (268,254)</u>	<u>\$ 312,027</u>	<u>\$ 30,472</u>

Governmental Activities

The cost of all governmental activities in 2017 was \$6,004,182. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$3,263,953 or 54.36%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,425,886 or 23.75%).

Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,620,689 or 76.96%. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,183,683 for 2017.

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 \$395,501 or 13.06% due to the restructuring of water fees in anticipation of operational and maintenance expenses and capital improvements.

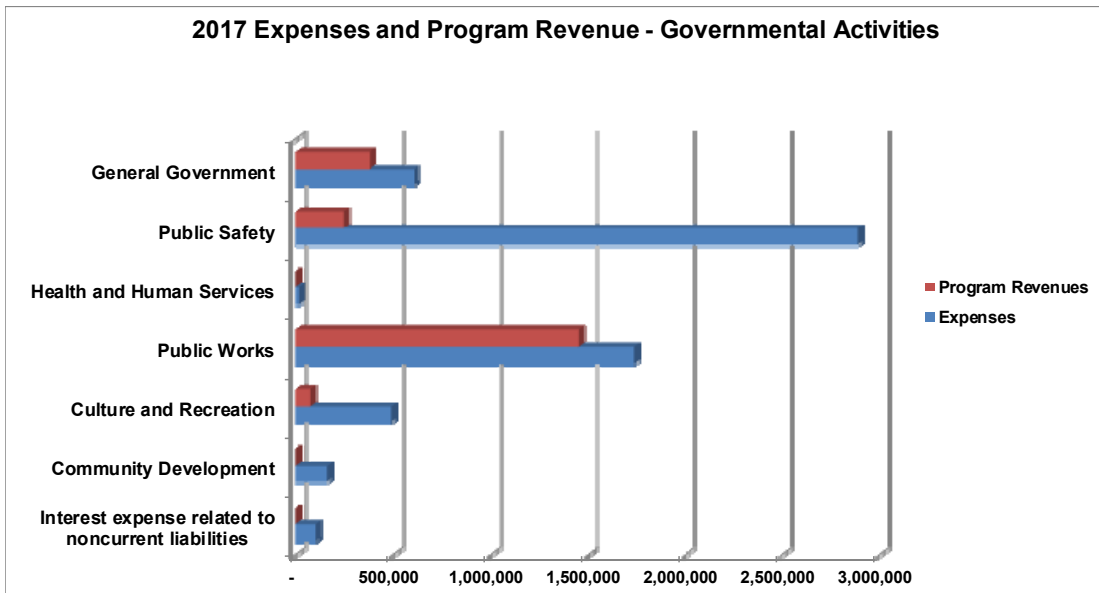
BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

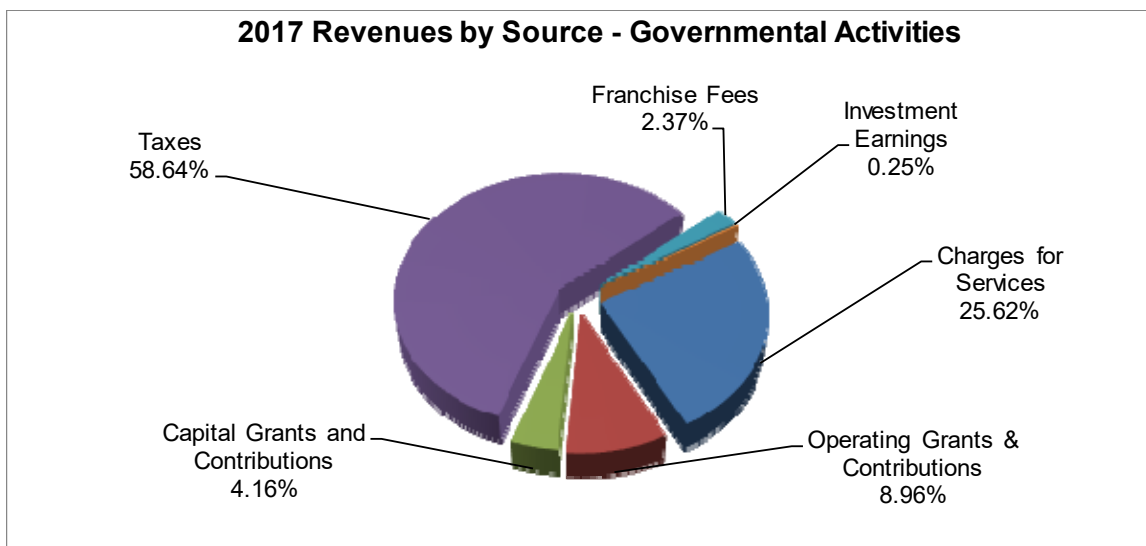
December 31, 2017

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 2017.

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.



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.



BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

GOVERNMENTAL FUNDS

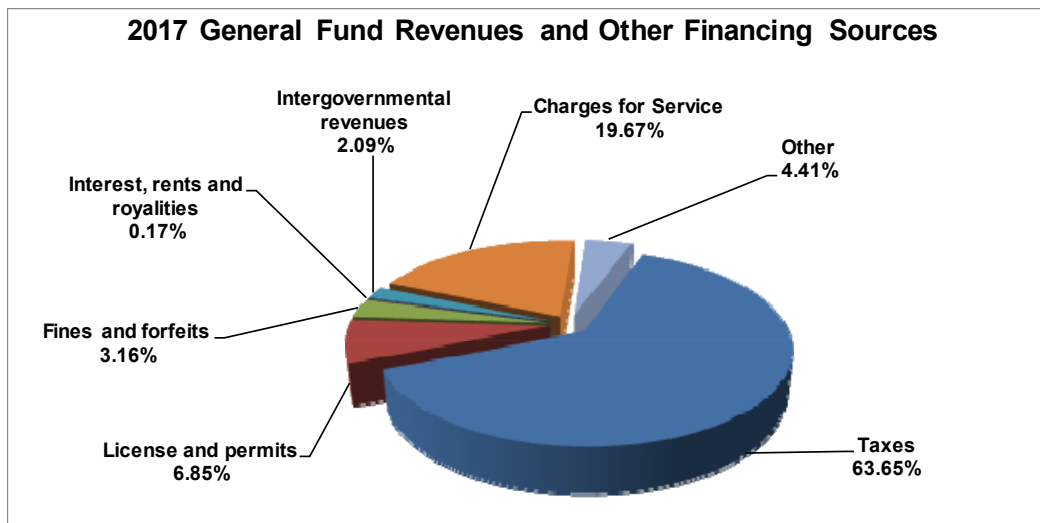
The governmental fund financial statements provide detailed information of the Borough's major funds. Some funds are required to be established by State statute while other funds are established by the Borough to manage monies restricted for a specific purpose. As of December 31, 2017, the Borough's governmental funds reported a combined fund balance of \$1,610,781 which is a decrease of \$636,670 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2017 and 2016 and the total 2017 change in governmental fund balances.

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
General Fund	\$1,257,339	\$1,669,358	\$(412,019)
Capital Projects Fund	156,128	370,786	(214,658)
Nonmajor Governmental Funds	<u>197,314</u>	<u>207,307</u>	<u>(9,993)</u>
	<u>\$1,610,781</u>	<u>\$2,247,451</u>	<u>\$(636,670)</u>

GENERAL FUND

The General Fund is the Borough's primary operating fund. At the conclusion of the 2017 fiscal year the General Fund fund balance was 1,257,339 representing a decrease of \$412,019 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017 fiscal year.

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 63.65 % of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,936,553	\$2,835,455	\$ 101,098	3.57
Licenses and permits	315,908	614,696	(298,788)	(48.61)
Fines and forfeits	145,648	152,434	(6,786)	(4.45)
Interest, rents and royalties	7,653	16,514	(8,861)	(53.66)
Intergovernmental revenues	96,398	126,078	(29,680)	(23.54)
Charges for services	907,603	930,402	(22,799)	(2.45)
Other	<u>203,480</u>	<u>218,864</u>	<u>(15,384)</u>	<u>(7.03)</u>
	<u>\$4,613,243</u>	<u>\$4,894,443</u>	<u>\$(281,200)</u>	<u>(5.75)</u>

BOROUGH OF EAST STROUDSBURG

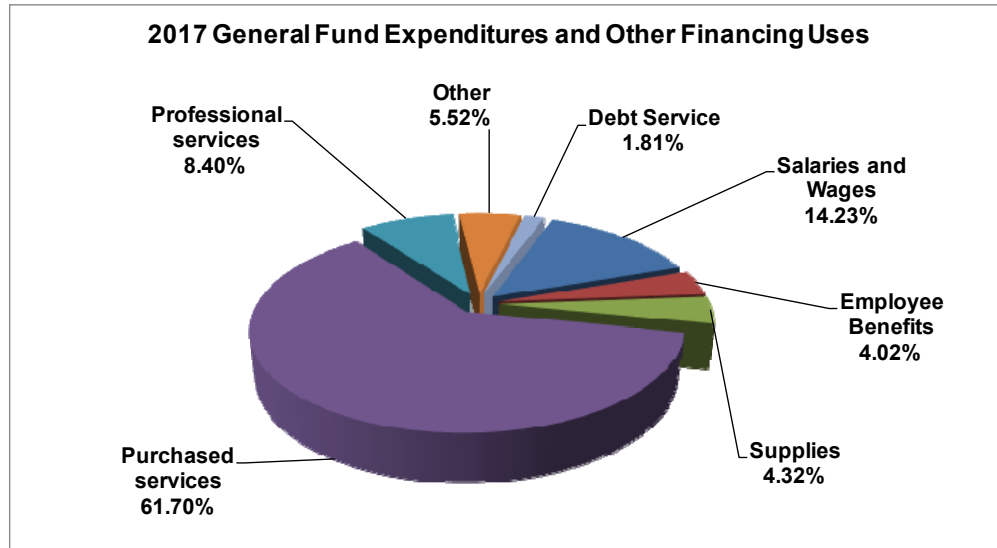
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Taxes increased by \$101,098 or 3.57% primarily due an increase in realty transfer fees which points to an improvement to the economy in the local community.

Licenses and permits decreased by \$298,788 or 48.61% directly related to approximately \$225,000 in permits received from East Stroudsburg University in 2016 for a new dormitory.

As the graph below illustrates, the largest portion of General Fund expenditures is for purchased services due to the Borough's agreement with the Stroud Area Regional Police Department to provide police services.



General Fund Expenditures

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 725,314	\$ 672,564	\$ 52,750	7.84
Employee benefits	345,388	271,030	74,358	27.44
Supplies and equipment	231,528	178,274	53,254	29.87
Purchased services	3,215,991	3,026,731	189,260	6.25
Professional services	450,617	420,036	30,581	7.28
Other	295,363	423,048	(127,685)	(30.18)
Debt service	97,233	233,801	(136,568)	(58.41)
	<u>\$5,361,434</u>	<u>\$5,225,484</u>	<u>\$ 135,950</u>	<u>2.60</u>

Employee benefits increased by \$74,358 or 27.44% due to an increase in the allocation of the municipal pension to the General Fund.

Supplies and equipment increased by \$53,254 or 29.87% due to the purchase of a dump truck for approximately \$50,000 for public works.

The increase in purchased services of \$189,260 or 6.25% can be attributed to an increase in costs associated with services provided by the Stroud Area Regional Police Department, the Stroud Region Open Space and Recreation Commission and the garbage contractor.

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.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Debt service expenditures decreased by \$136,568 or 58.41% due to the allocation of the debt service related to the 2016 note payable to the Debt Service Fund in 2017.

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 2017, the Capital Projects Fund fund balance decreased by \$214,658 for a cumulative balance of \$156,128 as of December 31, 2017.

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 2017, the Nonmajor Governmental Funds fund balance decreased by \$9,993 for a cumulative balance of \$197,314 as of December 31, 2017. Within the nonmajor governmental funds the CDBG Fund, the State Liquid Fuels Fund, Community Development Fund and Debt Service Fund represent \$59,799, \$66,315, \$66,898 and \$4,302 respectively, of the cumulative fund balance as of December 31, 2017.

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 \$496,413 or 10.94% more than budgeted amounts and General Fund expenditures and other financing uses were \$8,918 or 0.16% less than budgeted amounts resulting in a net positive variance of \$505,331. General Fund revenues were more than budget primarily due to current and delinquent real estate and realty transfer taxes received being over budget by approximately \$375,000. The 2017 General Fund budget included the use of \$917,350 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 47 through 58. 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, 2017 amounted to \$17,509,619 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 2017 was \$246,349 or 1.43%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$967,981 and depreciation expense was \$721,632.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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

Governmental Activities	
Downtown Streetscape Project	\$249,183
Slope Mower	\$ 69,901
Dump Truck	\$ 50,795
Business-type Activities	
Dam Rehabilitation Project	\$490,565

NONCURRENT LIABILITIES

As of December 31, 2017, the Borough had total general obligation debt of \$4,599,705 consisting of notes payable. The entire amount is backed by the full faith and credit of the Borough. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Borough's general obligation debt for the current year was \$134,731 or 2.85%.

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 \$374,220 at December 31, 2017 and decreased by \$90,037 or 19.39% in the current year.

The Borough reports its defined benefit unfunded benefit obligation related 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 \$876,899 as of December 31, 2017. The Borough's net pension liability decreased by \$145,699 or 14.25% during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and a capital lease which totaled 111,298 as of December 31, 2017. These liabilities decreased by \$23,714 or 17.56% 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 with its aging infrastructure and is reviewing funding strategies for these projects without creating an additional fiscal burden on the Borough's residents.

The Borough adopted a balanced budget totaling \$6,165,461 which used \$172,915 of the General Fund fund balance as of December 31, 2017 and the real estate tax millage rate was 25.50 mills representing an increase of 6.25% over the prior year.

In addition, sewer fees for 2018 were increased and 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.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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, 2017 with summarized comparative totals for 2016

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 2,449,236	\$ 2,570,258	\$ 5,019,494	\$ 4,623,643
Taxes receivable	274,626	-	274,626	264,134
Due from other governments	59,799	-	59,799	124,491
Accounts receivable, net	323,747	1,033,811	1,357,558	1,458,155
Internal balances	(391,861)	391,861	-	-
Prepaid expenses	15,067	-	15,067	43,658
Total current assets	<u>2,730,614</u>	<u>3,995,930</u>	<u>6,726,544</u>	<u>6,514,081</u>
NONCURRENT ASSETS				
Capital assets, net	<u>6,903,028</u>	<u>10,606,591</u>	<u>17,509,619</u>	<u>17,263,270</u>
Total assets	<u>9,633,642</u>	<u>14,602,521</u>	<u>24,236,163</u>	<u>23,777,351</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	<u>257,327</u>	<u>180,210</u>	<u>437,537</u>	<u>501,891</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	449,467	187,900	637,367	192,750
Accrued salaries and benefits	33,760	18,261	52,021	42,793
Accrued interest payable	18,925	-	18,925	20,485
Escrow deposits	<u>185,554</u>	<u>-</u>	<u>185,554</u>	<u>211,939</u>
Total current liabilities	<u>687,706</u>	<u>206,161</u>	<u>893,867</u>	<u>467,967</u>
NONCURRENT LIABILITIES				
Due within one year	540,272	73,767	614,039	449,712
Due in more than one year	<u>3,851,240</u>	<u>1,496,842</u>	<u>5,348,082</u>	<u>5,906,591</u>
Total noncurrent liabilities	<u>4,391,512</u>	<u>1,570,609</u>	<u>5,962,121</u>	<u>6,356,303</u>
Total liabilities	<u>5,079,218</u>	<u>1,776,770</u>	<u>6,855,988</u>	<u>6,824,270</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	<u>61,269</u>	<u>46,456</u>	<u>107,725</u>	<u>57,012</u>
NET POSITION				
Net investment in capital assets	3,018,700	9,432,820	12,451,520	11,951,415
Restricted	353,442	-	353,442	578,093
Unrestricted	<u>1,378,340</u>	<u>3,526,685</u>	<u>4,905,025</u>	<u>4,868,452</u>
Total net position	<u>\$ 4,750,482</u>	<u>\$ 12,959,505</u>	<u>\$ 17,709,987</u>	<u>\$ 17,397,960</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF ACTIVITIES

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2017</u>	<u>2016</u>
GOVERNMENTAL ACTIVITIES								
General government	\$ 606,884	\$ 372,635	\$ 6,253	\$ -	\$ (227,996)	\$ -	\$ (227,996)	\$ (7,009)
Public safety	2,885,047	145,648	87,901	15,000	(2,636,498)	-	(2,636,498)	(2,556,216)
Health and human services	18,786	-	-	-	(18,786)	-	(18,786)	(10,582)
Public works	1,735,642	834,999	402,497	216,718	(281,428)	-	(281,428)	(384,909)
Culture and recreation	491,589	72,604	2,244	-	(416,741)	-	(416,741)	(369,361)
Community development	165,190	-	-	-	(165,190)	-	(165,190)	(22,981)
Interest expense related to noncurrent liabilities	101,044	-	-	-	(101,044)	-	(101,044)	(99,639)
Total governmental activities	<u>6,004,182</u>	<u>1,425,886</u>	<u>498,895</u>	<u>231,718</u>	<u>(3,847,683)</u>	<u>-</u>	<u>(3,847,683)</u>	<u>(3,450,697)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	1,270,897	1,340,451	29,732	-	-	99,286	99,286	52,421
Water	1,453,705	2,082,293	29,732	-	-	658,320	658,320	261,998
Golf course	228,268	183,594	-	-	-	(44,674)	(44,674)	(49,089)
Total business-type activities	<u>2,952,870</u>	<u>3,606,338</u>	<u>59,464</u>	<u>-</u>	<u>-</u>	<u>712,932</u>	<u>712,932</u>	<u>265,330</u>
Total primary government	<u>\$ 8,957,052</u>	<u>\$ 5,032,224</u>	<u>\$ 558,359</u>	<u>\$ 231,718</u>	<u>(3,847,683)</u>	<u>712,932</u>	<u>(3,134,751)</u>	<u>(3,185,367)</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					1,856,176	-	1,856,176	1,705,352
Earned income taxes					848,422	-	848,422	859,530
Real estate transfer taxes					233,574	-	233,574	97,568
Municipal services taxes					325,781	-	325,781	355,043
Franchise fees					131,973	-	131,973	135,263
Investment earnings					13,639	37,213	50,852	63,083
TRANSFERS					<u>30,807</u>	<u>(30,807)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>3,440,372</u>	<u>6,406</u>	<u>3,446,778</u>	<u>3,215,839</u>
CHANGE IN NET POSITION					(407,311)	719,338	312,027	30,472
NET POSITION								
Beginning of year					<u>5,157,793</u>	<u>12,240,167</u>	<u>17,397,960</u>	<u>17,367,488</u>
End of year					<u>\$ 4,750,482</u>	<u>\$ 12,959,505</u>	<u>\$ 17,709,987</u>	<u>\$ 17,397,960</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	2017	2016
ASSETS					
Cash	\$ 1,230,939	\$ 971,612	\$ 246,685	\$ 2,449,236	\$ 2,200,394
Due from other governments	-	-	59,799	59,799	124,491
Receivables					
Taxes	274,626	-	-	274,626	264,134
Garbage fees, net	246,307	-	-	246,307	300,779
Other	77,440	-	-	77,440	132,604
Due from other funds	202,801	-	-	202,801	540,220
Prepaid items	15,067	-	-	15,067	15,681
Total assets	\$ 2,047,180	\$ 971,612	\$ 306,484	\$ 3,325,276	\$ 3,578,303
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 210,352	\$ 214,671	\$ 24,444	\$ 449,467	\$ 114,968
Accrued salaries and benefits	33,760	-	-	33,760	26,309
Due to other funds	5,913	504,023	84,726	594,662	503,984
Escrow deposits	88,764	96,790	-	185,554	211,939
Total liabilities	338,789	815,484	109,170	1,263,443	857,200
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes and garbage fees	451,052	-	-	451,052	473,652
FUND BALANCES					
Nonspendable					
Prepaid items	15,067	-	-	15,067	15,681
Restricted for					
Public works - roads	-	-	66,315	66,315	37,715
Community development	-	-	126,697	126,697	166,115
Debt service	-	-	4,302	4,302	3,477
Committed to					
Balance 2017 budget	-	-	-	-	933,350
Balance 2018 budget	172,915	-	-	172,915	-
Road improvements fund	-	517,081	-	517,081	513,856
Unassigned	1,069,357	(360,953)	-	708,404	577,257
Total fund balances	1,257,339	156,128	197,314	1,610,781	2,247,451
Total liabilities, deferred inflows of resources and fund balances	\$ 2,047,180	\$ 971,612	\$ 306,484	\$ 3,325,276	\$ 3,578,303

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, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,610,781
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	6,903,028
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.	451,052
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.	196,058
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.	(18,925)
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>(4,391,512)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,750,482</u>

BOROUGH OF EAST STROUDSBURG

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

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

	Major Funds			Totals	
	General	Capital	Nonmajor	2017	2016
	Fund	Projects	Governmental		
	Fund	Fund	Funds		
REVENUES					
Taxes	\$ 2,936,553	\$ -	\$ 350,000	\$ 3,286,553	\$ 3,023,665
Licenses and permits	315,908	-	-	315,908	614,696
Fines and forfeits	145,648	-	-	145,648	152,434
Interest, rent and royalties	7,653	3,975	2,113	13,741	19,107
Intergovernmental revenues	96,398	216,718	382,877	695,993	519,572
Charges for services	907,603	-	-	907,603	930,402
Contributions and donations	-	15,000	-	15,000	20,227
Miscellaneous	203,480	17,038	-	220,518	226,284
Total revenues	<u>4,613,243</u>	<u>252,731</u>	<u>734,990</u>	<u>5,600,964</u>	<u>5,506,387</u>
EXPENDITURES					
Current					
General government	615,737	21,436	-	637,173	903,019
Public safety	2,677,999	-	-	2,677,999	3,241,659
Health and human services	18,786	-	-	18,786	10,582
Public works - sanitation	680,098	-	-	680,098	631,491
Public works - highways and streets	788,328	319,442	230,585	1,338,355	1,196,378
Public works - other services	75,262	-	-	75,262	72,843
Culture and recreation	407,991	6,315	-	414,306	399,805
Community development	-	8,104	165,190	173,294	25,201
Debt service					
Principal	90,037	-	253,800	343,837	337,230
Interest	7,196	-	95,408	102,604	86,447
Total expenditures	<u>5,361,434</u>	<u>355,297</u>	<u>744,983</u>	<u>6,461,714</u>	<u>6,904,655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(748,191)</u>	<u>(102,566)</u>	<u>(9,993)</u>	<u>(860,750)</u>	<u>(1,398,268)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of general long-term debt	-	193,273	-	193,273	2,100,661
Repayment of general long-term debt - refinancing	-	-	-	-	(1,409,508)
Transfers in	420,000	160,200	-	580,200	670,005
Transfers out	(83,828)	(465,565)	-	(549,393)	(92,244)
Total other financing sources (uses)	<u>336,172</u>	<u>(112,092)</u>	<u>-</u>	<u>224,080</u>	<u>1,268,914</u>
NET CHANGE IN FUND BALANCES	<u>(412,019)</u>	<u>(214,658)</u>	<u>(9,993)</u>	<u>(636,670)</u>	<u>(129,354)</u>
FUND BALANCES					
Beginning 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>
End of year	<u>\$ 1,257,339</u>	<u>\$ 156,128</u>	<u>\$ 197,314</u>	<u>\$ 1,610,781</u>	<u>\$ 2,247,451</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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (636,670)

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	\$ 425,888	
Depreciation expense	<u>(399,329)</u>	26,559

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, 2016	(473,652)	
Deferred inflows of resources December 31, 2017	<u>451,052</u>	(22,600)

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	(193,273)	
Repayment of notes payable	253,800	
Repayment of lease rental payable	<u>90,037</u>	150,564

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	(5,274)	
Current year change in capital lease payable	28,988	
Current year change in accrued interest payable	1,560	
Change in net pension liability and related deferred inflows and outflows	<u>49,562</u>	<u>74,836</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (407,311)

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 1,611,629	\$ 936,602	\$ 22,027	\$ 2,570,258	\$ 2,423,249
Accounts receivable, net	406,796	627,015	-	1,033,811	1,024,772
Due from other funds	7,426	442,218	-	449,644	437,310
Prepaid expenses	-	-	-	-	27,977
Total current assets	<u>2,025,851</u>	<u>2,005,835</u>	<u>22,027</u>	<u>4,053,713</u>	<u>3,913,308</u>
NONCURRENT ASSETS					
Capital assets, net	<u>2,566,086</u>	<u>3,815,706</u>	<u>4,224,799</u>	<u>10,606,591</u>	<u>10,386,801</u>
Total assets	<u>4,591,937</u>	<u>5,821,541</u>	<u>4,246,826</u>	<u>14,660,304</u>	<u>14,300,109</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges - pensions	<u>91,419</u>	<u>69,230</u>	<u>19,561</u>	<u>180,210</u>	<u>204,481</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of notes payable	-	73,767	-	73,767	74,204
Accounts payable	71,931	115,830	139	187,900	77,782
Accrued salaries and benefits	8,133	7,823	2,305	18,261	16,484
Due to other funds	-	35,210	22,573	57,783	473,546
Total current liabilities	<u>80,064</u>	<u>232,630</u>	<u>25,017</u>	<u>337,711</u>	<u>642,016</u>
NONCURRENT LIABILITIES					
Notes payable, net of current portion	-	1,100,004	-	1,100,004	1,173,771
Net pension liability	193,659	146,653	41,437	381,749	408,147
Compensated absences	4,560	1,508	9,021	15,089	15,985
Total noncurrent liabilities	<u>198,219</u>	<u>1,248,165</u>	<u>50,458</u>	<u>1,496,842</u>	<u>1,597,903</u>
Total liabilities	<u>278,283</u>	<u>1,480,795</u>	<u>75,475</u>	<u>1,834,553</u>	<u>2,239,919</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - pensions	<u>23,567</u>	<u>17,846</u>	<u>5,043</u>	<u>46,456</u>	<u>24,504</u>
NET POSITION					
Net investment in capital assets	2,566,086	2,641,935	4,224,799	9,432,820	9,138,826
Unrestricted (deficit)	<u>1,815,420</u>	<u>1,750,195</u>	<u>(38,930)</u>	<u>3,526,685</u>	<u>3,101,341</u>
Total net position	<u>\$ 4,381,506</u>	<u>\$ 4,392,130</u>	<u>\$ 4,185,869</u>	<u>\$ 12,959,505</u>	<u>\$ 12,240,167</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

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

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

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2017	2016
OPERATING REVENUES					
Charges for services	\$ 1,119,943	\$ 1,888,967	\$ 179,662	\$ 3,188,572	\$ 2,800,622
Other	220,508	193,326	3,932	417,766	418,596
Total operating revenues	<u>1,340,451</u>	<u>2,082,293</u>	<u>183,594</u>	<u>3,606,338</u>	<u>3,219,218</u>
OPERATING EXPENSES					
Salaries and wages	360,602	365,502	143,914	870,018	849,308
Employee benefits	277,979	282,183	21,641	581,803	608,604
Administrative expenses	6,671	6,094	13,370	26,135	9,713
Insurance	20,000	20,000	-	40,000	34,184
Professional services	218,348	187,372	3,036	408,756	508,021
Repairs and maintenance	74,114	242,074	12,639	328,827	319,870
Supplies	33,328	125,396	18,120	176,844	167,070
Utilities	84,648	82,276	2,892	169,816	160,035
Depreciation	195,207	114,440	12,656	322,303	318,725
Total operating expenses	<u>1,270,897</u>	<u>1,425,337</u>	<u>228,268</u>	<u>2,924,502</u>	<u>2,975,530</u>
Operating income (loss)	<u>69,554</u>	<u>656,956</u>	<u>(44,674)</u>	<u>681,836</u>	<u>243,688</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	21,131	15,963	119	37,213	44,176
Interest expense	-	(28,368)	-	(28,368)	(26,113)
Intergovernmental revenues	29,732	29,732	-	59,464	47,755
Total nonoperating revenues (expenses)	<u>50,863</u>	<u>17,327</u>	<u>119</u>	<u>68,309</u>	<u>65,818</u>
Income (loss) before capital contributions and transfers	120,417	674,283	(44,555)	750,145	309,506
Transfers in	-	465,565	46,628	512,193	46,628
Transfers out	(123,000)	(420,000)	-	(543,000)	(624,388)
CHANGE IN NET POSITION	(2,583)	719,848	2,073	719,338	(268,254)
NET POSITION					
Beginning of year	4,384,089	3,672,282	4,183,796	12,240,167	12,508,421
End of year	<u>\$ 4,381,506</u>	<u>\$ 4,392,130</u>	<u>\$ 4,185,869</u>	<u>\$ 12,959,505</u>	<u>\$ 12,240,167</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

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

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 1,190,431	\$ 1,809,440	\$ 179,662	\$ 3,179,533	\$ 2,763,777
Payments to suppliers for goods and services	(420,375)	(589,731)	(50,153)	(1,060,259)	(1,159,350)
Payments to employees	(819,569)	(825,480)	(166,187)	(1,811,236)	(1,050,238)
Other receipts	220,508	193,326	3,932	417,766	418,596
Net cash provided by (used for) operating activities	170,995	587,555	(32,746)	725,804	972,785
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	29,732	29,732	-	59,464	47,755
Transfers from other funds	-	-	46,628	46,628	46,628
Transfers to other funds	(123,000)	(420,000)	-	(543,000)	(633,029)
Net cash provided by (used for) noncapital financing activities	(93,268)	(390,268)	46,628	(436,908)	(538,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(40,970)	(28,368)	-	(69,338)	(100,780)
Repayment of notes payable	-	(74,204)	-	(74,204)	(74,320)
Interest paid	-	(35,558)	-	(35,558)	(26,113)
Net cash used for capital and related financing activities	(40,970)	(138,130)	-	(179,100)	(201,213)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	21,131	15,963	119	37,213	44,176
Net increase in cash	57,888	75,120	14,001	147,009	277,102
CASH					
Beginning of year	1,553,741	861,482	8,026	2,423,249	2,146,147
Ending of year	\$ 1,611,629	\$ 936,602	\$ 22,027	\$ 2,570,258	\$ 2,423,249
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 69,554	\$ 656,956	\$ (44,674)	681,836	243,688
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	195,207	114,440	12,656	322,303	318,725
(Increase) decrease in					
Accounts receivable	70,488	(79,527)	-	(9,039)	(36,845)
Due from other funds	7,665	(19,999)	(1,835)	(14,169)	(15,090)
Prepaid expenses	11,802	13,333	2,842	27,977	(8,569)
Deferred outflows - pensions	(4,278)	977	27,572	24,271	(112,743)
Increase (decrease) in					
Accounts payable	16,734	93,480	(96)	110,118	18,444
Accrued salaries and benefits	512	1,178	24,408	26,098	7,445
Due to other funds	(229,456)	(208,880)	87	(438,249)	447,501
Compensated balances	19,725	(356)	(458)	18,911	(564)
Net pension liability	(82)	6,520	(52,643)	(46,205)	90,076
Deferred inflows - pensions	13,124	9,433	(605)	21,952	20,717
Net cash provided by (used for) operating activities	\$ 170,995	\$ 587,555	\$ (32,746)	\$ 725,804	\$ 972,785

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017 with summarized comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Investments	\$ 3,366,754	\$ 4,278,579
Receivables		
Employer contributions	<u>233,816</u>	<u>-</u>
Total assets	<u>3,600,570</u>	<u>4,278,579</u>
 NET POSITION		
Assets held in trust for pension benefits	<u>\$ 3,600,570</u>	<u>\$ 4,278,579</u>

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

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

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 257,058	\$ 244,399
Member contributions	<u>37,513</u>	<u>43,883</u>
Total contributions	<u>294,571</u>	<u>288,282</u>
Investment income		
Interest	<u>176,318</u>	<u>220,028</u>
Total additions	<u>470,889</u>	<u>508,310</u>
DEDUCTIONS		
Benefits paid	1,147,580	534,905
Administrative expenses	<u>1,318</u>	<u>1,362</u>
Total deductions	<u>1,148,898</u>	<u>536,267</u>
CHANGE IN NET POSITION	(678,009)	(27,957)
NET POSITION		
Beginning of year	<u>4,278,579</u>	<u>4,306,536</u>
End of year	<u>\$ 3,600,570</u>	<u>\$ 4,278,579</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(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 2017 was \$2,183,683. 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 2017 was \$38,308. 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, 2017

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, 2017

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, 2017

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, 2017

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 2017 was 17.70 mills (\$17.70 for \$1,000 of assessed valuation) for general purposes and 6.30 mills (\$6.30 for \$1,000 of assessed valuation) for debt service. The Borough experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Borough for property taxes receivable. The Borough is permitted by statute to levy taxes up to 30 mills of assessed valuation for general purposes and additional millage for other purposes as provided in the statutes.

Other taxes levied in 2017 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, 2017.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 or 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, 2017

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, 2016, from which the summarized information was derived.

Implementation of New Accounting Pronouncements

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

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

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

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 80 had no impact on the financial statements of 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.

New Accounting Pronouncements

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

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

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017, the carrying amount of the Borough's deposits was \$5,019,494 and the bank balance was \$5,041,263. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,429,311 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, 2017, PLGIT was rated AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,932,950	\$ -	\$ -	\$ 1,932,950
Construction in progress	<u>463,263</u>	<u>-</u>	<u>463,263</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,396,213</u>	<u>-</u>	<u>463,263</u>	<u>1,932,950</u>
Capital assets being depreciated				
Buildings and improvements	1,975,037	-	-	1,975,037
Improvements other than buildings	3,553,324	712,447	-	4,265,771
Machinery and equipment	<u>3,711,936</u>	<u>176,704</u>	<u>-</u>	<u>3,888,640</u>
Total capital assets being depreciated	<u>9,240,297</u>	<u>889,151</u>	<u>-</u>	<u>10,129,448</u>
Less accumulated depreciation for				
Buildings and improvements	(931,454)	(40,222)	-	(971,676)
Improvements other than buildings	(2,039,176)	(94,884)	-	(2,134,060)
Machinery and equipment	<u>(1,789,411)</u>	<u>(264,223)</u>	<u>-</u>	<u>(2,053,634)</u>
Total accumulated depreciation	<u>(4,760,041)</u>	<u>(399,329)</u>	<u>-</u>	<u>(5,159,370)</u>
Total capital assets being depreciated, net	<u>4,480,256</u>	<u>489,822</u>	<u>-</u>	<u>4,970,078</u>
Governmental activities, net	<u>\$ 6,876,469</u>	<u>\$ 489,822</u>	<u>\$ 463,263</u>	<u>\$ 6,903,028</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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	40,970	-	5,178,777
Improvements other than buildings	13,382,412	501,123	-	13,883,535
Machinery and equipment	<u>239,097</u>	<u>-</u>	<u>-</u>	<u>239,097</u>
Total capital assets being depreciated	18,759,316	542,093	-	19,301,409
Less accumulated depreciation for				
Buildings and improvements	(4,578,500)	(31,597)	-	(4,610,097)
Improvements other than buildings	(8,563,229)	(285,823)	-	(8,849,052)
Machinery and equipment	<u>(200,961)</u>	<u>(4,883)</u>	<u>-</u>	<u>(205,844)</u>
Total accumulated depreciation	(13,342,690)	(322,303)	-	(13,664,993)
Total capital assets being depreciated, net	<u>5,416,626</u>	<u>219,790</u>	<u>-</u>	<u>5,636,416</u>
Business-type activities, net	<u>\$ 10,386,801</u>	<u>\$ 219,790</u>	<u>\$ -</u>	<u>\$ 10,606,591</u>

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

Governmental activities

General government	\$ 16,945
Public safety	200,979
Public works	107,533
Culture and recreation	<u>73,872</u>

Total depreciation expense - governmental activities \$399,329

Business-type activities

Sewer	\$114,440
Water	195,207
Golf course	<u>12,656</u>

Total depreciation expense - business-type activities \$322,303

As of December 31, 2017, the Borough has completed all outstanding construction projects.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 61,805	Capital Projects Fund	\$ 61,805
General Fund	22,573	Golf Course Fund	22,573
General Fund	33,697	Water Fund	33,697
General Fund	84,726	Nonmajor Governmental Fund	84,726
Water Fund	442,218	Capital Projects Fund	442,218
Sewer Fund	5,913	General Fund	5,913
Sewer Fund	<u>1,513</u>	Water Fund	<u>1,513</u>
	<u>\$ 652,445</u>		<u>\$ 652,445</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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	\$ 420,000	Water Fund	\$ 420,000
Golf Course Fund	46,628	General Fund	46,628
Capital Projects Fund	123,000	Sewer Fund	123,000
Capital Projects Fund	37,200	General Fund	37,200
Water Fund	<u>465,565</u>	Capital Projects Fund	<u>465,565</u>
	<u>\$1,092,393</u>		<u>\$1,092,393</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, 2017:

	<u>Balance January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2017</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt:					
Notes payable	<u>\$3,486,461</u>	<u>\$193,273</u>	<u>\$253,800</u>	<u>\$3,425,934</u>	<u>\$417,960</u>
Other noncurrent liabilities					
Lease rental payable	464,257	-	90,037	374,220	92,473
Capital lease payable	113,162	-	28,988	84,174	29,839
Compensated absences	5,865	5,274	-	11,139	-
Net pension liability	<u>614,451</u>	<u>-</u>	<u>118,406</u>	<u>496,045</u>	<u>-</u>
Total other noncurrent liabilities	<u>1,197,735</u>	<u>5,274</u>	<u>237,431</u>	<u>965,578</u>	<u>122,312</u>
Total noncurrent liabilities governmental activities	<u>\$4,684,196</u>	<u>\$198,547</u>	<u>\$491,231</u>	<u>\$4,391,512</u>	<u>\$540,272</u>

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	<u>\$1,247,975</u>	<u>\$ -</u>	<u>\$ 74,204</u>	<u>\$1,173,771</u>	<u>\$ 73,767</u>
Other noncurrent liabilities					
Net pension liability	408,147	-	26,398	381,749	-
Compensated absences	<u>15,985</u>	<u>-</u>	<u>896</u>	<u>15,089</u>	<u>-</u>
Total other noncurrent liabilities	<u>424,132</u>	<u>-</u>	<u>27,294</u>	<u>396,838</u>	<u>-</u>
Total noncurrent liabilities business-type activities	<u>\$1,672,107</u>	<u>\$ -</u>	<u>\$101,498</u>	<u>\$1,570,609</u>	<u>\$ 73,767</u>

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017 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 \$1,406,000 at December 31, 2017.

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, 2017 is \$2,019,934.

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>
2018	\$ 417,960	\$ 93,215	\$ 511,175
2019	429,880	82,180	512,060
2020	440,650	70,915	511,565
2021	453,420	59,436	512,856
2022	561,860	47,604	609,464
2023-2027	960,664	98,122	1,058,786
2028	<u>161,500</u>	<u>5,023</u>	<u>166,523</u>
	<u>\$3,425,934</u>	<u>\$456,495</u>	<u>\$3,882,429</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 \$579,915 at December 31, 2017.

On May 2, 2012, the Borough issued a \$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 \$593,856 at December 31, 2017.

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>
2018	\$ 73,767	\$ 31,800	\$ 105,567
2019	75,829	29,738	105,567
2020	77,949	27,618	105,567
2021	80,129	25,438	105,567
2022	82,370	23,197	105,567
2023-2027	447,741	80,095	527,836
2028-2032	<u>335,986</u>	<u>19,162</u>	<u>355,148</u>
	<u>\$1,173,771</u>	<u>\$237,048</u>	<u>\$1,410,819</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2017.

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 \$374,220 at December 31, 2017.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2017 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$374,220</u>	<u>\$15,907</u>	<u>\$390,127</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, 2017 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 29,839	\$ 2,118	\$ 31,957
2019	30,712	1,244	31,956
2020	<u>23,623</u>	<u>343</u>	<u>23,966</u>
	<u>\$ 84,174</u>	<u>\$ 3,705</u>	<u>\$ 87,879</u>

(7) EMPLOYEE RETIREMENT PLAN

Non-Uniform Pension Fund

The East Stroudsburg Borough Non-Uniform Pension Fund accounts for a single-employer defined benefit pension plan (the "**Plan**") controlled by the provisions of Ordinance Number 1258 of the Borough. The Non-Uniform 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, 2017:

Active employees	18
Retirees and beneficiaries currently receiving benefits	13
Terminated plan members entitled to but not yet receiving benefits	<u>3</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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 2017 MMO contribution totaled \$234,230 and employee contributions totaled \$37,113.

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, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% percent investment rate of return (net of administrative costs) and (b) 3.00% 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 5.00 years.

Discount Rate

The discount rate used to measure the total pension liability is 5.25%. 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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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%	6.4%
Domestic Equities (Small Capitalized Firms)	15%	7.0%
International Equities (International Developed Markets)	15%	3.7%
International Equities (Emerging Markets)	10%	7.9%
Real Estate	20%	7.0%
Fixed Income	<u>15%</u>	<u>2.4%</u>
Total Portfolio	<u>100%</u>	<u>5.8%</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, 2016.

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of December 31, 2016, 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 \$876,694 measured as the difference between the total pension liability of \$7,150,695 and the fiduciary net position of \$6,274,001.

As of December 31, 2017, the net pension liability of \$494,945 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 \$381,749 of the net pension liability is recorded as a liability in the Sewer Fund for \$193,659, in the Water Fund for \$146,653 and in the Golf Course Fund for \$41,437 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2015	<u>\$6,783,777</u>	<u>\$5,763,168</u>	<u>\$1,020,609</u>
Changes for the year:			
Service cost	154,308	-	154,308
Interest on total pension liability	375,390	-	375,390
Changes of assumptions	182,587	-	182,587
Differences between expected and actual experience	(123,841)	-	(123,841)
Employer contributions	-	229,485	(229,485)
Member contributions	-	43,883	(43,883)
PMRS investment income	-	333,020	(333,020)
Market value investment income	-	142,966	(142,966)
Benefit payments	(221,526)	(221,526)	-
PMRS administrative expense	-	(680)	680
Additional administrative expense	-	(16,315)	16,315
Net changes	<u>366,918</u>	<u>510,833</u>	<u>(143,915)</u>
Balances as of December 31, 2016	<u>\$7,150,695</u>	<u>\$6,274,001</u>	<u>\$ 876,694</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 5.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	<u>1% Decrease</u> <u>4.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>5.25%</u>	<u>1% Increase</u> <u>6.25%</u>
Net Pension Liability (Asset)	\$1,674,669	\$876,694	\$183,247

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Borough recognized negative pension expense of \$23,512. At December 31, 2017 the Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ -	\$106,687
Changes in assumptions	113,317	-
Net difference between projected and actual earnings on pension plan investments	77,774	-
Contributions subsequent to the measurement date	<u>222,765</u>	<u>-</u>
	<u>\$413,856</u>	<u>\$106,687</u>

An amount of \$222,765 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, 2018.

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

Year ended December 31:

2017	\$ 30,395
2018	30,394
2019	32,628
2020	(18,803)
2021	<u>9,790</u>
	<u>\$ 84,404</u>

Actuarial Methods and Significant Assumptions

- Discount rate – 5.25%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

Nonuniform Cash Balance Pension Fund

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

Plan Membership

Membership in the Cash Balance Plan consisted of the following at December 31, 2017:

Active employees	6
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>7</u>

Benefit Provisions

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

The Borough is required to contribute 6.00% of the members' total compensation to the Cash Balance Plan. Members are not required to contribute to the Cash Balance Plan but may make a voluntary contribution up to 10.00% of total compensation. The Borough's 2017 contribution totaled \$22,828 and member contributions totaled \$400.

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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% 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 5.25%. 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%	6.4%
Domestic Equities (Small Capitalized Firms)	15%	7.0%
International Equities (International Developed Markets)	15%	3.7%
International Equities (Emerging Markets)	10%	7.9%
Real Estate	20%	7.0%
Fixed Income	<u>15%</u>	<u>2.4%</u>
Total Portfolio	<u>100%</u>	<u>5.8%</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, 2016.

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of December 31, 2016, 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 \$1,100 measured as the difference between the total pension liability of \$43,984 and the fiduciary net position of \$42,884. As of December 31, 2017, \$1,100 of the net pension liability is related to the governmental funds and is only recorded in the government-wide statement of net position.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2015	\$28,416	\$26,427	\$ 1,989
Changes for the year:			
Service cost	14,911	-	14,911
Interest on total pension liability	1,810	-	1,810
Differences between expected and actual experience	(1,153)	-	(1,153)
Employer contributions	-	15,051	(15,051)
Member contributions	-	-	-
PMRS investment income	-	1,750	(1,750)
Market value investment income	-	(178)	178
Benefit payments	-	-	-
PMRS administrative expense	-	(80)	80
Additional administrative expense	-	(86)	86
Net changes	<u>15,568</u>	<u>16,457</u>	<u>(889)</u>
Balances as of December 31, 2016	<u>\$43,984</u>	<u>\$42,884</u>	<u>\$ 1,100</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 5.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) 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)	\$9.896	\$1,100	\$(7,697)

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Borough recognized net negative pension expense of \$7,120. At December 31, 2017, the Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$1,038
Net difference between projected and actual earnings on pension plan investments	1,261	-
Contributions subsequent to the measurement date	<u>22,420</u>	<u>-</u>
	<u>\$23,681</u>	<u>\$1,038</u>

An amount of \$22,420 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, 2018.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

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	\$ 304
2018	302
2019	276
2020	(81)
2021	(115)
Thereafter	<u>(463)</u>
	<u>\$ 223</u>

Actuarial Methods and Significant Assumptions

- Discount rate – 5.25%
- 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.

(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.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2018, 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, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes			
Real estate-current year levy	\$ 1,173,700	\$ 1,357,344	\$ 183,644
Real estate-current year levy - interim	1,330	2,624	1,294
Real estate-prior years levy	17,650	8,135	(9,515)
Real estate-payment in lieu	3,500	-	(3,500)
Real estate-delinquent taxes	<u>112,250</u>	<u>160,673</u>	<u>48,423</u>
Total real estate taxes	<u>1,308,430</u>	<u>1,528,776</u>	<u>220,346</u>
Local tax enabling act (Act 511):			
Real estate transfer	90,000	233,574	143,574
Earned income tax	860,000	848,422	(11,578)
Local services tax	<u>355,000</u>	<u>325,781</u>	<u>(29,219)</u>
Total local tax enabling act	<u>1,305,000</u>	<u>1,407,777</u>	<u>102,777</u>
Total taxes	<u>2,613,430</u>	<u>2,936,553</u>	<u>323,123</u>
Licenses and permits			
Engineering review fees	5,000	-	(5,000)
Restaurant licenses	10,000	9,498	(502)
Zoning permits and fees	75,000	72,389	(2,611)
Rental housing licenses	79,000	92,234	13,234
Zoning fines	3,000	6,055	3,055
TV cable franchise fees	138,000	131,973	(6,027)
Licenses and permits	<u>1,500</u>	<u>3,759</u>	<u>2,259</u>
Total licenses and permits	<u>311,500</u>	<u>315,908</u>	<u>4,408</u>
Fines and forfeits			
Parking fines - miscellaneous	200	248	48
Parking fines	150,000	114,858	(35,142)
Fines and forfeits	<u>34,000</u>	<u>30,542</u>	<u>(3,458)</u>
Total fines and forfeits	<u>184,200</u>	<u>145,648</u>	<u>(38,552)</u>
Interest, rent and royalties			
Interest income	11,500	7,552	(3,948)
Rent of buildings	<u>200</u>	<u>101</u>	<u>(99)</u>
Total interest, rent and royalties	<u>11,700</u>	<u>7,653</u>	<u>(4,047)</u>
Intergovernmental revenues			
General municipal pension aid	46,760	50,654	3,894
Fire insurance premium	54,000	45,989	(8,011)
Other shared state revenue	<u>10,400</u>	<u>(245)</u>	<u>(10,645)</u>
Total intergovernmental revenues	<u>111,160</u>	<u>96,398</u>	<u>(14,762)</u>

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

For the year ended December 31, 2017

	<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	630,000	688,691	58,691
Street openings	6,000	9,510	3,510
Parking meters	110,500	119,200	8,700
Parking lot rental	14,000	12,163	(1,837)
Parking permits	200	335	135
Code office supplies	100	-	(100)
Street department services	5,000	5,100	100
Recreation (pool/tables/concessions)	84,740	72,604	(12,136)
Total charges for services	<u>850,540</u>	<u>907,603</u>	<u>57,063</u>
Miscellaneous			
Miscellaneous income	2,000	24,264	22,264
Miscellaneous donations	-	19,620	19,620
Other reimbursements	5,800	32,114	26,314
Damages to borough property	-	563	563
Refunds and other reimbursements	26,500	126,919	100,419
Total miscellaneous	<u>34,300</u>	<u>203,480</u>	<u>169,180</u>
Total revenues	<u>4,116,830</u>	<u>4,613,243</u>	<u>496,413</u>
General government			
Legislative body			
Salaries-council	3,000	3,000	-
Salary-mayor	5,000	5,000	-
General expense-elected officials	3,000	476	2,524
Association dues and subscriptions	5,800	7,153	(1,353)
Training/conference expenses	2,500	2,081	419
Social security	685	456	229
Medicare	166	107	59
Total legislative body	<u>20,151</u>	<u>18,273</u>	<u>1,878</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued)			
Executive			
Salaries and wages	72,000	74,233	(2,233)
Office supplies	8,000	7,401	599
Gas and oil	1,100	346	754
Office equipment	3,000	-	3,000
Postage	12,000	11,720	280
General expense	3,800	15,031	(11,231)
Payroll processing fees	5,500	8,715	(3,215)
Telephone expense	8,000	5,612	2,388
Credit card expenses	4,000	5,112	(1,112)
Association dues and subscriptions	2,700	2,056	644
Vehicle maintenance	700	1,513	(813)
Contracted services	13,000	13,989	(989)
Training/conference expenses	3,400	1,204	2,196
Group accident insurance-disability	578	478	100
Workmens compensation	2,892	1,633	1,259
Hospitalization insurance	12,839	9,869	2,970
Contribution to HRA	636	1,356	(720)
Group life insurance	197	131	66
Contribution to PMRS pension	7,374	14,681	(7,307)
Social security	6,168	4,229	1,939
Medicare	1,492	989	503
Unemployment compensation	2,487	1,737	750
Comprehensive liability insurance	2,313	1,696	617
Public official liability	1,619	1,418	201
Accident insurance	58	58	-
Total executive	<u>175,853</u>	<u>185,207</u>	<u>(9,354)</u>
Auditing services/financial administration			
Auditing service	<u>6,000</u>	<u>9,250</u>	<u>(3,250)</u>
Tax collection			
Salary-tax collector	8,220	6,820	1,400
General expense	1,800	1,314	486
Commissions			
Real estate	6,250	4,650	1,600
Local service tax	8,080	4,996	3,084
Earned income tax	13,550	12,525	1,025
Deed transfers	1,800	7,424	(5,624)
Social security	704	388	316
Medicare	170	92	78
Total tax collection	<u>40,574</u>	<u>38,209</u>	<u>2,365</u>
Secretary/clerk			
Insurance and bonding	<u>2,500</u>	<u>-</u>	<u>2,500</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	20,839	5,161
Legal expenses	31,000	141,608	(110,608)
Codification expenses	7,000	-	7,000
Public notice/advertising	7,000	8,497	(1,497)
Total solicitor/legal services	<u>71,000</u>	<u>170,944</u>	<u>(99,944)</u>
Other general government administration			
Bank service fees	-	980	(980)
Engineering services			
Engineering services	10,000	26,184	(16,184)
Consulting services	10,000	17,708	(7,708)
Total engineering services	<u>20,000</u>	<u>43,892</u>	<u>(23,892)</u>
General government buildings and plant			
Salaries and wages	8,000	16,681	(8,681)
Janitorial supplies	3,000	2,612	388
Materials and supplies	2,500	4,152	(1,652)
Real estate taxes - Analomink	9,500	9,244	256
Property /auto insurance	5,200	5,064	136
Electricity			
Municipal building	10,000	10,248	(248)
Analomink building	1,500	1,580	(80)
Gas			
Analomink building	1,500	411	1,089
Maintenance and repairs			
Municipal building	29,000	23,518	5,482
Analomink building	2,000	105	1,895
Loder building	500	38	462
Day Street building	2,000	6,805	(4,805)
Social security	685	950	(265)
Medicare	166	222	(56)
Total general government buildings and plant	<u>75,551</u>	<u>81,630</u>	<u>(6,079)</u>
Refund of prior year revenue	<u>5,000</u>	<u>67,352</u>	<u>(62,352)</u>
Total general government	<u>416,629</u>	<u>615,737</u>	<u>(199,108)</u>
Public safety			
Police			
Monroe County Control Center	29,250	26,812	2,438
Regional police services	2,183,700	2,183,683	17
Total police	<u>2,212,950</u>	<u>2,210,495</u>	<u>2,455</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	625	2,375
Workmens compensation	21,000	26,875	(5,875)
Fire and rescue supplies	3,000	408	2,592
Heating oil	700	-	700
Gas and oil	4,000	1,420	2,580
Vehicle repairs and supplies	1,000	739	261
Fire fighting equipment - minor	1,000	775	225
Building maintenance supplies	1,000	20,863	(19,863)
General expense	3,000	2,171	829
Telephone expense	3,000	2,718	282
Comprehensive liability insurance	21,500	21,000	500
Electric fire hall	13,500	21,583	(8,083)
Natural gas heating	7,000	2,914	4,086
Radio maintenance	1,000	1,139	(139)
Building maintenance	12,000	15,432	(3,432)
Vehicle maintenance and equipment	12,000	9,733	2,267
Contracted services	5,000	7,891	(2,891)
Monroe county control center	12,550	11,496	1,054
Contribution-acme hose company	12,500	10,066	2,434
Contribution-fireman's relief association	54,000	45,989	8,011
Social security	257	36	221
Medicare	62	8	54
Total fire	<u>192,069</u>	<u>203,881</u>	<u>(11,812)</u>
UCC and code enforcement			
Salaries and wages	120,000	81,589	38,411
Parking enforcement	70,500	59,296	11,204
Material and supplies	2,000	1,734	266
Gas and oil	2,500	900	1,600
Vehicle maintenance and supplies	600	204	396
Minor equipment	3,000	-	3,000
General expense	3,000	681	2,319
Engineering services	10,000	6,548	3,452
Legal services	29,000	21,794	7,206
Advertising expense	3,000	2,677	323
Property/auto insurance	3,200	3,200	-
Association dues and subscriptions	1,400	945	455
Vehicle maintenance and equipment	2,500	838	1,662
Contracted services	12,000	10,577	1,423
Training/conference expenses	1,000	-	1,000
Group accident insurance-disability	663	907	(244)
Workmens compensation	3,313	3,099	214
Hospitalization insurance	14,711	18,731	(4,020)
Contribution to HRA	729	2,574	(1,845)

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	225	249	(24)
Contribution to PMRS pension	8,450	27,863	(19,413)
Social security	7,068	8,025	(957)
Medicare	1,710	1,877	(167)
Unemployment compensation	2,849	3,297	(448)
Comprehensive liability insurance	2,651	3,219	(568)
Public official liability	1,855	2,691	(836)
Accident insurance	66	108	(42)
Total UCC and code enforcement	<u>307,990</u>	<u>263,623</u>	<u>44,367</u>
Total public safety	<u>2,713,009</u>	<u>2,677,999</u>	<u>35,010</u>
Human and health services			
General health services			
Salaries and wages	10,000	17,552	(7,552)
Material and supplies	1,000	-	1,000
Vector control	2,000	-	2,000
Social security	857	1,000	(143)
Medicare	207	234	(27)
Total human and health services	<u>14,064</u>	<u>18,786</u>	<u>(4,722)</u>
Public works - sanitation			
Recycling/solid waste collection and disposal			
Salaries and wages-recycling	114,000	112,712	1,288
Materials and supplies	500	-	500
Gas and oil	500	-	500
Postage and printing	3,500	-	3,500
General expense	1,500	150	1,350
Landfill - engineering	7,000	12,505	(5,505)
Recycling costs	11,000	7,663	3,337
Contracted services-garbage contract	482,000	488,955	(6,955)
Group accident insurance-disability	916	726	190
Workmens compensation	4,578	2,479	2,099
Hospitalization insurance	20,328	14,985	5,343
Contribution to HRA	1,007	2,060	(1,053)
Group life insurance	311	199	112

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	11,676	22,291	(10,615)
Social security	9,766	6,420	3,346
Medicare	2,363	1,502	861
Unemployment compensation	3,937	2,637	1,300
Comprehensive liability insurance	3,663	2,575	1,088
Public official liability	2,564	2,152	412
Accident insurance	92	87	5
Total public works - sanitation	<u>681,201</u>	<u>680,098</u>	<u>1,103</u>
Public works - highways and streets			
General services - administration			
Salaries and wages	30,000	17,503	12,497
Vacations and holidays-wages	63,000	51,055	11,945
Materials and supplies	15,000	31,674	(16,674)
Gas and oil	14,000	23,147	(9,147)
Uniforms and clothing	4,000	8,922	(4,922)
Vehicle maintenance and repair	12,000	7,155	4,845
Minor equipment	6,000	58,505	(52,505)
Building maintenance supplies	1,000	2,621	(1,621)
General expense	2,000	3,362	(1,362)
Engineering services	10,000	37,402	(27,402)
Telephone expense-DPW	1,200	1,294	(94)
Property/ auto insurance	11,500	11,345	155
Electricity - DPW	3,000	1,757	1,243
Gas heat - DPW garage	5,000	3,185	1,815
Building maintenance	2,000	6,640	(4,640)
Vehicle maintenance	12,000	24,652	(12,652)
Contracted services	3,500	1,862	1,638
Street sweeper lease	31,960	31,956	4
Group accident insurance-disability	1,028	442	586
Workmens compensation	4,016	1,508	2,508
Hospitalization insurance	22,825	9,115	13,710
Contribution to HRA	1,131	1,253	(122)
Group life insurance	350	121	229
Contribution to PMRS pension	13,111	13,559	(448)
Social security	7,967	3,905	4,062
Medicare	1,928	913	1,015
Unemployment compensation	4,420	1,604	2,816
Comprehensive liability insurance	4,113	1,566	2,547
Public official liability	2,879	1,309	1,570
Accident insurance	103	53	50
Total general services - administration	<u>291,031</u>	<u>359,385</u>	<u>(68,354)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	27,000	27,169	(169)
Vehicle maintenance and supplies	4,000	643	3,357
Vehicle maintenance and services	3,000	-	3,000
Group accident insurance-disability	217	175	42
Workmens compensation	1,084	598	486
Hospitalization insurance	4,814	3,612	1,202
Contribution to HRA	239	496	(257)
Group life insurance	74	48	26
Contribution to PMRS pension	2,765	5,374	(2,609)
Social security	2,313	1,548	765
Medicare	560	362	198
Unemployment compensation	933	636	297
Comprehensive liability insurance	867	620	247
Public official liability	607	518	89
Accident insurance	<u>22</u>	<u>20</u>	<u>2</u>
Total cleaning of street and gutters	<u>48,495</u>	<u>41,819</u>	<u>6,676</u>
Winter maintenance - snow removal			
Salaries and wages	35,000	19,729	15,271
Materials and supplies	5,000	545	4,455
Salt and cinders	13,000	10,336	2,664
Minor equipment	5,000	6,258	(1,258)
Equipment rental	5,000	8,932	(3,932)
Social security	2,998	1,124	1,874
Medicare	<u>725</u>	<u>263</u>	<u>462</u>
Total winter maintenance - snow removal	<u>66,723</u>	<u>47,187</u>	<u>19,536</u>
Traffic control devices			
Salaries and wages	12,000	6,499	5,501
Materials and supplies	12,000	12,818	(818)
Electricity	8,000	5,951	2,049
Maintenance and repairs	20,000	41,984	(21,984)
Social security	1,028	370	658
Medicare	<u>249</u>	<u>87</u>	<u>162</u>
Total traffic control devices	<u>53,277</u>	<u>67,709</u>	<u>(14,432)</u>

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

For the year ended December 31, 2017

	<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	2,000	2,937	(937)
Materials and supplies	10,000	689	9,311
Electric - street lighting	25,000	38,873	(13,873)
Contracted services	5,000	4,331	669
Social security	171	167	4
Medicare	41	39	2
Total street lighting	<u>42,212</u>	<u>47,036</u>	<u>(4,824)</u>
Sidewalks and crosswalks			
Salaries and wages	36,000	33,455	2,545
Materials and supplies	2,000	1,481	519
Group accident insurance-disability	289	215	74
Workmens compensation	1,446	736	710
Hospitalization insurance	6,419	4,448	1,971
Contribution to HRA	318	611	(293)
Group life insurance	98	59	39
Contribution to PMRS pension	3,687	6,616	(2,929)
Social security	3,084	1,906	1,178
Medicare	746	446	300
Unemployment compensation	1,243	783	460
Comprehensive liability insurance	1,157	764	393
Public official liability	810	639	171
Accident insurance	29	25	4
Total sidewalks and crosswalks	<u>57,326</u>	<u>52,184</u>	<u>5,142</u>
Storm sewers and drains			
Salaries and wages	22,000	10,408	11,592
Materials and supplies	2,000	-	2,000
Electric - flory property	1,000	360	640
Repairs and maintenance	12,000	2,075	9,925
Social security	1,885	593	1,292
Medicare	456	139	317
Total storm sewers and drains	<u>39,341</u>	<u>13,575</u>	<u>25,766</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - highways and streets (continued)			
Maintenance and repairs of roads and bridges			
Salaries and wages	95,000	92,837	2,163
Materials and supplies	16,000	7,530	8,470
Maintenance and repairs	14,000	11,200	2,800
Group accident insurance-disability	763	598	165
Workmens compensation	3,815	2,042	1,773
Hospitalization insurance	16,939	12,342	4,597
Contribution to HRA	839	1,696	(857)
Group life insurance	259	164	95
Contribution to PMRS pension	9,730	18,359	(8,629)
Social security	8,139	5,288	2,851
Medicare	1,969	1,237	732
Unemployment compensation	3,281	2,173	1,108
Comprehensive liability insurance	3,052	2,121	931
Public official liability	2,137	1,774	363
Accident insurance	76	72	4
Total maintenance and repairs of roads and bridges	<u>175,999</u>	<u>159,433</u>	<u>16,566</u>
Total public works - highways and streets	<u>774,404</u>	<u>788,328</u>	<u>(13,924)</u>
Public works - other			
Parking			
Salaries and wages - parking lot	10,000	3,797	6,203
Materials and supplies	12,500	5,053	7,447
Maintenance and repairs	6,000	375	5,625
Social security	857	216	641
Medicare	207	51	156
Total parking	<u>29,564</u>	<u>9,492</u>	<u>20,072</u>
Storm water and flood control			
Salaries and wages	18,000	12,048	5,952
Materials and supplies	2,000	-	2,000
Engineering services	12,000	3,806	8,194
Contracted services	80,000	49,070	30,930
Social security	1,542	686	856
Medicare	373	160	213
Total storm water and flood control	<u>113,915</u>	<u>65,770</u>	<u>48,145</u>
Total public works - other	<u>143,479</u>	<u>75,262</u>	<u>68,217</u>
Culture and recreation			
Participant recreation			
Salaries and wages - pool	18,000	37,811	(19,811)
Materials and supplies	30,000	11,349	18,651
Pool chemicals	12,000	3,307	8,693
Electric and propane - pool/bathhouse	8,000	7,065	935

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Propane - pool heating	8,000	658	7,342
Maintenance and repairs	18,000	5,913	12,087
Building maintenance and repairs	6,000	455	5,545
Contracted services	67,000	60,778	6,222
Group accident insurance-disability	177	244	(67)
Workmens compensation	884	832	52
Hospitalization insurance	5,465	5,027	438
Contribution to HRA	194	691	(497)
Group life insurance	60	67	(7)
Contribution to PMRS pension	2,254	7,478	(5,224)
Social security	1,542	2,154	(612)
Medicare	373	504	(131)
Unemployment compensation	760	884	(124)
Comprehensive liability insurance	707	862	(155)
Public official liability	495	720	(225)
Accident insurance	18	27	(9)
Total participant recreation	<u>179,929</u>	<u>146,826</u>	<u>33,103</u>
Parks			
Salaries and wages	30,000	31,390	(1,390)
Materials and supplies	3,000	2,684	316
Concession supplies	8,000	6,551	1,449
Recreation equipment	3,000	2,000	1,000
Parks maintenance supplies	5,000	3,877	1,123
General expense	1,000	-	1,000
Telephone expense	1,000	1,083	(83)
Property/ auto insurance	7,800	7,000	800
Electricity - Dansbury Park	4,000	2,933	1,067
Electricity - Zacharias Pond	300	165	135
Maintenance and repairs	27,000	18,196	8,804
Contracted services	43,000	59,605	(16,605)
Sanitation services	3,500	6,715	(3,215)
Contribution - joint recreation	68,100	62,026	6,074
Group accident insurance-disability	369	445	(76)
Workmens compensation	1,847	1,519	328
Hospitalization insurance	7,788	9,179	(1,391)
Contribution to HRA	406	1,262	(856)
Group life insurance	126	122	4
Contribution to PMRS pension	4,711	13,655	(8,944)
Social security	3,941	3,933	8
Medicare	953	920	33
Unemployment compensation	1,589	1,616	(27)
Comprehensive liability insurance	1,478	1,577	(99)
Public official liability	1,035	1,319	(284)
Accident insurance	37	53	(16)
Total parks	<u>228,980</u>	<u>239,825</u>	<u>(10,845)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2017

	<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	1,168	2,832
Materials and supplies	5,000	3,283	1,717
Tree maintenance service	8,000	7,040	960
Social security	342	67	275
Medicare	83	16	67
Total shade trees	<u>17,425</u>	<u>11,574</u>	<u>5,851</u>
Other culture and recreation			
Salaries and wages	2,000	-	2,000
Materials and supplies	1,000	220	780
Town clock	400	-	400
Contracted services	3,000	896	2,104
Civic contributions	4,000	650	3,350
Contributions to ECA	10,000	8,000	2,000
Total other culture and recreation	<u>20,400</u>	<u>9,766</u>	<u>10,634</u>
Total culture and recreation	<u>446,734</u>	<u>407,991</u>	<u>38,743</u>
Debt service			
Principal	116,460	90,037	26,423
Interest	35,600	7,196	28,404
Total debt service	<u>152,060</u>	<u>97,233</u>	<u>54,827</u>
Total expenditures	<u>5,341,580</u>	<u>5,361,434</u>	<u>(19,854)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,224,750)</u>	<u>(748,191)</u>	<u>476,559</u>
Other financing sources (uses)			
Transfers in	420,000	420,000	-
Transfers out	(112,600)	(83,828)	28,772
Total other financing sources (uses)	<u>307,400</u>	<u>336,172</u>	<u>28,772</u>
Net change in fund balance	<u>\$ (917,350)</u>	<u>(412,019)</u>	<u>\$ 505,331</u>
Fund balance			
Beginning of the year		<u>1,669,358</u>	
End of year		<u>\$ 1,257,339</u>	

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

For the year ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,155,000	\$ 1,119,943	\$ (35,057)
Other	199,690	220,508	20,818
Total operating revenues	<u>1,354,690</u>	<u>1,340,451</u>	<u>(14,239)</u>
OPERATING EXPENSES			
Salaries and wages	382,000	360,602	21,398
Employee benefits	277,230	277,979	(749)
Administrative expenses	5,200	6,671	(1,471)
Insurance	20,000	20,000	-
Professional services	562,000	218,348	343,652
Repairs and maintenance	401,500	74,114	327,386
Supplies	127,000	33,328	93,672
Utilities	120,000	84,648	35,352
Depreciation	-	195,207	(195,207)
Total operating expenses	<u>1,894,930</u>	<u>1,270,897</u>	<u>624,033</u>
Operating income (loss)	<u>(540,240)</u>	<u>69,554</u>	<u>609,794</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,010	21,131	19,121
Intergovernmental revenues	28,220	29,732	1,512
Total nonoperating revenues (expenses)	<u>30,230</u>	<u>50,863</u>	<u>20,633</u>
Income (loss) before capital contributions and transfers	<u>(510,010)</u>	<u>120,417</u>	<u>630,427</u>
Transfers out	<u>(123,000)</u>	<u>(123,000)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(633,010)</u>	<u>(2,583)</u>	<u>630,427</u>
NET POSITION			
Beginning of year	<u>4,384,089</u>	<u>4,384,089</u>	<u>-</u>
End of year	<u>\$ 3,751,079</u>	<u>\$ 4,381,506</u>	<u>\$ (630,427)</u>

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

For the year ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,427,500	\$ 1,888,967	\$ 461,467
Other	190,750	193,326	2,576
Total operating revenues	<u>1,618,250</u>	<u>2,082,293</u>	<u>464,043</u>
OPERATING EXPENSES			
Salaries and wages	410,000	365,502	44,498
Employee benefits	292,730	282,183	10,547
Administrative expenses	5,200	6,094	(894)
Insurance	20,000	20,000	-
Professional services	116,000	187,372	(71,372)
Repairs and maintenance	221,500	242,074	(20,574)
Supplies	145,500	125,396	20,104
Utilities	89,000	82,276	6,724
Depreciation	-	114,440	(114,440)
Total operating expenses	<u>1,299,930</u>	<u>1,425,337</u>	<u>(125,407)</u>
Operating income (loss)	<u>318,320</u>	<u>656,956</u>	<u>338,636</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	11,520	15,963	4,443
Interest expense	(118,690)	(28,368)	90,322
Intergovernmental revenues	28,220	29,732	1,512
Total nonoperating revenues (expenses)	<u>(78,950)</u>	<u>17,327</u>	<u>96,277</u>
Income (loss) before capital contributions and transfers	239,370	674,283	434,913
Capital contributions	-	465,565	(465,565)
Transfers out	<u>(465,000)</u>	<u>(420,000)</u>	<u>45,000</u>
CHANGE IN NET POSITION	<u>(225,630)</u>	<u>719,848</u>	<u>945,478</u>
NET POSITION			
Beginning of year	<u>3,672,282</u>	<u>3,672,282</u>	<u>-</u>
End of year	<u>\$ 3,446,652</u>	<u>\$ 4,392,130</u>	<u>\$ 945,478</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GOLF COURSE FUND

For the year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 203,580	\$ 179,662	\$ (23,918)
Other	<u>9,000</u>	<u>3,932</u>	<u>(5,068)</u>
Total operating revenues	<u>212,580</u>	<u>183,594</u>	<u>(28,986)</u>
OPERATING EXPENSES			
Salaries and wages	148,000	143,914	4,086
Employee benefits	49,450	21,641	27,809
Administrative expenses	15,100	13,370	1,730
Professional services	3,000	3,036	(36)
Repairs and maintenance	13,500	12,639	861
Supplies	17,800	18,120	(320)
Utilities	3,300	2,892	408
Depreciation	<u>-</u>	<u>12,656</u>	<u>(12,656)</u>
Total operating expenses	<u>250,150</u>	<u>228,268</u>	<u>21,882</u>
Operating income (loss)	<u>(37,570)</u>	<u>(44,674)</u>	<u>(7,104)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>20</u>	<u>119</u>	<u>99</u>
Income (loss) before capital contributions and transfers	<u>(37,550)</u>	<u>(44,555)</u>	<u>(7,005)</u>
Transfers in	<u>37,600</u>	<u>46,628</u>	<u>9,028</u>
CHANGE IN NET POSITION	<u>50</u>	<u>2,073</u>	<u>2,023</u>
NET POSITION			
Beginning of year	<u>4,183,796</u>	<u>4,183,796</u>	<u>-</u>
End of year	<u>\$ 4,183,846</u>	<u>\$ 4,185,869</u>	<u>\$ (2,023)</u>

BOROUGH OF EAST STROUDSBURG

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	<u>2016</u>		<u>2015</u>		<u>2014</u>	
	<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 154,308	\$ 14,911	\$ 173,321	\$ 11,827	\$ 173,277	\$ 8,272
Interest on total pension liability	375,390	1,810	362,036	1,094	346,877	503
Changes of assumptions	182,587	-	(64,731)	-	-	-
Differences between expected and actual experience	(123,841)	(1,153)	-	-	(8,711)	-
Benefit payments, including refunds of member contributions	<u>(221,526)</u>	<u>-</u>	<u>(193,095)</u>	<u>-</u>	<u>(275,253)</u>	<u>-</u>
Net change in total pension liability	366,918	15,568	277,531	12,921	236,190	8,775
Total pension liability, beginning	<u>6,783,777</u>	<u>28,416</u>	<u>6,506,246</u>	<u>15,495</u>	<u>6,270,056</u>	<u>6,720</u>
Total pension liability, ending	<u>\$ 7,150,695</u>	<u>\$ 43,984</u>	<u>\$ 6,783,777</u>	<u>\$ 28,416</u>	<u>\$ 6,506,246</u>	<u>\$ 15,495</u>
PLAN FIDUCIARY NET POSITION						
Employer contributions	\$ 229,485	\$ 15,051	\$ 232,435	\$ 11,927	\$ 187,558	\$ 8,352
Member contributions	43,883	-	44,346	-	41,696	-
PMRS investment income	333,020	1,750	314,814	1,136	297,934	518
Market value investment income	142,966	(178)	(321,885)	(1,779)	2,460	(133)
Benefit payments	(221,526)	-	(193,095)	-	(275,253)	-
PMRS administrative expense	(680)	(80)	(680)	(100)	(700)	(80)
Additional administrative expense	<u>(16,315)</u>	<u>(86)</u>	<u>(13,124)</u>	<u>(47)</u>	<u>(11,426)</u>	<u>(20)</u>
Net change in plan fiduciary net position	510,833	16,457	62,811	11,137	242,269	8,637
Fiduciary net position, beginning	<u>5,763,168</u>	<u>26,427</u>	<u>5,700,357</u>	<u>15,290</u>	<u>5,458,088</u>	<u>6,653</u>
Fiduciary net position, ending	<u>\$ 6,274,001</u>	<u>\$ 42,884</u>	<u>\$ 5,763,168</u>	<u>\$ 26,427</u>	<u>\$ 5,700,357</u>	<u>\$ 15,290</u>
Net pension liability, ending	<u>\$ 876,694</u>	<u>\$ 1,100</u>	<u>\$ 1,020,609</u>	<u>\$ 1,989</u>	<u>\$ 805,889</u>	<u>\$ 205</u>
Fiduciary net position as a % of total pension liability	87.74%	97.50%	84.96%	93.00%	87.61%	98.68%
Covered payroll	\$ 1,066,909	\$ 248,513	\$ 1,163,780	\$ 197,118	\$ 1,176,548	\$ 137,840
Net pension liability as a % of covered payroll	82.17%	0.44%	87.70%	1.01%	68.50%	0.15%

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, 2017

Nonuniform Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
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	\$ -	\$ 1,066,909	21.51%
2017	\$ 234,230	\$ 414	\$ 233,816	\$ 935,930	24.98%

Nonuniform Cash Balance Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 8,352	\$ 8,352	\$ -	\$ 137,840	6.06%
2015	\$ 11,927	\$ 11,927	\$ -	\$ 197,118	6.05%
2016	\$ 14,910	\$ 14,910	\$ -	\$ 248,513	6.00%
2017	\$ 22,828	\$ 22,828	\$ -	\$ 380,467	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, 2017

	<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	\$ 175,485	\$ -	\$ 66,898	\$ 4,302	\$ 246,685
Due from other governments	-	59,799	-	-	59,799
Total assets	<u>\$ 175,485</u>	<u>\$ 59,799</u>	<u>\$ 66,898</u>	<u>\$ 4,302</u>	<u>\$ 306,484</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 24,444	\$ -	\$ -	-	\$ 24,444
Due to other funds	84,726	-	-	-	84,726
Total liabilities	<u>109,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,170</u>
FUND BALANCES					
Restricted for					
Public works - roads	66,315	-	-	-	66,315
Community development	-	59,799	66,898	-	126,697
Debt service	-	-	-	4,302	4,302
Total fund balances	<u>66,315</u>	<u>59,799</u>	<u>66,898</u>	<u>4,302</u>	<u>197,314</u>
Total liabilities and fund balances	<u>\$ 175,485</u>	<u>\$ 59,799</u>	<u>\$ 66,898</u>	<u>\$ 4,302</u>	<u>\$ 306,484</u>

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2017

	<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	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000
Interest, rents and royalties	1,580	-	500	33	2,113
Intergovernmental revenues	<u>257,605</u>	<u>125,272</u>	<u>-</u>	<u>-</u>	<u>382,877</u>
Total revenues	<u>259,185</u>	<u>125,272</u>	<u>500</u>	<u>350,033</u>	<u>734,990</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public works - highways and streets	230,585	-	-	-	230,585
Community development	-	165,190	-	-	165,190
Debt Service					
Principal	-	-	-	253,800	253,800
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,408</u>	<u>95,408</u>
Total expenditures	<u>230,585</u>	<u>165,190</u>	<u>-</u>	<u>349,208</u>	<u>744,983</u>
NET CHANGE IN FUND BALANCES	28,600	(39,918)	500	825	(9,993)
FUND BALANCES					
Beginning of year	<u>37,715</u>	<u>99,717</u>	<u>66,398</u>	<u>3,477</u>	<u>207,307</u>
End of year	<u>\$ 66,315</u>	<u>\$ 59,799</u>	<u>\$ 66,898</u>	<u>\$ 4,302</u>	<u>\$ 197,314</u>

BOROUGH OF EAST STROUDSBURG

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	\$ 3,297,037	\$ 69,717	\$ 3,366,754
Receivables			
Employer contributions	<u>233,816</u>	<u>-</u>	<u>233,816</u>
Total assets	<u>3,530,853</u>	<u>69,717</u>	<u>3,600,570</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 3,530,853</u>	<u>\$ 69,717</u>	<u>\$ 3,600,570</u>

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

Year ended December 31, 2017

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 234,230	\$ 22,828	\$ 257,058
Member contributions	<u>37,113</u>	<u>400</u>	<u>37,513</u>
Total contributions	<u>271,343</u>	<u>23,228</u>	<u>294,571</u>
Investment income			
Interest	<u>173,645</u>	<u>2,673</u>	<u>176,318</u>
Total additions	<u>444,988</u>	<u>25,901</u>	<u>470,889</u>
DEDUCTIONS			
Benefits paid	1,147,580	-	1,147,580
Administrative expenses	<u>-</u>	<u>1,318</u>	<u>1,318</u>
Total deductions	<u>1,147,580</u>	<u>1,318</u>	<u>1,148,898</u>
 CHANGE IN NET POSITION	 (702,592)	 24,583	 (678,009)
NET POSITION			
Beginning of year	<u>4,233,445</u>	<u>45,134</u>	<u>4,278,579</u>
End of year	<u>\$ 3,530,853</u>	<u>\$ 69,717</u>	<u>\$ 3,600,570</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>
2017	\$ 75,680,030	\$ 302,720,120	25.00%
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%

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>
2017	\$ 1,817,353	\$ 1,707,014	93.9%	\$ -	\$ 1,707,014	93.9%	110,339	6.1%
2016	1,707,217	1,587,549	93.0%	70,129	1,657,678	97.1%	49,539	2.9%
2015	1,570,093	1,456,780	92.8%	107,575	1,564,355	99.6%	5,738	0.4%
2014	1,642,461	1,475,215	89.8%	164,844	1,640,059	99.9%	2,402	0.1%
2013	1,586,019	1,468,307	92.6%	115,320	1,583,627	99.8%	2,392	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%	108,682	1,338,170	100.0%	487	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%

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>			
2017	17.70	6.30	24.00	0.5%	0.5%	47.00
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

BOROUGH OF EAST STROUDSBURG

PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2017

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Wal-Mart Real Estate Business	\$ 2,500,000
Green Valley Apartment A	1,859,200
Eagle Valley Realty LP	1,051,130
The Kimco Development Co.	967,680
BFG Pocno DST	934,200
Sunrest Properties LLC	930,750
East Brown Street Associates	704,950
E Stroudsburg Elderly	530,000
Dalio Holdings, LLP	517,670
Bhinnath Mahadev, LLC	514,700
	<hr/>
	<u>\$ 10,510,280</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, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 20, 2018.

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 2017-01**).

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* (**See Finding 2017-02**).

Borough of East Stroudsburg's Response to Findings

The Borough of East Stroudsburg's response to the findings identified in our audit is 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 it.

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
July 20, 2018**

BOROUGH OF EAST STROUDSBURG

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2017

2017-01 – INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition

Our audit procedures identified a material misstatement to record the Borough's minimum municipal pension obligation in the amount of \$233,816 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 a journal entry to correct the misstatement that had a material effect on the Borough's financial statements.

Criteria

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 and that the auditor cannot be part of those internal controls.

Cause

The material financial statement misstatement resulted due to oversight as a result of changes in Borough management.

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. Borough management will develop a process to ensure that financial reporting is consistent with generally accepted accounting principles.

2017-02 – PENSION FUND CONTRIBUTIONS

Condition

During our audit we noted the Borough did not deposit its minimum municipal pension obligation and the related pension state aid allocation in a timely manner.

Criteria

The minimum municipal pension allocation is due as of December 31 of each year, while Section 402(g) of Act 205 of the Commonwealth of Pennsylvania states in part... "the total amount of the general municipal pension system State aid received by the municipality shall, within 30 days of receipt by the municipality, be deposited in the pension funds or the alternate funding mechanisms to the respective pension plans."

Cause

The reason for the minimum municipal pension obligation and the related pension state aid allocation not being deposited in a timely was due to oversight as a result of changes in Borough management.

Effect

Noncompliance with State laws and regulations and possible interest being accrued due to lost investment earnings.

BOROUGH OF EAST STROUDSBURG

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2017

Auditor Recommendation

We recommend that Borough management implement adequate internal control procedures to ensure that future minimum municipal pension obligations and pension state aid allocations are deposited within the Borough's pension plan as required.

Views of Responsible Officials and Corrective Actions

Management concurs with the finding. Borough management will develop a process to ensure that future minimum municipal pension obligations and pension state aid allocations are deposited within the Borough's pension plan as required.