



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

Financial Statements  
Year Ended December 31, 2018



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# BOROUGH OF EAST STROUDSBURG

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**BOROUGH OF EAST STROUDSBURG**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania as of and for the year ended December 31, 2018, 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, 2018, 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 2017 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated July 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 60 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 61 through 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information on pages 65 through 68 is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2019, on our consideration of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
August 7, 2019**

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2018**

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Management's discussion and analysis ("**MD&A**") of the financial performance of Borough of East Stroudsburg, East Stroudsburg (the "**Borough**") provides an overview of the Borough's financial performance for fiscal year ended December 31, 2018. 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 2018, 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 2018 fiscal year of \$18,474,502. During the 2018 fiscal year, the Borough had an increase in total net position of \$764,515. The net position of the governmental activities increased by \$98,851 and net position of business-type activities increased by \$665,664.
- As of the close of the 2018 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$1,471,608, a decrease of \$139,173 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$337,613, bringing the cumulative balance to \$919,726 at the conclusion of the 2018 fiscal year.
- At December 31, 2018, the General Fund fund balance includes \$68,079 which is considered nonspendable, \$350,000 committed to balance the 2019 budget and unassigned amounts of \$501,647 or 9.14% of the \$5,488,049 2019 General Fund budget.
- General Fund revenues and other financing sources were \$354,633 or 6.65% less than budgeted amounts and General Fund expenditures and other financing uses were \$396,508 or 6.94% less than budgeted amounts resulting in a net positive variance of \$41,875. The 2018 General Fund budget included the use of \$379,488 of fund balance to balance the budget.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2018**

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

The MD&A is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Borough's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Borough is improving or deteriorating. To assess the Borough's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Borough's tax base and the condition of the Borough's assets.

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

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

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

#### **Governmental Activities**

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

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2018**

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### **Governmental Funds**

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

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

The Borough maintains 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 68 of this report.

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# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

### 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 2018 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$18,474,502. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2018 and 2017.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>						
Current assets	\$2,284,692	\$2,730,614	\$ 4,291,269	\$ 3,995,930	\$ 6,575,961	\$ 6,726,544
Noncurrent assets	<u>6,698,175</u>	<u>6,903,028</u>	<u>10,884,519</u>	<u>10,606,591</u>	<u>17,582,694</u>	<u>17,509,619</u>
<b>Total assets</b>	<u>8,982,867</u>	<u>9,633,642</u>	<u>15,175,788</u>	<u>14,602,521</u>	<u>24,158,655</u>	<u>24,236,163</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges – pensions	<u>169,078</u>	<u>257,327</u>	<u>165,733</u>	<u>180,210</u>	<u>334,811</u>	<u>437,537</u>
<b>LIABILITIES</b>						
Current liabilities	408,068	687,706	206,949	206,161	615,017	893,867
Noncurrent liabilities	<u>3,594,351</u>	<u>4,391,512</u>	<u>1,189,658</u>	<u>1,570,609</u>	<u>4,784,009</u>	<u>5,962,121</u>
<b>Total liabilities</b>	<u>4,002,419</u>	<u>5,079,218</u>	<u>1,396,607</u>	<u>1,776,770</u>	<u>5,399,026</u>	<u>6,855,988</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits – pensions	<u>300,193</u>	<u>61,269</u>	<u>319,745</u>	<u>46,456</u>	<u>619,938</u>	<u>107,725</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,149,440	3,018,700	9,784,515	9,432,820	12,933,955	12,451,520
Restricted	551,882	353,442	-	-	551,882	353,442
Unrestricted	<u>1,148,011</u>	<u>1,378,340</u>	<u>3,840,654</u>	<u>3,526,685</u>	<u>4,988,665</u>	<u>4,905,025</u>
<b>Total net position</b>	<u>\$4,849,333</u>	<u>\$4,750,482</u>	<u>\$13,625,169</u>	<u>\$12,959,505</u>	<u>\$18,474,502</u>	<u>\$17,709,987</u>

The Borough's total assets as of December 31, 2018 were \$24,158,655 of which \$4,070,443 or 16.85% consisted of cash and \$17,582,694 or 72.78% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2018 were \$5,399,026 of which \$4,312,656 or 79.87% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2018, \$4,988,665 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 \$83,640 during 2018 primarily due to the results of current year operations and the current year change in the net pension liability and related deferred outflows and inflows.

A portion of the Borough's net position reflects its restricted net position which totaled \$551,882 as of December 31, 2018. 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, 2018, the Borough's net investment in capital assets increased by \$482,435 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, 2018

The following table presents condensed information for the *Statement of Activities* of the Borough for 2018 and 2017:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$1,655,643	\$1,425,886	\$4,092,306	\$3,606,338	\$5,747,949	\$5,032,224
Operating grants and contributions	395,573	498,895	71,828	59,464	467,401	558,359
Capital grants and contributions	39,542	231,718	292,265	-	331,807	231,718
<b>General revenues</b>						
Taxes	3,152,469	3,263,953	-	-	3,152,469	3,263,953
Franchise fees	125,974	131,973	-	-	125,974	131,973
Investment earnings	31,354	13,639	39,611	37,213	70,965	50,852
<b>Total revenues</b>	<u>5,400,555</u>	<u>5,566,064</u>	<u>4,496,010</u>	<u>3,703,015</u>	<u>9,896,565</u>	<u>9,269,079</u>
<b>EXPENSES</b>						
General government	917,843	606,884	-	-	917,843	606,884
Public safety	2,743,113	2,885,047	-	-	2,743,113	2,885,047
Health and human services	39,567	18,786	-	-	39,567	18,786
Public works	1,876,034	1,735,642	-	-	1,876,034	1,735,642
Culture and recreation	107,572	491,589	-	-	107,572	491,589
Community development	57,515	165,190	-	-	57,515	165,190
Interest expense related to noncurrent liabilities	100,268	101,044	-	-	100,268	101,044
Sewer operations	-	-	1,538,166	1,270,897	1,538,166	1,270,897
Water operations	-	-	1,492,667	1,453,705	1,492,667	1,453,705
Golf course operations	-	-	259,305	228,268	259,305	228,268
<b>Total expenses</b>	<u>5,841,912</u>	<u>6,004,182</u>	<u>3,290,138</u>	<u>2,952,870</u>	<u>9,132,050</u>	<u>8,957,052</u>
<b>Change in net position before transfers</b>	(441,357)	(438,118)	1,205,872	750,145	764,515	312,027
Transfers	540,208	30,807	(540,208)	(30,807)	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 98,851</u>	<u>\$ (407,311)</u>	<u>\$ 665,664</u>	<u>\$ 719,338</u>	<u>\$ 764,515</u>	<u>\$ 312,027</u>

### Governmental Activities

The cost of all governmental activities in 2018 was \$5,841,912. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$3,152,469 or 53.96%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,655,643 or 28.34%).

Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,619,147 or 79.07%. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,273,081 for 2018.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

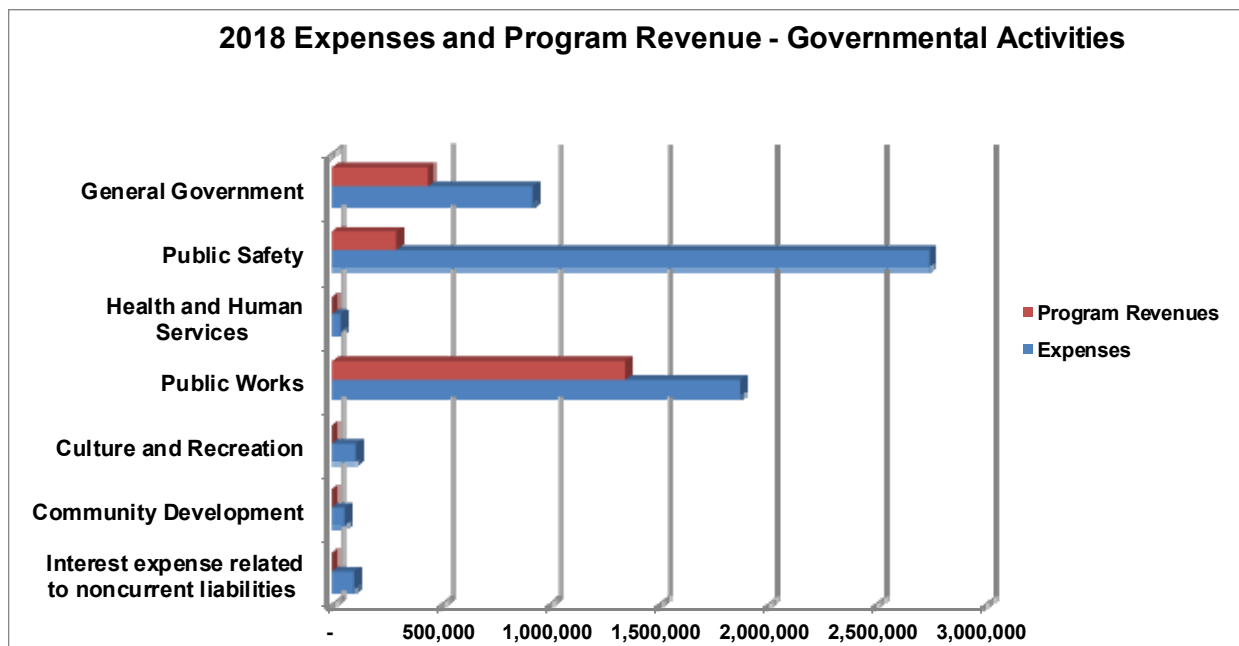
December 31, 2018

### 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 water and sewer operations. During 2018, water fees were increased and restructured in anticipation of operational and maintenance expenses and capital improvements. Expenses for water and sewer operations increased by \$306,231 primary due to additional sewer line maintenance in 2018 compared to 2017. Other operating receipts for the water and sewer operations increased by \$430,814 due to the one-time reassessment of East Stroudsburg University equivalent dwelling units ("**EDUs**") and tapping fees totaling approximately \$450,000.

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 \$92,465 for 2018.

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

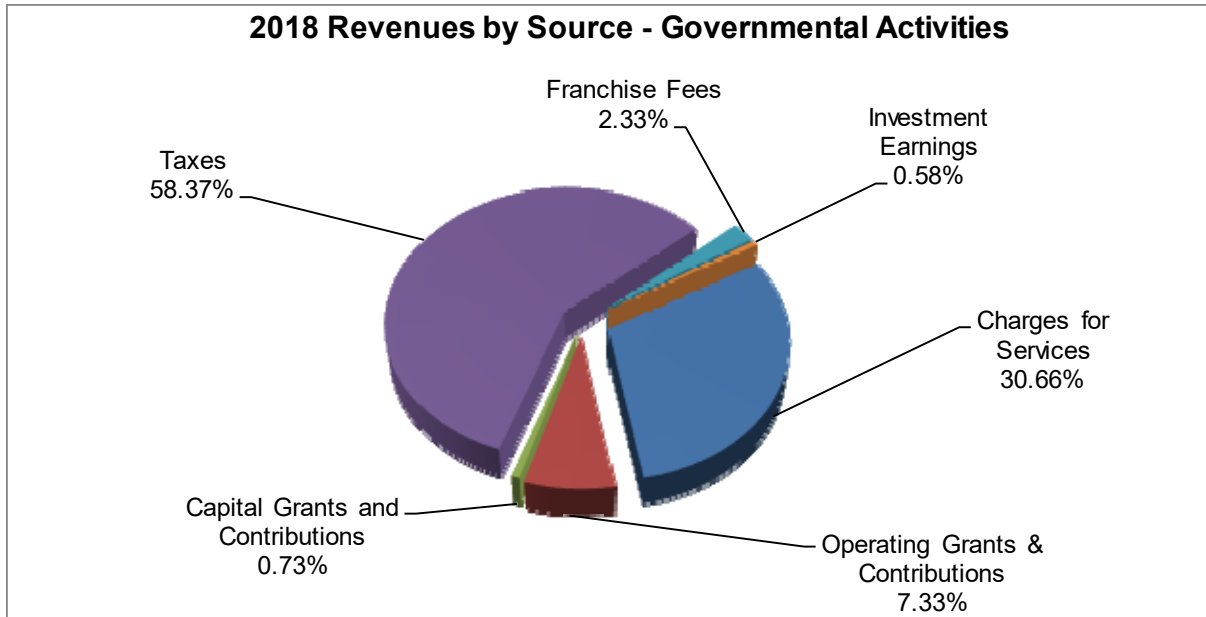


# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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



### GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the Borough's major funds. Some funds are required to be established by State statute while other funds are established by the Borough to manage monies restricted for a specific purpose. As of December 31, 2018, the Borough's governmental funds reported a combined fund balance of \$1,471,608 which is a decrease of \$139,173 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2018 and 2017 and the total 2018 change in governmental fund balances.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
General Fund	\$ 919,726	\$1,257,339	\$(337,613)
Capital Projects Fund	355,343	156,128	199,215
Nonmajor Governmental Funds	<u>196,539</u>	<u>197,314</u>	<u>(775)</u>
	<u>\$1,471,608</u>	<u>\$1,610,781</u>	<u>\$(139,173)</u>

### GENERAL FUND

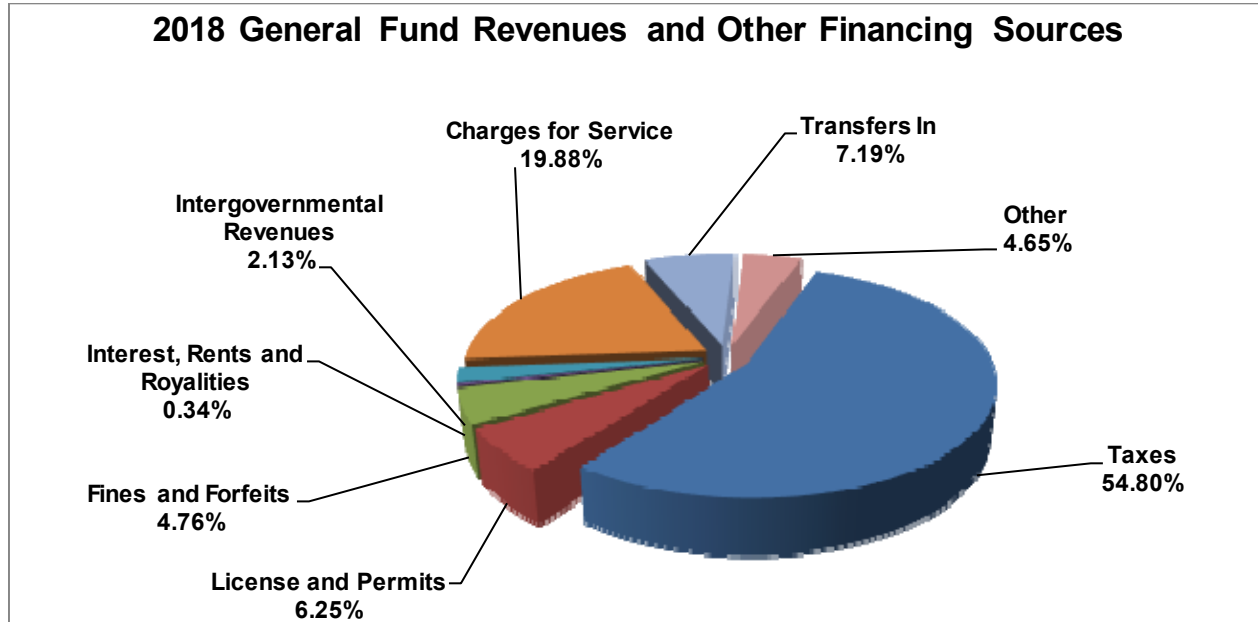
The General Fund is the Borough's primary operating fund. At the conclusion of the 2018 fiscal year the General Fund fund balance was \$919,726 representing a decrease of \$337,613 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2018 fiscal year.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 54.80% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,729,127	\$2,936,553	\$(207,426)	(7.06)
Licenses and permits	311,460	315,908	(4,448)	(1.41)
Fines and forfeits	237,086	145,648	91,438	62.78
Interest, rents and royalties	16,838	7,653	9,185	120.02
Intergovernmental revenues	105,952	96,398	9,554	9.91
Charges for services	990,178	907,603	82,575	9.10
Other	231,476	203,480	28,266	13.89
Transfers in	<u>358,105</u>	<u>420,000</u>	<u>(61,895)</u>	<u>(14.74)</u>
	<u>\$4,980,492</u>	<u>\$5,033,243</u>	<u>\$ (52,751)</u>	<u>(1.05)</u>

Taxes decreased by \$207,426 or 7.06% primarily due a decrease in collections for delinquent real estate taxes and realty transfer taxes.

Fines and forfeits increased by \$91,438 or 62.78% as a result of an increase in collections for vehicle code violations.

Charges for services increased by \$82,575 or 9.10% as a result of an increase in collections for solid waste user fees.

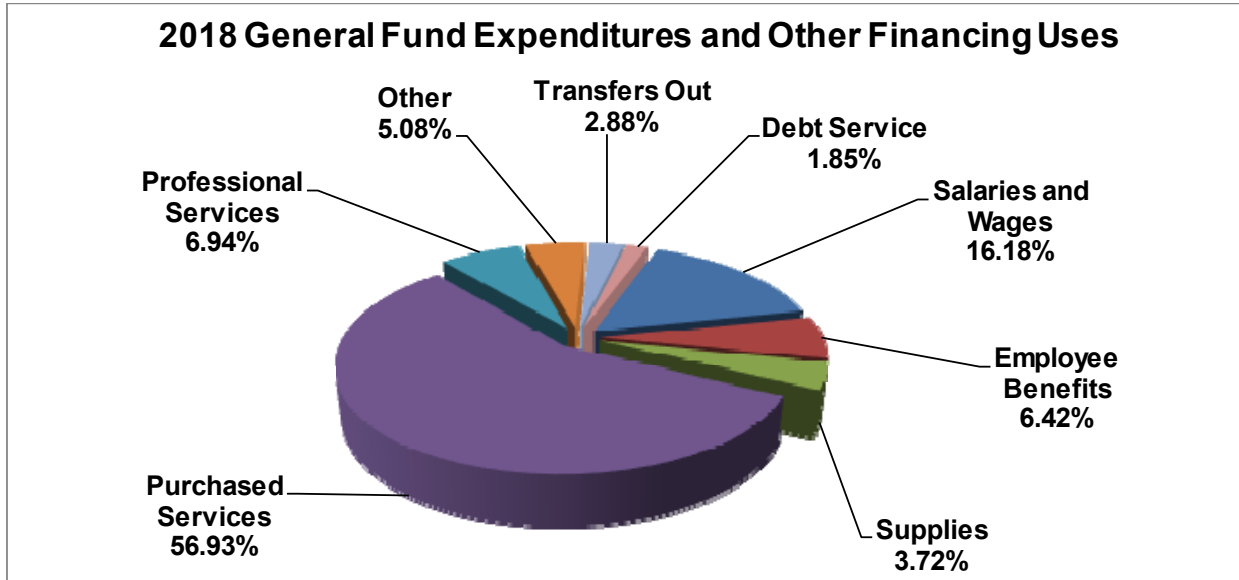
Transfers in represent transfers from water operations to subsidize general government activities.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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 and Other Financing Uses

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 860,270	\$ 725,314	\$ 134,956	18.61
Employee benefits	341,174	345,388	(4,214)	(1.22)
Supplies and equipment	197,955	231,528	(33,573)	(14.50)
Purchased services	3,027,463	3,215,991	(188,528)	(5.86)
Professional services	368,995	450,617	(81,622)	(18.11)
Other	270,476	295,363	(24,687)	(8.36)
Debt service	98,273	97,233	1,040	1.07
Transfers out	153,299	83,828	69,471	82.87
	<u>\$5,318,105</u>	<u>\$5,445,262</u>	<u>\$(127,157)</u>	<u>(2.34)</u>

The decrease in purchased services of \$188,528 or 5.86% can be attributed to the operations of the Borough's parks and recreation programs being eliminated from the budget in 2018 and are now being conducted by the Stroud Region Open Space and Recreation Commission.

### 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 2018, the Capital Projects Fund fund balance increased by \$199,215 for a cumulative balance of \$355,343 as of December 31, 2018.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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### 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 2018, the Nonmajor Governmental Funds fund balance decreased by \$775 for a cumulative balance of \$196,539 as of December 31, 2018. Within the nonmajor governmental funds the CDBG Fund, the State Liquid Fuels Fund, Community Development Fund and Debt Service Fund represent \$2,284, \$120,786, \$68,231 and \$5,238 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 \$354,633 or 6.65% less than budgeted amounts and General Fund expenditures and other financing uses were \$396,508 or 6.94% less than budgeted amounts resulting in a net positive variance of \$41,875. General Fund revenues were less than budget primarily due to the budgeted revenues of \$750,000 for the sale of real estate that did not occur in 2018. These less than anticipated revenues for the sale of real estate was offset by more than anticipated revenues for vehicle code violations, solid waste user fees and refunds of prior year expenditures in addition to less than anticipated expenditures. The 2018 General Fund budget included the use of \$379,488 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 55. 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, 2018 amounted to \$17,582,694 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 2018 was \$73,075 or 0.42%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$935,737 and depreciation expense was \$862,662.

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

Governmental Activities	
Willow Street utility, drainage and road improvements – construction in progress	\$ 83,220
Ridgeway Street bridge replacement	\$146,500
Business-type Activities	
Waterline replacement engineering	\$292,265
Dam rehabilitation project	\$180,334
Reservoir roof installation	\$120,779

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2018**

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### **NONCURRENT LIABILITIES**

As of December 31, 2018, the Borough had total general obligation debt of \$4,312,656 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 \$287,049 or 6.24%.

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 \$281,747 at December 31, 2018 and decreased by \$92,473 or 24.71% 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 \$98,011 as of December 31, 2018. The Borough's net pension liability decreased by \$779,783 or 88.83% during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and a capital lease which totaled \$91,595 as of December 31, 2018. These liabilities decreased by \$18,807 or 17.04% 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 2019 budget totaling \$5,488,049 which used \$350,000 of the General Fund fund balance as of December 31, 2018 and the real estate tax millage rate remained unchanged at 25.50 mills. Water and sewer fees for service also remained unchanged for 2019.

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

### **REQUESTS FOR INFORMATION**

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

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION

December 31, 2018 with summarized comparative totals for 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,258,529	\$ 2,811,914	\$ 4,070,443	\$ 5,019,494
Taxes receivable	226,366	-	226,366	274,626
Due from other governments	2,284	-	2,284	59,799
Accounts receivable, net	572,970	1,634,740	2,207,710	1,357,558
Internal balances	156,464	(156,464)	-	-
Prepaid expenses	68,079	1,079	69,158	15,067
<b>Total current assets</b>	<b>2,284,692</b>	<b>4,291,269</b>	<b>6,575,961</b>	<b>6,726,544</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	6,698,175	10,884,519	17,582,694	17,509,619
<b>Total assets</b>	<b>8,982,867</b>	<b>15,175,788</b>	<b>24,158,655</b>	<b>24,236,163</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges - pensions	169,078	165,733	334,811	437,537
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	136,547	185,432	321,979	637,367
Accrued salaries and benefits	43,110	21,517	64,627	52,021
Accrued interest payable	18,747	-	18,747	18,925
Escrow deposits	209,664	-	209,664	185,554
<b>Total current liabilities</b>	<b>408,068</b>	<b>206,949</b>	<b>615,017</b>	<b>893,867</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	553,566	75,829	629,395	614,039
Due in more than one year	3,040,785	1,113,829	4,154,614	5,348,082
<b>Total noncurrent liabilities</b>	<b>3,594,351</b>	<b>1,189,658</b>	<b>4,784,009</b>	<b>5,962,121</b>
<b>Total liabilities</b>	<b>4,002,419</b>	<b>1,396,607</b>	<b>5,399,026</b>	<b>6,855,988</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits - pensions	300,193	319,745	619,938	107,725
<b>NET POSITION</b>				
Net investment in capital assets	3,149,440	9,784,515	12,933,955	12,451,520
Restricted	551,882	-	551,882	353,442
Unrestricted	1,148,011	3,804,740	4,952,751	4,905,025
<b>Total net position</b>	<b>\$ 4,849,333</b>	<b>\$ 13,589,255</b>	<b>\$ 18,438,588</b>	<b>\$ 17,709,987</b>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF ACTIVITIES

Year ended December 31, 2018 with summarized comparative totals for 2017

	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>2018</u>	<u>2017</u>
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 917,843	\$ 428,383	\$ 11,740	\$ -	\$ (477,720)	\$ -	\$ (477,720)	\$ (227,996)
Public safety	2,743,113	237,086	45,505	15,000	(2,445,522)	-	(2,445,522)	(2,636,498)
Health and human services	39,567	-	1,354	-	(38,213)	-	(38,213)	(18,786)
Public works	1,876,034	990,174	336,445	24,542	(524,873)	-	(524,873)	(281,428)
Culture and recreation	107,572	-	529	-	(107,043)	-	(107,043)	(416,741)
Community development	57,515	-	-	-	(57,515)	-	(57,515)	(165,190)
Interest expense related to noncurrent liabilities	100,268	-	-	-	(100,268)	-	(100,268)	(101,044)
<b>Total governmental activities</b>	<u>5,841,912</u>	<u>1,655,643</u>	<u>395,573</u>	<u>39,542</u>	<u>(3,751,154)</u>	<u>-</u>	<u>(3,751,154)</u>	<u>(3,847,683)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	1,538,166	1,614,648	-	-	-	76,482	76,482	99,286
Water	1,492,667	2,335,560	35,914	292,265	-	1,171,072	1,171,072	658,320
Golf course	259,305	142,098	-	-	-	(117,207)	(117,207)	(44,674)
<b>Total business-type activities</b>	<u>3,290,138</u>	<u>4,092,306</u>	<u>35,914</u>	<u>292,265</u>	<u>-</u>	<u>1,130,347</u>	<u>1,130,347</u>	<u>712,932</u>
<b>Total primary government</b>	<u>\$ 9,132,050</u>	<u>\$ 5,747,949</u>	<u>\$ 431,487</u>	<u>\$ 331,807</u>	<u>(3,751,154)</u>	<u>1,130,347</u>	<u>(2,620,807)</u>	<u>(3,134,751)</u>
<b>GENERAL REVENUES</b>								
Taxes								
Real estate taxes					1,904,695	-	1,904,695	1,856,176
Earned income taxes					836,702	-	836,702	848,422
Real estate transfer taxes					99,889	-	99,889	233,574
Local services taxes					311,183	-	311,183	325,781
Franchise fees					125,974	-	125,974	131,973
Investment earnings					31,354	39,611	70,965	50,852
<b>TRANSFERS</b>					<u>540,208</u>	<u>(540,208)</u>	<u>-</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>3,850,005</u>	<u>(500,597)</u>	<u>3,349,408</u>	<u>3,446,778</u>
<b>CHANGE IN NET POSITION</b>					98,851	629,750	728,601	312,027
<b>NET POSITION</b>								
Beginning of year					<u>4,750,482</u>	<u>12,959,505</u>	<u>17,709,987</u>	<u>17,397,960</u>
End of year					<u>\$ 4,849,333</u>	<u>\$ 13,589,255</u>	<u>\$ 18,438,588</u>	<u>\$ 17,709,987</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018 with summarized comparative totals for 2017

	Major Funds			Totals	
	General	Capital	Nonmajor	2018	2017
	Fund	Projects	Governmental		
		Fund	Funds		
<b>ASSETS</b>					
Cash	\$ 441,766	\$ 547,912	\$ 268,851	\$ 1,258,529	\$ 2,449,236
Due from other governments			2,284	2,284	59,799
Receivables					
Taxes	226,366	-	-	226,366	274,626
Garbage fees, net	245,867	-	-	245,867	246,307
Other	308,031	19,072	-	327,103	77,440
Due from other funds	259,862	-	-	259,862	202,801
Prepaid items	68,079	-	-	68,079	15,067
<b>Total assets</b>	<b>\$ 1,549,971</b>	<b>\$ 566,984</b>	<b>\$ 271,135</b>	<b>\$ 2,388,090</b>	<b>\$ 3,325,276</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 50,498	\$ 62,434	\$ 23,615	\$ 136,547	\$ 449,467
Accrued salaries and benefits	43,110	-	-	43,110	33,760
Due to other funds	-	52,417	50,981	103,398	594,662
Escrow deposits	112,874	96,790	-	209,664	185,554
<b>Total liabilities</b>	<b>206,482</b>	<b>211,641</b>	<b>74,596</b>	<b>492,719</b>	<b>1,263,443</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - property taxes and garbage fees	423,763	-	-	423,763	451,052
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid items	68,079	-	-	68,079	15,067
Restricted for					
Public works - roads	-	-	120,786	120,786	66,315
Community development	-	-	70,515	70,515	126,697
Debt service	-	-	5,238	5,238	4,302
Committed to					
Balance 2019 budget	350,000	-	-	350,000	-
Balance 2018 budget	-	-	-	-	172,915
Road improvements fund	-	372,472	-	372,472	517,081
Unassigned	501,647	(17,129)	-	484,518	708,404
<b>Total fund balances</b>	<b>919,726</b>	<b>355,343</b>	<b>196,539</b>	<b>1,471,608</b>	<b>1,610,781</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,549,971</b>	<b>\$ 566,984</b>	<b>\$ 271,135</b>	<b>\$ 2,388,090</b>	<b>\$ 3,325,276</b>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

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

December 31, 2018

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 1,471,608</b>
<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.	6,698,175
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.	423,763
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.	(131,115)
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.	(18,747)
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>(3,594,351)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,849,333</u></b>

# BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2018 with summarized comparative totals for 2017

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	2018	2017
<b>REVENUES</b>					
Taxes	\$ 2,729,127	\$ -	\$ 454,166	\$ 3,183,293	\$ 3,286,553
Licenses and permits	311,460	-	-	311,460	315,908
Fines and forfeits	237,086	-	-	237,086	145,648
Interest, rent and royalties	16,838	9,318	5,298	31,454	13,741
Intergovernmental revenues	105,952	24,542	269,839	400,333	695,993
Charges for services	990,178	-	-	990,178	907,603
Contributions and donations	-	15,000	-	15,000	15,000
Miscellaneous	231,476	-	-	231,476	220,518
<b>Total revenues</b>	<u>4,622,117</u>	<u>48,860</u>	<u>729,303</u>	<u>5,400,280</u>	<u>5,600,964</u>
<b>EXPENDITURES</b>					
Current					
General government	767,228	24,208	1,512	792,948	637,173
Public safety	2,645,108	-	-	2,645,108	2,677,999
Health and human services	44,637	-	-	44,637	18,786
Public works - sanitation	700,446	49,215	-	749,661	680,098
Public works - highways and streets	498,425	243,050	219,278	960,753	1,338,355
Public works - other services	154,380	-	-	154,380	75,262
Culture and recreation	185,698	12,418	-	198,116	414,306
Community development	70,611	-	57,515	128,126	173,294
Debt service					
Principal	92,473	-	417,960	510,433	343,837
Interest	5,800	-	94,647	100,447	102,604
<b>Total expenditures</b>	<u>5,164,806</u>	<u>328,891</u>	<u>790,912</u>	<u>6,284,609</u>	<u>6,461,714</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(542,689)</u>	<u>(280,031)</u>	<u>(61,609)</u>	<u>(884,329)</u>	<u>(860,750)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of general long-term debt	-	204,678	-	204,678	193,273
Transfers in	358,105	274,568	60,834	693,507	580,200
Transfers out	(153,299)	-	-	(153,299)	(549,393)
Sale of capital assets	270	-	-	270	-
<b>Total other financing sources (uses)</b>	<u>205,076</u>	<u>479,246</u>	<u>60,834</u>	<u>745,156</u>	<u>224,080</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(337,613)</u>	<u>199,215</u>	<u>(775)</u>	<u>(139,173)</u>	<u>(636,670)</u>
<b>FUND BALANCES</b>					
Beginning 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>
<b>End of year</b>	<u>\$ 919,726</u>	<u>\$ 355,343</u>	<u>\$ 196,539</u>	<u>\$ 1,471,608</u>	<u>\$ 1,610,781</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, 2018

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<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ (139,173)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 311,868	
Depreciation expense	<u>(516,721)</u>	(204,853)

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, 2017	(451,052)	
Deferred inflows of resources December 31, 2018	<u>423,763</u>	(27,289)

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	(204,678)	
Repayment of notes payable	417,960	
Repayment of lease rental payable	92,473	
Repayment of capital lease payable	<u>29,838</u>	335,593

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	4,363	
Current year change in accrued interest payable	178	
Change in net pension liability and related deferred inflows and outflows	<u>130,032</u>	<u>134,573</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 98,851</u></b>
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See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2018 with summarized comparative totals for 2017

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 1,611,592	\$ 1,177,690	\$ 22,632	\$ 2,811,914	\$ 2,570,258
Accounts receivable, net	693,780	940,960	-	1,634,740	1,033,811
Due from other funds	1,169	-	-	1,169	449,644
Prepaid expenses	525	404	150	1,079	-
<b>Total current assets</b>	<u>2,307,066</u>	<u>2,119,054</u>	<u>22,782</u>	<u>4,448,902</u>	<u>4,053,713</u>
<b>NONCURRENT ASSETS</b>					
Capital assets, net	<u>2,378,353</u>	<u>4,294,023</u>	<u>4,212,143</u>	<u>10,884,519</u>	<u>10,606,591</u>
<b>Total assets</b>	<u>4,685,419</u>	<u>6,413,077</u>	<u>4,234,925</u>	<u>15,333,421</u>	<u>14,660,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges - pensions	<u>71,175</u>	<u>54,962</u>	<u>39,596</u>	<u>165,733</u>	<u>180,210</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Current portion of notes payable	-	75,829	-	75,829	73,767
Accounts payable	31,017	154,364	51	185,432	187,900
Accrued salaries and benefits	9,728	9,001	2,788	21,517	18,261
Due to other funds	<u>14,522</u>	<u>123,289</u>	<u>19,822</u>	<u>157,633</u>	<u>57,783</u>
<b>Total current liabilities</b>	<u>55,267</u>	<u>362,483</u>	<u>22,661</u>	<u>440,411</u>	<u>337,711</u>
<b>NONCURRENT LIABILITIES</b>					
Notes payable, net of current portion	-	1,024,175	-	1,024,175	1,100,004
Net pension liability	26,012	19,274	13,885	59,171	381,749
Compensated absences	<u>15,363</u>	<u>9,629</u>	<u>5,491</u>	<u>30,483</u>	<u>15,089</u>
<b>Total noncurrent liabilities</b>	<u>41,375</u>	<u>1,053,078</u>	<u>19,376</u>	<u>1,113,829</u>	<u>1,496,842</u>
<b>Total liabilities</b>	<u>96,642</u>	<u>1,415,561</u>	<u>42,037</u>	<u>1,554,240</u>	<u>1,834,553</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred credits - pensions	<u>142,778</u>	<u>105,793</u>	<u>71,174</u>	<u>319,745</u>	<u>46,456</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,378,353	3,194,019	4,212,143	9,784,515	9,432,820
Unrestricted (deficit)	<u>2,102,907</u>	<u>1,752,666</u>	<u>(50,833)</u>	<u>3,804,740</u>	<u>3,526,685</u>
<b>Total net position</b>	<u>\$ 4,481,260</u>	<u>\$ 4,946,685</u>	<u>\$ 4,161,310</u>	<u>\$ 13,589,255</u>	<u>\$ 12,959,505</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2018 with summarized comparative totals for 2017

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2018	2017
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,165,113	\$ 1,940,447	\$ 141,051	\$ 3,246,611	\$ 3,188,572
Other	449,535	395,113	1,047	845,695	417,766
<b>Total operating revenues</b>	<u>1,614,648</u>	<u>2,335,560</u>	<u>142,098</u>	<u>4,092,306</u>	<u>3,606,338</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	418,170	393,674	138,093	949,937	870,018
Employee benefits	332,414	349,159	66,528	748,101	581,803
Administrative expenses	20,599	11,627	2,923	35,149	26,135
Insurance	24,389	24,389	-	48,778	40,000
Professional services	94,920	160,472	1,000	256,392	408,756
Repairs and maintenance	303,928	159,186	17,863	480,977	328,827
Supplies	55,663	146,357	20,242	222,262	176,844
Utilities	89,750	81,050	-	170,800	169,816
Depreciation	198,333	134,953	12,656	345,942	322,303
<b>Total operating expenses</b>	<u>1,538,166</u>	<u>1,460,867</u>	<u>259,305</u>	<u>3,258,338</u>	<u>2,924,502</u>
<b>Operating income (loss)</b>	<u>76,482</u>	<u>874,693</u>	<u>(117,207)</u>	<u>833,968</u>	<u>681,836</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	23,272	16,156	183	39,611	37,213
Interest expense	-	(31,800)	-	(31,800)	(28,368)
Intergovernmental revenues	-	328,179	-	328,179	59,464
<b>Total nonoperating revenues (expenses)</b>	<u>23,272</u>	<u>312,535</u>	<u>183</u>	<u>335,990</u>	<u>68,309</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>99,754</u>	<u>1,187,228</u>	<u>(117,024)</u>	<u>1,169,958</u>	<u>750,145</u>
Capital contributions	-	180,334	-	180,334	465,565
Transfers in	-	-	92,465	92,465	46,628
Transfers out	-	(813,007)	-	(813,007)	(543,000)
<b>CHANGE IN NET POSITION</b>	<u>99,754</u>	<u>554,555</u>	<u>(24,559)</u>	<u>629,750</u>	<u>719,338</u>
<b>NET POSITION</b>					
Beginning 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>
<b>End of year</b>	<u>\$ 4,481,260</u>	<u>\$ 4,946,685</u>	<u>\$ 4,161,310</u>	<u>\$ 13,589,255</u>	<u>\$ 12,959,505</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2018 with summarized comparative totals for 2017

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from charges for services	\$ 1,195,733	\$ 1,962,406	\$ 141,051	\$ 3,299,190	\$ 3,179,533
Payments to suppliers for goods and services	(630,163)	(678,010)	(42,116)	(1,350,289)	(1,060,259)
Payments to employees	(746,124)	(671,023)	(192,025)	(1,609,172)	(1,811,236)
Other receipts	131,931	59,209	1,047	192,187	417,766
<b>Net cash provided by (used for) operating activities</b>	<b>(48,623)</b>	<b>672,582</b>	<b>(92,043)</b>	<b>531,916</b>	<b>725,804</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental revenues	35,914	328,179	-	364,093	59,464
Transfers from other funds	-	-	92,465	92,465	46,628
Transfers to other funds	-	(358,105)	-	(358,105)	(543,000)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>35,914</b>	<b>(29,926)</b>	<b>92,465</b>	<b>98,453</b>	<b>(436,908)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(10,600)	(312,157)	-	(322,757)	(69,338)
Repayment of notes payable	-	(73,767)	-	(73,767)	(74,204)
Interest paid	-	(31,800)	-	(31,800)	(35,558)
<b>Net cash used for capital and related financing activities</b>	<b>(10,600)</b>	<b>(417,724)</b>	<b>-</b>	<b>(428,324)</b>	<b>(179,100)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	23,272	16,156	183	39,611	37,213
<b>Net increase (decrease) in cash</b>	<b>(37)</b>	<b>241,088</b>	<b>605</b>	<b>241,656</b>	<b>147,009</b>
<b>CASH</b>					
Beginning of year	1,611,629	936,602	22,027	2,570,258	2,423,249
<b>End of year</b>	<b>\$ 1,611,592</b>	<b>\$ 1,177,690</b>	<b>\$ 22,632</b>	<b>\$ 2,811,914</b>	<b>\$ 2,570,258</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
<b>Operating income (loss)</b>	<b>\$ 76,482</b>	<b>\$ 874,693</b>	<b>\$ (117,207)</b>	<b>833,968</b>	<b>681,836</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>					
Depreciation	198,333	134,953	12,656	345,942	322,303
(Increase) decrease in					
Accounts receivable	(286,984)	(313,945)	-	(600,929)	(9,039)
Due from other funds	6,257	(12,684)	-	(6,427)	(14,169)
Prepaid expenses	(525)	(404)	(150)	(1,079)	27,977
Deferred outflows - pensions	20,244	14,268	(20,035)	14,477	24,271
Increase (decrease) in					
Accounts payable	(40,914)	(82,245)	(88)	(123,247)	110,118
Accrued salaries and benefits	1,595	1,179	483	3,257	26,098
Due to other funds	14,522	88,078	(2,751)	99,849	(438,249)
Compensated absences	10,803	8,121	(3,530)	15,394	18,911
Net pension liability	(167,647)	(127,379)	(27,552)	(322,578)	(46,205)
Deferred inflows - pensions	119,211	87,947	66,131	273,289	21,952
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (48,623)</b>	<b>\$ 672,582</b>	<b>\$ (92,043)</b>	<b>\$ 531,916</b>	<b>\$ 725,804</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	\$ -	\$ 120,779	\$ -	\$ 120,779	\$ -
Accounts payable	\$ -	\$ 120,779	\$ -	\$ 120,779	\$ -

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2018 with summarized comparative totals for 2017

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Investments	\$ 3,747,815	\$ 3,366,754
Receivables		
Employer contributions	<u>-</u>	<u>233,816</u>
<b>Total assets</b>	<u>3,747,815</u>	<u>3,600,570</u>
<b>NET POSITION</b>		
Assets held in trust for pension benefits	<u>\$ 3,747,815</u>	<u>\$ 3,600,570</u>

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2018 with summarized comparative totals for 2017

	<u>2018</u>	<u>2017</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 261,991	\$ 257,058
Member contributions	<u>43,048</u>	<u>37,513</u>
<b>Total contributions</b>	<u>305,039</u>	<u>294,571</u>
<b>Investment income</b>	<u>249,701</u>	<u>176,318</u>
<b>Total additions</b>	<u>554,740</u>	<u>470,889</u>
<b>DEDUCTIONS</b>		
Benefits paid	406,331	1,147,580
Administrative expenses	<u>1,164</u>	<u>1,318</u>
<b>Total deductions</b>	<u>407,495</u>	<u>1,148,898</u>
<b>CHANGE IN NET POSITION</b>	147,245	(678,009)
<b>NET POSITION</b>		
Beginning of year	<u>3,600,570</u>	<u>4,278,579</u>
<b>End of year</b>	<u>\$ 3,747,815</u>	<u>\$ 3,600,570</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Reporting Entity

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

#### Joint Ventures

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

The Borough participates with the Borough of Stroudsburg and Stroud Township in the Stroud Area Regional Police Department (the "**SARPD**") through an Intergovernmental Cooperation Agreement to provide police services to the three participating members. The SARPD is controlled by a joint Board comprised of a commission of officials from the three participating members. The governing body of each participating member must approve the annual operating budget of the SARPD but the participating members have no ongoing fiduciary interest or responsibility to the SARPD. The Borough's share of operating costs for police services for 2018 was \$2,273,081. 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 2018 was \$33,463. 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, 2018

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### Basis of Presentation

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

The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the Borough which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Borough is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the Borough and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Borough.

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

#### **Fund Financial Statements**

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

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### ***Governmental Funds***

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

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

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

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

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

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

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

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

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

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

### ***Expenditure Recognition***

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

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### ***Proprietary Funds***

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

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

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

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

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

### ***Fiduciary Funds***

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

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

### **Cash and Cash Equivalents**

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

### **Interfund Receivables and Payables**

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

### **Taxes**

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

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

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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The Monroe County Board of Assessments determines assessed valuations of property, and the Borough's taxes are billed and collected by an elected tax collector. The tax on real estate for fiscal 2018 was 25.50 mills (\$25.50 for \$1,000 of assessed valuation) consisting of 12.70 mills for general purposes, 1.00 mills for streets, 0.75 mills for fire, 3.00 mills for recreation, 1.25 mills for street lighting, 0.50 mills for pension and 6.30 mills 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 2018 consisted of the following:

Real estate transfer tax	- 0.50% of gross sales price
Earned income tax	- 0.50% for general purposes
Local 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, 2018.

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### **Compensated Absences**

Borough policies permit employees to accumulate earned but unused vacation and sick days and compensatory leave. There is no liability for sick days as the Borough does not pay out unused balances at separation. The liability for unused vacation days and compensatory leave is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation 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, 2018

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

### **Use of Estimates**

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

### **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, 2017, from which the summarized information was derived.

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

Effective January 1, 2018, the Borough adopted the provisions of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishment Issues*".

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. GASB Statement No. 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. The implementation of GASB Statement No. 75 had no impact on the financial statements of 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 established standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. GASB Statement No. 86 also amended accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an insubstance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB Statement No. 86 established an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The implementation of GASB Statement No. 86 had no impact on the financial statements of the Borough for the year ended December 31, 2018.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### New Accounting Pronouncements

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" will be effective for the Borough for the year ended December 31, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84, "*Fiduciary Activities*" will be effective for the Borough for the year ended December 31, 2019. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, "*Leases*" will be effective for the Borough for the year ended December 31, 2020. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", will be effective for the Borough for the year ended December 31, 2019. The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", will be effective for the Borough for the year ended December 31, 2019. The primary objects of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

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

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

The Borough is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and includes the effect of approved budget amendments.

### (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, 2018, the carrying amount of the Borough's deposits was \$4,070,443 and the bank balance was \$4,143,783. Of the bank balance, \$264,266 was covered by federal depository insurance and \$1,310,367 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, 2018, PLGIT was rated AAA by a nationally recognized statistical rating agency.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### (4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,932,950	\$ 12,684	\$ -	\$ 1,945,634
Construction in progress	-	83,220	-	83,220
<b>Total capital assets not being depreciated</b>	<u>1,932,950</u>	<u>95,904</u>	<u>-</u>	<u>2,028,854</u>
Capital assets being depreciated				
Buildings and improvements	1,975,037	27,295	-	2,002,332
Improvements other than buildings	4,265,771	175,504	-	4,441,275
Machinery and equipment	<u>3,888,640</u>	<u>13,165</u>	<u>-</u>	<u>3,901,805</u>
<b>Total capital assets being depreciated</b>	<u>10,129,448</u>	<u>215,964</u>	<u>-</u>	<u>10,345,412</u>
Less accumulated depreciation for				
Buildings and improvements	(971,676)	(40,222)	-	(1,011,898)
Improvements other than buildings	(2,134,060)	(199,242)	-	(2,333,302)
Machinery and equipment	<u>(2,053,634)</u>	<u>(277,257)</u>	<u>-</u>	<u>(2,330,891)</u>
<b>Total accumulated depreciation</b>	<u>(5,159,370)</u>	<u>(516,721)</u>	<u>-</u>	<u>(5,676,091)</u>
<b>Total capital assets being depreciated, net</b>	<u>4,970,078</u>	<u>(300,757)</u>	<u>-</u>	<u>4,669,321</u>
<b>Governmental activities, net</b>	<u>\$ 6,903,028</u>	<u>\$(204,853)</u>	<u>\$ -</u>	<u>\$ 6,698,175</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 4,970,175	\$ -	\$ -	\$ 4,970,175
Capital assets being depreciated				
Buildings and improvements	5,178,777	120,779	-	5,299,556
Improvements other than buildings	13,883,535	492,491	-	14,376,026
Machinery and equipment	<u>239,097</u>	<u>10,600</u>	<u>-</u>	<u>249,697</u>
<b>Total capital assets being depreciated</b>	<u>19,301,409</u>	<u>623,870</u>	<u>-</u>	<u>19,925,279</u>
Less accumulated depreciation for				
Buildings and improvements	(4,610,097)	(33,133)	-	(4,643,230)
Improvements other than buildings	(8,849,052)	(306,336)	-	(9,155,388)
Machinery and equipment	<u>(205,844)</u>	<u>(6,473)</u>	<u>-</u>	<u>(212,317)</u>
<b>Total accumulated depreciation</b>	<u>(13,664,993)</u>	<u>(345,942)</u>	<u>-</u>	<u>(14,010,935)</u>
<b>Total capital assets being depreciated, net</b>	<u>5,636,416</u>	<u>277,928</u>	<u>-</u>	<u>5,914,344</u>
<b>Business-type activities, net</b>	<u>\$ 10,606,591</u>	<u>\$ 277,928</u>	<u>\$ -</u>	<u>\$ 10,884,519</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

<b>Governmental activities</b>	
General government	\$ 18,701
Public safety	203,966
Public works	220,181
Culture and recreation	<u>73,873</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$516,721</u></b>
<b>Business-type activities</b>	
Sewer	\$198,333
Water	134,953
Golf course	<u>12,656</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$345,942</u></b>

As of December 31, 2018, the Borough had outstanding construction commitments totaling \$1,280,340 related to the Willow Street utility, drainage and road improvements project.

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

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 52,417	Capital Projects Fund	\$ 52,417
General Fund	19,822	Golf Course Fund	19,822
General Fund	122,120	Water Fund	122,120
General Fund	14,522	Sewer Fund	14,522
General Fund	50,981	Nonmajor Governmental Funds	50,981
Sewer Fund	<u>1,169</u>	Water Fund	<u>1,169</u>
	<b><u>\$261,031</u></b>		<b><u>\$261,031</u></b>

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	\$358,105	Water Fund	\$ 358,105
Golf Course Fund	92,465	General Fund	92,465
Nonmajor Governmental Funds	60,834	General Fund	60,834
Capital Projects Fund	<u>274,568</u>	Water Fund	<u>274,568</u>
	<b><u>\$785,972</u></b>		<b><u>\$785,972</u></b>

Interfund transfers represent annual appropriations to subsidize operations, capital projects and debt service requirements within other funds.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2018:

	<u>Balance January 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2018</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt:</b>					
Notes payable	\$3,425,934	\$204,678	\$ 417,960	\$3,212,652	\$429,880
<b>Other noncurrent liabilities</b>					
Lease rental payable	374,220	-	92,473	281,747	92,973
Capital lease payable	84,174	-	29,838	54,336	30,713
Compensated absences	11,139	-	4,363	6,776	-
Net pension liability	496,045	-	457,205	38,840	-
<b>Total other noncurrent liabilities</b>	<u>965,578</u>	<u>-</u>	<u>583,879</u>	<u>381,699</u>	<u>123,686</u>
<b>Total noncurrent liabilities governmental activities</b>	<u>\$4,391,512</u>	<u>\$204,678</u>	<u>\$1,001,839</u>	<u>\$3,594,351</u>	<u>\$553,566</u>

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

<b>Business-type activities</b>					
<b>General obligation debt:</b>					
Notes payable	\$1,173,771	\$ -	\$ 73,767	\$1,100,004	\$ 75,829
<b>Other noncurrent liabilities</b>					
Net pension liability	381,749	-	322,578	59,171	-
Compensated absences	15,089	15,394	-	30,483	-
<b>Total other noncurrent liabilities</b>	<u>396,838</u>	<u>15,394</u>	<u>322,578</u>	<u>89,654</u>	<u>-</u>
<b>Total noncurrent liabilities business-type activities</b>	<u>\$1,570,609</u>	<u>\$ 15,394</u>	<u>\$ 396,345</u>	<u>\$1,189,658</u>	<u>\$ 75,829</u>

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

#### General Obligation Debt

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

General obligation debt outstanding as of December 31, 2018 consisted of the following:

#### Governmental Activities

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 \$1,285,500 at December 31, 2018.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 and outstanding as of December 31, 2018 is \$1,927,152.

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>
2019	\$ 429,880	\$ 87,194	\$ 517,074
2020	440,650	75,930	516,580
2021	453,420	64,451	517,871
2022	561,860	52,619	614,479
2023	576,410	38,091	614,501
2024-2028	<u>750,432</u>	<u>70,716</u>	<u>821,148</u>
	<u>\$3,212,652</u>	<u>\$389,001</u>	<u>\$3,601,653</u>

### Business-Type Activities

On August 31, 2009, the Borough issued an \$899,947 Note Payable (the "**2009 Loan**") to a government sponsored lending institution ("**Pennvest**"). The proceeds of the 2009 Loan were used for (a) the water line improvement project and (b) payment of costs to issue the 2009 Loan. The 2009 Loan is payable in 204 monthly payments ranging from \$4,195 to \$4,597, including interest ranging from 1.274% to 2.547%, through March 2030. The amount outstanding under the 2009 Loan was \$539,052 at December 31, 2018.

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 \$560,952 at December 31, 2018.

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>
2019	\$ 75,829	\$ 29,738	\$ 105,567
2020	77,949	27,618	105,567
2021	80,129	25,439	105,568
2022	82,370	23,197	105,567
2023	84,674	20,893	105,567
2024-2028	460,275	67,562	527,837
2029-2032	<u>238,778</u>	<u>10,803</u>	<u>249,581</u>
	<u>\$1,100,004</u>	<u>\$205,250</u>	<u>\$1,305,254</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2018.

### 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 \$281,747 at December 31, 2018.

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2018 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$281,747</u>	<u>\$10,107</u>	<u>\$291,854</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, 2018 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$30,713	\$1,244	\$31,957
2020	<u>23,623</u>	<u>343</u>	<u>23,966</u>
	<u>\$54,336</u>	<u>\$1,587</u>	<u>\$55,923</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### (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.

#### **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 3.50% 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.

#### **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, 2017 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) 2.80% inflation and salary increases ranging from 2.80% to 7.05%. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 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>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	8.6%	5.6%
Domestic Equities (Small Capitalized Firms)	15%	10.2%	7.2%
International Equities (International Developed Markets)	15%	7.6%	4.6%
International Equities (Emerging Markets)	10%	11.7%	8.7%
Real Estate	20%	9.2%	6.2%
Fixed Income	15%	5.1%	2.1%
Total Portfolio	100%	8.6%	5.6%

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, 2017.

### Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2017. The total pension liability was determined by an actuarial valuation as of January 1, 2017, and by rolling forward the liabilities from the January 1, 2017 actuarial valuation through the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$110,641 measured as the difference between the total pension liability of \$7,357,391 and the fiduciary net position of \$7,246,750.

As of December 31, 2018, the net pension liability of \$51,470 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 \$59,171 of the net pension liability is recorded as a liability in the Sewer Fund for \$26,012, in the Water Fund for \$19,274 and in the Golf Course Fund for \$13,885 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
<b>Balances as of December 31, 2016</b>	\$7,150,695	\$6,274,001	\$ 876,694
<b>Changes for the year:</b>			
Service cost	142,081	-	142,081
Interest on total pension liability	374,727	-	374,727
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	234,212	(234,212)
Member contributions	-	37,113	(37,113)
PMRS investment income	-	320,077	(320,077)
Market value investment income	-	706,859	(706,859)
Benefit payments	(310,112)	(310,112)	-
PMRS administrative expense	-	(680)	680
Additional administrative expense	-	(14,720)	14,720
<b>Net changes</b>	<u>206,696</u>	<u>972,749</u>	<u>(766,053)</u>
<b>Balances as of December 31, 2017</b>	<u>\$7,357,391</u>	<u>\$7,246,750</u>	<u>\$ 110,641</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 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Net Pension Liability (Asset)	\$931,683	\$110,641	\$(602,851)

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

For the year ended December 31, 2018, the Borough recognized pension expense of \$64,041. At December 31, 2018 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	\$ -	\$ 84,304
Changes in assumptions	95,832	-
Net difference between projected and actual earnings on pension plan investments	-	523,005
Contributions subsequent to the measurement date	<u>219,677</u>	<u>-</u>
	<u>\$315,509</u>	<u>\$607,309</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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An amount of \$219,677 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, 2019.

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

**Year ended December 31:**

2018	\$(110,978)
2019	(108,744)
2020	(160,175)
2021	<u>(131,580)</u>
	<u>\$(511,477)</u>

**Actuarial Methods and Significant Assumptions**

- Investment return – 5.25% (including inflation) The investment return rate changed from 5.50% to 5.25%
- Discount rate – 5.25%
- Inflation – 2.80%
- Salary increases – 2.80%-7.05% per year age related scale with merit and inflation component
- Mortality rates – RP 2000 mortality tables for males and females

**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.

# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

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### **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.

### **Administrative Costs**

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

### **Annual Pension Cost**

The annual required contribution was determined as part of the January 1, 2017 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) 2.80% inflation and salary increases ranging from 2.80% to 7.05%. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

### **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, 2018

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>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	8.6%	5.6%
Domestic Equities (Small Capitalized Firms)	15%	10.2%	7.2%
International Equities (International Developed Markets)	15%	7.6%	4.6%
International Equities (Emerging Markets)	10%	11.7%	8.7%
Real Estate	20%	9.2%	6.2%
Fixed Income	<u>15%</u>	<u>5.1%</u>	<u>2.1%</u>
Total Portfolio	<u>100%</u>	<u>8.6%</u>	<u>5.6%</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, 2017.

### Net Pension Liability (Asset)

The Borough's net pension liability (asset) has been measured as of December 31, 2017. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2017, and by rolling forward the liabilities from the January 1, 2017 actuarial valuation through the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension asset is \$12,630 and measured as the difference between the total pension liability of \$61,180 and the fiduciary net position of \$73,810.

As of December 31, 2018, all of the net pension liability (asset) is related to the governmental funds and is only recorded in the government-wide statement of net position.

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

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2016</b>	<u>\$43,984</u>	<u>\$42,884</u>	<u>\$ 1,100</u>
<b>Changes for the year:</b>			
Service cost	23,228	-	23,228
Interest on total pension liability	2,392	-	2,392
Differences between expected and actual experience	(8,424)	-	(8,424)
Employer contributions	-	21,775	(21,775)
Member contributions	-	400	(400)
PMRS investment income	-	2,669	(2,669)
Market value investment income	-	6,325	(6,325)
Benefit payments	-	-	-
PMRS administrative expense	-	(120)	120
Additional administrative expense	-	(123)	123
<b>Net changes</b>	<u>17,196</u>	<u>30,926</u>	<u>(13,730)</u>
<b>Balances as of December 31, 2017</b>	<u>\$61,180</u>	<u>\$73,810</u>	<u>\$(12,630)</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

The following presents the net pension liability (asset) of the Borough calculated using the discount rate 5.25%, as well as what the net pension liability (asset) 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)	<u>\$(394)</u>	<u>\$(12,630)</u>	<u>\$(24,866)</u>

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

For the year ended December 31, 2018, the Borough recognized pension expense of \$20,897. At December 31, 2018, 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	\$ -	\$ 8,411
Net difference between projected and actual earnings on pension plan investments	-	4,218
Contributions subsequent to the measurement date	<u>19,302</u>	<u>-</u>
	<u>\$19,302</u>	<u>\$12,629</u>

An amount of \$49,264 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 (asset) in the year ended December 31, 2019.

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

#### Year ended December 31:

2018	\$ (1,899)
2019	(1,925)
2020	(2,282)
2021	(2,316)
2022	(1,051)
Thereafter	<u>(3,156)</u>
	<u>\$(12,629)</u>

### Actuarial Methods and Significant Assumptions

- Investment return – 5.25% (including inflation) The investment return rate changed from 5.50% to 5.25%
- Discount rate – 5.25%
- Inflation – 2.80%
- Salary increases – 2.80%-7.05% per year age related scale with merit and inflation component
- Mortality rates – RP 2000 mortality tables for males and females

# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

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### **(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 2018. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Borough participates in a consortium with other Pennsylvania municipalities 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 August 7, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
<b>Taxes</b>			
Real estate-current year levy	\$ 1,342,381	\$ 1,363,389	\$ 21,008
Real estate-current year levy - interim	450	752	302
Real estate-prior years levy	12,895	592	(12,303)
Real estate-payment in lieu	3,500	3,533	33
Real estate-delinquent taxes	<u>85,000</u>	<u>113,087</u>	<u>28,087</u>
Total real estate taxes	<u>1,444,226</u>	<u>1,481,353</u>	<u>37,127</u>
Local tax enabling act (Act 511):			
Real estate transfer	90,000	99,889	9,889
Earned income tax	865,000	836,702	(28,298)
Local services tax	<u>335,000</u>	<u>311,183</u>	<u>(23,817)</u>
Total local tax enabling act	<u>1,290,000</u>	<u>1,247,774</u>	<u>(42,226)</u>
<b>Total taxes</b>	<u>2,734,226</u>	<u>2,729,127</u>	<u>(5,099)</u>
<b>Licenses and permits</b>			
Engineering review fees	-	250	250
Health/restaurant licenses	11,000	14,025	3,025
Zoning permits and fees	80,150	83,063	2,913
Rental license	80,000	74,241	(5,759)
Street opening permits	10,000	10,615	615
Cable TV franchise tax	138,000	125,974	(12,026)
Event permit fees	500	350	(150)
Miscellaneous permits	<u>1,000</u>	<u>2,942</u>	<u>1,942</u>
<b>Total licenses and permits</b>	<u>320,650</u>	<u>311,460</u>	<u>(9,190)</u>
<b>Fines and forfeits</b>			
Vehicle code violations	145,000	204,895	59,895
Violation of zoning ordinances and statutes	12,500	6,339	(6,161)
Violation of ordinances and statutes	12,500	25,652	13,152
Vehicle boot fines	<u>1,500</u>	<u>200</u>	<u>(1,300)</u>
<b>Total fines and forfeits</b>	<u>171,500</u>	<u>237,086</u>	<u>65,586</u>
<b>Interest, rent and royalties</b>			
Interest income	7,205	16,737	9,532
Rent of buildings	<u>240</u>	<u>101</u>	<u>(139)</u>
<b>Total interest, rent and royalties</b>	<u>7,445</u>	<u>16,838</u>	<u>9,393</u>
<b>Intergovernmental revenues</b>			
Recycling/Act 101	-	20,570	20,570
General municipal pension aid	36,667	35,914	(753)
Public utility realty/beverage tax	11,000	7,513	(3,487)
Fire insurance premium tax	<u>48,000</u>	<u>41,955</u>	<u>(6,045)</u>
<b>Total intergovernmental revenues</b>	<u>95,667</u>	<u>105,952</u>	<u>10,285</u>

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

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued)</b>			
<b>Charges for services</b>			
Meter revenue	115,000	126,471	11,471
Parking permits	14,000	14,042	42
Parking permits-residential	500	1,515	1,015
Meter bags	500	189	(311)
PennDOT snow removal	19,302	19,774	472
Borough DPW services	5,000	22,888	17,888
Solid waste user fees	612,000	757,485	145,485
Solid waste fees prior/delinquent	35,000	17,887	(17,113)
Lien rents solid waste	30,000	28,680	(1,320)
Garbage lien interest	-	1,247	1,247
<b>Total charges for services</b>	<u>831,302</u>	<u>990,178</u>	<u>158,876</u>
<b>Miscellaneous</b>			
Miscellaneous income	5,000	61,967	56,967
Shopping cart fees	650	6,115	5,465
Stroudsburg share of employees	800	-	(800)
Damages to Borough property	-	48,360	48,360
Dividends received - workers compensation	9,780	8,848	(932)
Dividends received - general liability	15,000	46,063	31,063
Dividends received - health insurance	35,000	60,123	25,123
<b>Total miscellaneous</b>	<u>66,230</u>	<u>231,476</u>	<u>165,246</u>
<b>Total revenues</b>	<u>4,227,020</u>	<u>4,622,117</u>	<u>395,097</u>
<b>General government</b>			
<b>Legislative body</b>			
Council salary	2,100	11,874	(9,774)
Mayor salary	3,500	4,167	(667)
BEOP Insurance	6,270	-	6,270
FICA	2,317	2,015	302
Medicare	2,151	1,683	468
Training/conferences	2,500	615	1,885
Dues/subscriptions	5,800	4,164	1,636
Miscellaneous/travel	3,000	6	2,994
<b>Total legislative body</b>	<u>27,638</u>	<u>24,524</u>	<u>3,114</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**For the year ended December 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Administration</b>			
Manager salary	73,500	52,457	21,043
Director of public works salary	27,622	27,986	(364)
Staff salary	154,323	186,968	(32,645)
FICA	16,210	13,080	3,130
Medicare	3,791	2,727	1,064
Overtime	6,000	-	6,000
Office supplies	4,900	7,013	(2,113)
Office equipment/furniture	840	-	840
Computer equipment/supplies	1,625	1,130	495
Equipment repairs/maintenance	700	275	425
Vehicle expense	700	93	607
Telephone	5,600	4,438	1,162
Postage	7,700	13,695	(5,995)
Travel	1,400	341	1,059
Advertising/printing	5,600	21,260	(15,660)
Dues/subscription/memberships	1,890	684	1,206
Conferences/training	2,100	2,512	(412)
Property and liability insurance	27,521	24,156	3,365
Workers compensation insurance	6,924	6,897	27
Public officials liability	1,186	1,384	(198)
Life/disability insurance	1,419	3,249	(1,830)
Major medical (BC/BS)	28,604	31,223	(2,619)
Health insurance buyout/HRA	3,783	7,415	(3,632)
Nonuniform pension MMO	68,267	26,658	41,609
Unemployment compensation	8,038	7,885	153
<b>Total administration</b>	<u>460,243</u>	<u>443,526</u>	<u>16,717</u>
<b>Auditing services/financial administration</b>			
Trustee charge bond payment	2,500	3,327	(827)
Auditing services	9,250	12,350	(3,100)
Accounting services	5,000	1,040	3,960
<b>Total auditing services/financial administration</b>	<u>16,750</u>	<u>16,717</u>	<u>33</u>
<b>Tax collection</b>			
Salary-tax collector	6,133	8,250	(2,117)
Materials and supplies	1,368	1,490	(122)
Commissions			
Delinquent real estate	3,420	5,691	(2,271)
Local service tax	7,200	5,163	2,037
Earned income tax	14,000	12,242	1,758
Real estate transfer tax	4,500	1,209	3,291
FICA	380	435	(55)
Medicare	89	91	(2)
<b>Total tax collection</b>	<u>37,090</u>	<u>34,571</u>	<u>2,519</u>

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

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Solicitor/legal services</b>			
Legal expenses	<u>125,000</u>	<u>183,388</u>	<u>(58,388)</u>
<b>Total solicitor/legal services</b>	<u>125,000</u>	<u>183,388</u>	<u>(58,388)</u>
<b>Engineering services</b>			
Engineering services	<u>12,000</u>	<u>36,364</u>	<u>(24,364)</u>
<b>General government buildings and plant</b>			
Materials and supplies	2,240	3,433	(1,193)
Electricity	7,700	5,100	2,600
Electricity annex	1,610	681	929
Gas (heat) annex	2,100	1,662	438
Maintenance and repair	<u>10,500</u>	<u>17,262</u>	<u>(6,762)</u>
<b>Total general government buildings and plant</b>	<u>24,150</u>	<u>28,138</u>	<u>(3,988)</u>
<b>Total general government</b>	<u>702,871</u>	<u>767,228</u>	<u>(64,357)</u>
<b>Public safety</b>			
<b>Police</b>			
Regional police services	<u>2,273,081</u>	<u>2,273,081</u>	<u>-</u>
<b>Total police</b>	<u>2,273,081</u>	<u>2,273,081</u>	<u>-</u>
<b>Fire</b>			
Service awards	15,000	10,740	4,260
Vehicle maintenance/supplies	5,000	16,754	(11,754)
Small tools/equipment	1,000	750	250
Telephone	2,500	2,217	283
Radio maintenance	500	-	500
Electricity	14,000	10,031	3,969
Gas (heat)	6,500	4,740	1,760
Equipment testing	9,000	9,847	(847)
Building maintenance	12,500	7,647	4,853
Contracted services	9,000	5,843	3,157
Contribution	10,000	-	10,000
Contribution - fire relief fund	54,000	41,955	12,045
Workers compensation insurance	<u>34,990</u>	<u>22,660</u>	<u>12,330</u>
<b>Total fire</b>	<u>173,990</u>	<u>133,184</u>	<u>40,806</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety (continued)</b>			
<b>UCC and code enforcement</b>			
Code enforcement officer salary	51,044	55,479	(4,435)
Staff salary	35,165	25,366	9,799
FICA	5,345	4,649	696
Medicare	1,250	978	272
Materials and supplies	1,500	1,765	(265)
Computer equipment/supplies	15,150	16,076	(926)
Vehicle operation	1,200	-	1,200
Vehicle maintenance	250	769	(519)
Advertising/printing	3,000	561	2,439
Dues/subscriptions/memberships	1,400	7,129	(5,729)
Conferences/training	2,500	480	2,020
Property and liability insurance	9,288	7,303	1,985
Workers compensation insurance	2,337	2,085	252
Public officials liability	400	418	(18)
Life/disability insurance	479	982	(503)
Major medical (BC/BS)	9,654	9,439	215
Health insurance buyout/HRA	1,277	2,242	(965)
Nonuniform pension MMO	23,039	8,059	14,980
Unemployment compensation	2,713	2,385	328
<b>Total UCC and code enforcement</b>	<u>166,991</u>	<u>146,165</u>	<u>20,826</u>
<b>Planning and zoning</b>			
Engineering	10,000	12,619	(2,619)
Legal services	35,000	40,532	(5,532)
Contracted permitting	8,000	6,064	1,936
<b>Total planning and zoning</b>	<u>53,000</u>	<u>59,215</u>	<u>(6,215)</u>
<b>Emergency services</b>			
Monroe County Control Center	33,464	33,463	1
<b>Total public safety</b>	<u>2,700,526</u>	<u>2,645,108</u>	<u>55,418</u>
<b>Human and health services</b>			
<b>General health services</b>			
Salaries and wages	18,512	30,863	(12,351)
FICA	1,148	999	149
Medicare	268	210	58
Material and supplies	250	-	250
Property-liability insurance	1,994	2,788	(794)
Workers comp insurance	502	796	(294)
Public officials liability	86	160	(74)
Life/disability insurance	103	375	(272)
Major medical (BC/BS)	2,073	3,604	(1,531)
Health insurance buyout/HRA	274	856	(582)
N/U pension MMO	4,947	3,076	1,871
Unemployment compensation	583	910	(327)
<b>Total human and health services</b>	<u>30,740</u>	<u>44,637</u>	<u>(13,897)</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - sanitation</b>			
<b>Recycling/solid waste collection and disposal</b>			
Staff salaries	115,722	108,286	7,436
FICA	7,640	6,645	995
Medicare	1,725	1,349	376
Overtime	7,500	-	7,500
Supplies	500	178	322
Advertising/printing	2,000	2,087	(87)
Conferences/training	250	470	(220)
Landfill engineering	8,500	12,342	(3,842)
Refuse collection/disposal contract	486,000	525,002	(39,002)
Property and liability insurance	12,468	9,782	2,686
Workers compensation insurance	3,137	2,793	344
Public officials liability	537	561	(24)
Life/disability insurance	643	1,316	(673)
Major medical (BC/BS)	12,958	12,644	314
Health insurance buyout/HRA	1,714	3,003	(1,289)
Nonuniform pension MMO	30,926	10,795	20,131
Unemployment compensation	3,642	3,193	449
<b>Total public works - sanitation</b>	<u>695,862</u>	<u>700,446</u>	<u>(4,584)</u>
<b>Public works - highways and streets</b>			
<b>Street department</b>			
Street superintendent salary	33,187	33,187	-
Staff salary	203,364	186,412	16,952
Temp salary	23,042	20,174	2,868
FICA	17,128	14,898	2,230
Medicare	4,006	3,134	872
Overtime	16,673	17,932	(1,259)
Office supplies	350	1,809	(1,459)
Office equipment/furniture	140	-	140
Computer equipment/supplies	350	167	183
Office equipment maintenance/repair	140	115	25
Vehicle Operation (fuel, oil, fluids)	9,800	21,010	(11,210)
Uniforms	3,150	4,231	(1,081)
Vehicle maintenance repair	8,750	7,630	1,120
Small tools/minor equipment	1,400	1,659	(259)
Drug testing	700	403	297
Telephone	840	377	463
Radio purchase/maintenance	1,400	-	1,400
Travel	650	-	650
Electricity	2,100	606	1,494
Gas (heat)	4,200	1,150	3,050
Building Maintenance	4,500	2,058	2,442
Equipment maintenance and repair	8,400	6,173	2,227
Conferences/training	1,750	1,332	418
Equipment purchase SA	151,900	46,171	105,729

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
Property-liability insurance	27,968	21,660	6,308
Workers comp insurance	7,037	6,184	853
Public officials liability	1,205	1,241	(36)
Life/disability insurance	1,442	2,913	(1,471)
Major medical (BC/BS)	29,069	27,996	1,073
Health insurance buyout/HRA	3,844	6,649	(2,805)
Nonuniform pension MMO	69,375	23,903	45,472
Unemployment compensation	8,169	7,070	1,099
<b>Total street department</b>	<u>646,029</u>	<u>468,244</u>	<u>177,785</u>
<b>Cleaning of streets and gutters</b>	<u>2,500</u>	<u>7,697</u>	<u>(5,197)</u>
<b>Street lighting</b>			
Electric	85,000	7,181	77,819
Street light repair	500	662	(162)
Operation/maintenance	4,000	3,928	72
<b>Total street lighting</b>	<u>89,500</u>	<u>11,771</u>	<u>77,729</u>
<b>Storm sewers and drains</b>			
Materials and supplies	500	179	321
Electricity pond pumps	550	446	104
Contracted services	6,000	1,415	4,585
<b>Total storm sewers and drains</b>	<u>7,050</u>	<u>2,040</u>	<u>5,010</u>
<b>Maintenance and repairs of roads and bridges</b>			
Engineering	12,000	8,673	3,327
Street paving	57,210	-	57,210
<b>Total maintenance and repairs of roads and bridges</b>	<u>69,210</u>	<u>8,673</u>	<u>60,537</u>
<b>Total public works - highways and streets</b>	<u>814,289</u>	<u>498,425</u>	<u>315,864</u>
<b>Public works - other</b>			
<b>Parking</b>			
Staff salaries	74,856	78,820	(3,964)
FICA	4,796	4,171	625
Medicare	1,122	878	244
Overtime	2,500	-	2,500
Uniforms	1,200	862	338
Vehicle registration/inspection	150	847	(697)
Meter purchase	4,200	2,989	1,211
Postage	2,250	1,000	1,250
Radio	250	-	250
Advertising/printing	1,200	643	557
Parking lot maintenance	3,000	-	3,000
Meter repair/maintenance supplies	12,500	15,573	(3,073)

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - other (continued)</b>			
Property and liability insurance	8,065	7,120	945
Workers comp insurance	2,029	2,033	(4)
Public officials liability	348	408	(60)
Life/disability insurance	416	958	(542)
Major medical (BC/BS)	8,382	9,203	(821)
Health insurance buyout/HRA	1,109	2,186	(1,077)
Nonuniform pension MMO	20,005	7,858	12,147
Unemployment compensation	2,356	2,324	32
<b>Total parking</b>	<u>150,734</u>	<u>137,873</u>	<u>12,861</u>
<b>Storm water and flood control</b>			
Engineering	8,500	15,338	(6,838)
Levee maintenance	1,500	1,169	331
<b>Total storm water and flood control</b>	<u>10,000</u>	<u>16,507</u>	<u>(6,507)</u>
<b>Total public works - other</b>	<u>160,734</u>	<u>154,380</u>	<u>6,354</u>
<b>Culture and recreation</b>			
<b>Participant recreation</b>			
Building maintenance/repair	5,000	5,400	(400)
Pool maintenance/repair	2,000	4,248	(2,248)
Small tools and equipment	500	-	500
Materials and supplies	12,000	8,091	3,909
Electricity	16,000	6,226	9,774
Heat gas	12,500	1,374	11,126
Maintenance and repair services	5,000	-	5,000
Stewardship contribution	118,030	118,427	(397)
Contribution to Arts Council	250	-	250
Monroe County Historical Association	250	-	250
Contribution to BWA	250	250	-
MCCD stream gauge	500	500	-
<b>Total participant recreation</b>	<u>172,280</u>	<u>144,516</u>	<u>27,764</u>
<b>Parks</b>			
Parks director	38,220	-	38,220
Park caretakers	30,100	12,046	18,054
FICA	4,536	3,945	591
Medicare	1,061	830	231
Recreation equipment	2,500	2,683	(183)
Parks supplies	3,000	2,543	457
Telephone	1,000	1,093	(93)
Electric	4,500	2,812	1,688
Equipment maintenance	1,000	1,240	(240)
Portable toilet rentals	4,000	6,530	(2,530)
<b>Total parks</b>	<u>89,917</u>	<u>33,722</u>	<u>56,195</u>

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

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Shade trees</b>			
Materials and supplies	2,500	1,860	640
Maintenance	2,500	5,600	(3,100)
New planting	8,000	-	8,000
<b>Total shade trees</b>	<u>13,000</u>	<u>7,460</u>	<u>5,540</u>
<b>Total culture and recreation</b>	<u>275,197</u>	<u>185,698</u>	<u>89,499</u>
<b>Community development</b>			
Comprehensive plan implementation	100,000	58,611	41,389
Contribution - ECA	10,000	12,000	(2,000)
<b>Total community development</b>	<u>110,000</u>	<u>70,611</u>	<u>39,389</u>
<b>Debt service</b>			
Principal	90,037	92,473	(2,436)
Interest	7,196	5,800	1,396
<b>Total debt service</b>	<u>97,233</u>	<u>98,273</u>	<u>(1,040)</u>
<b>Total expenditures</b>	<u>5,587,452</u>	<u>5,164,806</u>	<u>422,646</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,360,432)</u>	<u>(542,689)</u>	<u>817,743</u>
<b>Other financing sources (uses)</b>			
Transfers in	358,105	358,105	-
Transfers out	(127,161)	(153,299)	(26,138)
Sale of capital assets	750,000	270	(749,730)
<b>Total other financing sources (uses)</b>	<u>980,944</u>	<u>205,076</u>	<u>(775,868)</u>
<b>Net change in fund balance</b>	<u>\$ (379,488)</u>	<u>(337,613)</u>	<u>\$ 41,875</u>
<b>Fund balance</b>			
Beginning of the year		<u>1,257,339</u>	
<b>End of year</b>		<u>\$ 919,726</u>	

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - SEWER FUND

For the year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,181,500	\$ 1,165,113	\$ (16,387)
Other	181,610	449,535	267,925
<b>Total operating revenues</b>	<u>1,363,110</u>	<u>1,614,648</u>	<u>251,538</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	435,600	418,170	17,430
Employee benefits	306,410	332,414	(26,004)
Administrative expenses	11,252	20,599	(9,347)
Insurance	24,389	24,389	-
Professional services	72,875	94,920	(22,045)
Repairs and maintenance	365,475	303,928	61,547
Supplies	45,970	55,663	(9,693)
Utilities	110,875	89,750	21,125
Depreciation	-	198,333	(198,333)
<b>Total operating expenses</b>	<u>1,372,846</u>	<u>1,538,166</u>	<u>(165,320)</u>
<b>Operating income (loss)</b>	<u>(9,736)</u>	<u>76,482</u>	<u>86,218</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	2,000	23,272	21,272
Intergovernmental revenues	36,667	35,914	(753)
Other revenue	51,080	-	(51,080)
<b>Total nonoperating revenues (expenses)</b>	<u>89,747</u>	<u>59,186</u>	<u>(30,561)</u>
<b>Income (loss) before capital contributions and transfers</b>	80,011	135,668	55,657
Transfers out	-	-	-
<b>CHANGE IN NET POSITION</b>	80,011	135,668	55,657
<b>NET POSITION</b>			
Beginning of year	<u>4,381,506</u>	<u>4,381,506</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,461,517</u>	<u>\$ 4,517,174</u>	<u>\$ (55,657)</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - WATER FUND**

For the year ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,620,850	\$ 1,940,447	\$ 319,597
Other	166,850	395,113	228,263
<b>Total operating revenues</b>	<u>1,787,700</u>	<u>2,335,560</u>	<u>547,860</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	399,136	393,674	5,462
Employee benefits	302,688	349,159	(46,471)
Administrative expenses	11,495	11,627	(132)
Insurance	24,389	24,389	-
Professional services	91,615	160,472	(68,857)
Repairs and maintenance	331,305	159,186	172,119
Supplies	141,285	146,357	(5,072)
Utilities	72,425	81,050	(8,625)
Depreciation	-	134,953	(134,953)
<b>Total operating expenses</b>	<u>1,374,338</u>	<u>1,460,867</u>	<u>(86,529)</u>
<b>Operating income (loss)</b>	<u>413,362</u>	<u>874,693</u>	<u>461,331</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	3,750	16,156	12,406
Interest expense	(28,370)	(31,800)	(3,430)
Intergovernmental revenues	36,667	328,179	291,512
<b>Total nonoperating revenues (expenses)</b>	<u>12,047</u>	<u>312,535</u>	<u>300,488</u>
<b>Income (loss) before capital contributions and transfers</b>	425,409	1,187,228	761,819
Capital contributions	-	180,334	(180,334)
Transfers out	(358,105)	(813,007)	(454,902)
<b>CHANGE IN NET POSITION</b>	67,304	554,555	487,251
<b>NET POSITION</b>			
Beginning of year	<u>4,392,130</u>	<u>4,392,130</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,459,434</u>	<u>\$ 4,946,685</u>	<u>\$ 487,251</u>

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

For the year ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 219,870	\$ 141,051	\$ (78,819)
Other	<u>1,250</u>	<u>1,047</u>	<u>(203)</u>
<b>Total operating revenues</b>	<u>221,120</u>	<u>142,098</u>	<u>(79,022)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	156,340	138,093	18,247
Employee benefits	47,375	66,528	(19,153)
Administrative expenses	3,800	2,923	877
Professional services	1,000	1,000	-
Repairs and maintenance	16,500	17,863	(1,363)
Supplies	18,300	20,242	(1,942)
Depreciation	<u>-</u>	<u>12,656</u>	<u>(12,656)</u>
<b>Total operating expenses</b>	<u>243,315</u>	<u>259,305</u>	<u>(15,990)</u>
<b>Operating income (loss)</b>	<u>(22,195)</u>	<u>(117,207)</u>	<u>(95,012)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	<u>-</u>	<u>183</u>	<u>183</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(22,195)</u>	<u>(117,024)</u>	<u>(94,829)</u>
Transfers in	<u>27,297</u>	<u>92,465</u>	<u>65,168</u>
<b>CHANGE IN NET POSITION</b>	<u>5,102</u>	<u>(24,559)</u>	<u>(29,661)</u>
<b>NET POSITION</b>			
Beginning of year	<u>4,185,869</u>	<u>4,185,869</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,190,971</u>	<u>\$ 4,161,310</u>	<u>\$ 29,661</u>

# BOROUGH OF EAST STROUDSBURG

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	Measurement			
	2017		2016	
	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 142,081	\$ 23,228	\$ 154,308	\$ 14,911
Interest on total pension liability	374,727	2,392	375,390	1,810
Changes of assumptions	-	-	182,587	-
Differences between expected and actual experience	-	(8,424)	(123,841)	(1,153)
Benefit payments, including refunds of member contributions	(310,112)	-	(221,526)	-
<b>Net change in total pension liability</b>	206,696	17,196	366,918	15,568
<b>Total pension liability, beginning</b>	<u>7,150,695</u>	<u>43,984</u>	<u>6,783,777</u>	<u>28,416</u>
<b>Total pension liability, ending</b>	<u>\$ 7,357,391</u>	<u>\$ 61,180</u>	<u>\$ 7,150,695</u>	<u>\$ 43,984</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 234,212	\$ 21,775	\$ 229,485	\$ 15,051
Member contributions	37,113	400	43,883	-
PMRS investment income	320,077	2,669	333,020	1,750
Market value investment income	706,859	6,325	142,966	(178)
Benefit payments	(310,112)	-	(221,526)	-
PMRS administrative expense	(680)	(120)	(680)	(80)
Additional administrative expense	(14,720)	(123)	(16,315)	(86)
<b>Net change in plan fiduciary net position</b>	972,749	30,926	510,833	16,457
<b>Fiduciary net position, beginning</b>	<u>6,274,001</u>	<u>42,884</u>	<u>5,763,168</u>	<u>26,427</u>
<b>Fiduciary net position, ending</b>	<u>\$ 7,246,750</u>	<u>\$ 73,810</u>	<u>\$ 6,274,001</u>	<u>\$ 42,884</u>
<b>Net pension liability, ending</b>	<u>\$ 110,641</u>	<u>\$ (12,630)</u>	<u>\$ 876,694</u>	<u>\$ 1,100</u>
<b>Fiduciary net position as a % of total pension liability</b>	98.50%	120.64%	87.74%	97.50%
<b>Covered payroll</b>	\$ 945,130	\$ 380,474	\$ 1,066,909	\$ 248,513
<b>Net pension liability as a % of covered payroll</b>	11.71%	-3.32%	82.17%	0.44%

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

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**Date**

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<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>
\$ 173,321	\$ 11,827	\$ 173,277	\$ 8,272
362,036	1,094	346,877	503
(64,731)	-	-	-
-	-	(8,711)	-
<u>(193,095)</u>	<u>-</u>	<u>(275,253)</u>	<u>-</u>
277,531	12,921	236,190	8,775
<u>6,506,246</u>	<u>15,495</u>	<u>6,270,056</u>	<u>6,720</u>
<u>\$ 6,783,777</u>	<u>\$ 28,416</u>	<u>\$ 6,506,246</u>	<u>\$ 15,495</u>
\$ 232,435	\$ 11,927	\$ 187,558	\$ 8,352
44,346	-	41,696	-
314,814	1,136	297,934	518
(321,885)	(1,779)	2,460	(133)
(193,095)	-	(275,253)	-
(680)	(100)	(700)	(80)
<u>(13,124)</u>	<u>(47)</u>	<u>(11,426)</u>	<u>(20)</u>
62,811	11,137	242,269	8,637
<u>5,700,357</u>	<u>15,290</u>	<u>5,458,088</u>	<u>6,653</u>
<u>\$ 5,763,168</u>	<u>\$ 26,427</u>	<u>\$ 5,700,357</u>	<u>\$ 15,290</u>
<u>\$ 1,020,609</u>	<u>\$ 1,989</u>	<u>\$ 805,889</u>	<u>\$ 205</u>
84.96%	93.00%	87.61%	98.68%
\$ 1,163,780	\$ 197,118	\$ 1,176,548	\$ 137,840
87.70%	1.01%	68.50%	0.15%

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**BOROUGH OF EAST STROUDSBURG**

**SCHEDULE OF BOROUGH PENSION CONTRIBUTIONS**

Year ended December 31

**Nonuniform Pension Fund**

<b>Measurement Date December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 187,558	\$ 187,558	\$ -	\$ 1,176,548	15.94%
2015	\$ 232,435	\$ 232,435	\$ -	\$ 1,163,780	19.97%
2016	\$ 229,447	\$ 229,485	\$ (38)	\$ 1,066,909	21.51%
2017	\$ 233,816	\$ 234,212	\$ (396)	\$ 945,130	24.78%

**Nonuniform Cash Balance Pension Fund**

<b>Measurement Date December 31</b>	<b>Statutorily Required Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 8,352	\$ 8,352	\$ -	\$ 137,840	6.06%
2015	\$ 11,927	\$ 11,927	\$ -	\$ 197,118	6.05%
2016	\$ 14,991	\$ 15,051	\$ (60)	\$ 248,513	6.06%
2017	\$ 22,948	\$ 21,775	\$ 1,173	\$ 380,474	5.72%

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, 2018

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	
<b>ASSETS</b>					
Cash	\$ 179,604	\$ 14,266	\$ 68,231	\$ 6,750	\$ 268,851
Due from other governments	-	2,284	-	-	2,284
<b>Total assets</b>	<u>\$ 179,604</u>	<u>\$ 16,550</u>	<u>\$ 68,231</u>	<u>\$ 6,750</u>	<u>\$ 271,135</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 9,349	\$ 14,266	\$ -	-	\$ 23,615
Due to other funds	49,469	-	-	1,512	50,981
<b>Total liabilities</b>	<u>58,818</u>	<u>14,266</u>	<u>-</u>	<u>1,512</u>	<u>74,596</u>
<b>FUND BALANCES</b>					
Restricted for					
Public works - roads	120,786	-	-	-	120,786
Community development	-	2,284	68,231	-	70,515
Debt service	-	-	-	5,238	5,238
<b>Total fund balances</b>	<u>120,786</u>	<u>2,284</u>	<u>68,231</u>	<u>5,238</u>	<u>196,539</u>
<b>Total liabilities and fund balances</b>	<u>\$ 179,604</u>	<u>\$ 16,550</u>	<u>\$ 68,231</u>	<u>\$ 6,750</u>	<u>\$ 271,135</u>

**BOROUGH OF EAST STROUDSBURG**

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

Year ended December 31, 2018

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 454,166	\$ 454,166
Interest, rents and royalties	3,910	-	1,333	55	5,298
Intergovernmental revenues	<u>269,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,839</u>
<b>Total revenues</b>	<u>273,749</u>	<u>-</u>	<u>1,333</u>	<u>454,221</u>	<u>729,303</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	1,512	1,512
Public works - highways and streets	219,278	-	-	-	219,278
Community development	-	57,515	-	-	57,515
Debt Service					
Principal	-	-	-	417,960	417,960
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,647</u>	<u>94,647</u>
<b>Total expenditures</b>	<u>219,278</u>	<u>57,515</u>	<u>-</u>	<u>514,119</u>	<u>790,912</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>54,471</u>	<u>(57,515)</u>	<u>1,333</u>	<u>(59,898)</u>	<u>(61,609)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,834</u>	<u>60,834</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>54,471</u>	<u>(57,515)</u>	<u>1,333</u>	<u>936</u>	<u>(775)</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>66,315</u>	<u>59,799</u>	<u>66,898</u>	<u>4,302</u>	<u>197,314</u>
End of year	<u>\$ 120,786</u>	<u>\$ 2,284</u>	<u>\$ 68,231</u>	<u>\$ 5,238</u>	<u>\$ 196,539</u>

**BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2018**

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Investments	<u>\$ 3,630,993</u>	<u>\$ 116,822</u>	<u>\$ 3,747,815</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 3,630,993</u>	<u>\$ 116,822</u>	<u>\$ 3,747,815</u>

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

Year ended December 31, 2018

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ 219,677	\$ 42,314	\$ 261,991
Member contributions	<u>35,488</u>	<u>7,560</u>	<u>43,048</u>
<b>Total contributions</b>	<u>255,165</u>	<u>49,874</u>	<u>305,039</u>
<b>Investment income</b>	<u>252,350</u>	<u>(2,649)</u>	<u>249,701</u>
<b>Total additions</b>	<u>507,515</u>	<u>47,225</u>	<u>554,740</u>
<b>DEDUCTIONS</b>			
Benefits paid	406,331	-	406,331
Administrative expenses	<u>1,044</u>	<u>120</u>	<u>1,164</u>
<b>Total deductions</b>	<u>407,375</u>	<u>120</u>	<u>407,495</u>
 <b>CHANGE IN NET POSITION</b>	 100,140	 47,105	 147,245
<b>NET POSITION</b>			
Beginning of year	<u>3,530,853</u>	<u>69,717</u>	<u>3,600,570</u>
<b>End of year</b>	<u>\$ 3,630,993</u>	<u>\$ 116,822</u>	<u>\$ 3,747,815</u>

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**SUPPLEMENTAL INFORMATION**

# BOROUGH OF EAST STROUDSBURG

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

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Value of Taxable Property</u>	<u>Assessed Value as A Percentage of Market Value</u>
2018	\$ 75,613,170	\$302,452,680	25.00%
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%

**BOROUGH OF EAST STROUDSBURG**

**PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED**

**Last ten fiscal years ending December 31,**

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<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes To Tax Levy</u>
2018	\$ 1,924,398	\$ 1,802,792	93.68%	\$ -	\$ 1,802,792	93.68%	121,606	6.32%
2017	1,817,353	1,707,014	93.93%	59,799	1,766,813	93.93%	50,540	6.07%
2016	1,707,217	1,587,549	92.99%	114,576	1,702,125	99.70%	5,092	0.30%
2015	1,570,093	1,456,780	92.78%	112,334	1,569,114	99.94%	979	0.06%
2014	1,642,461	1,475,215	89.82%	166,718	1,641,933	99.97%	528	0.03%
2013	1,586,019	1,468,307	92.58%	117,222	1,585,529	99.97%	490	0.03%
2012	1,528,868	1,369,295	89.56%	159,340	1,528,635	99.98%	233	0.02%
2011	1,338,657	1,229,488	91.84%	108,959	1,338,447	99.98%	210	0.02%
2010	1,233,172	1,174,611	95.25%	58,368	1,232,979	99.98%	193	0.02%
2009	947,774	868,196	91.60%	79,522	947,718	99.99%	56	0.01%

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# BOROUGH OF EAST STROUDSBURG

## TAX RATES - UNAUDITED

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Real Estate Transfer</u>	<u>Wage &amp; Income Tax</u>	<u>Municipal Services Tax</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Borough Total</u>			
2018	19.20	6.30	25.50	0.5%	0.5%	47.00
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

# BOROUGH OF EAST STROUDSBURG

## PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2018

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<u>Taxpayer</u>	<u>Assessed Valuation</u>
Wal-Mart Real Estate Business	\$ 2,500,000
New GVPT, LLC	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, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 7, 2019.

**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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

**BBD, LLP****Philadelphia, Pennsylvania****August 7, 2019**