



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

Financial Statements
Year Ended December 31, 2019



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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, 2019, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Sewer Fund	Unmodified
Water Fund	Unmodified
Golf Course Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinion on Aggregate Remaining Fund Information

Management has not included the Nonuniform Pension Trust Funds in the Borough of East Stroudsburg's financial statements. Accounting principles generally accepted in the United States of America require the Nonuniform Pension Trust Funds to be presented as fiduciary funds, thus increasing that fund's assets, liabilities, revenues and expenses and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate remaining fund information has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the of the Nonuniform Pension Trust Funds of the Borough of East Stroudsburg, East Stroudsburg, Pennsylvania, as of December 31, 2019, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, and each major fund of the Borough of East Stroudsburg, East Stroudsburg, Pennsylvania, as of December 31, 2019, and the respective changes in financial position 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 2018 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated August 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 4 through 14 and 47 through 61 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 62 through 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information on pages 66 through 69 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 September 1, 2020, 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
September 1, 2020**

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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, 2019. 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 2019, there were approximately 50 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 2019 fiscal year of \$18,903,992. During the 2019 fiscal year, the Borough had an increase in total net position of \$429,490. The net position of the governmental activities decreased by \$494,121 and net position of business-type activities increased by \$923,611.
- As of the close of the 2019 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$844,947, a decrease of \$626,661 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$728,420, bringing the cumulative balance to \$191,306 at the conclusion of the 2019 fiscal year.
- At December 31, 2019, the General Fund fund balance includes \$25,105 which is considered nonspendable, and unassigned amounts of \$166,201 or 2.81% of the \$5,905,482 2020 General Fund budget.
- General Fund revenues were \$108,475 or 2.37% more than budgeted amounts, General Fund expenditures were \$126,370 or 2.39% less than budgeted amounts and other financing (uses) had a negative variance of \$613,265 resulting in a net negative variance of \$378,420. The net negative variance was primarily due to the budgeted proceeds of the sale of real estate in the amount of \$755,000 that were not received. The 2020 General Fund budget included the use of \$350,000 of fund balance to balance the budget.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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 15 and 16 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, 2019

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 17 through 20 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 21 through 23 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 24 and 25 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 26 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 69 of this report.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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 2019 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$18,903,992. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2019 and 2018.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
ASSETS						
Current assets	\$1,714,787	\$2,284,692	\$ 4,258,304	\$ 4,291,269	\$ 5,973,091	\$ 6,575,961
Noncurrent assets	<u>7,790,225</u>	<u>6,698,175</u>	<u>11,730,419</u>	<u>10,884,519</u>	<u>19,520,644</u>	<u>17,582,694</u>
Total assets	<u>9,505,012</u>	<u>8,982,867</u>	<u>15,988,723</u>	<u>15,175,788</u>	<u>25,493,735</u>	<u>24,158,655</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	<u>273,466</u>	<u>169,078</u>	<u>256,354</u>	<u>165,733</u>	<u>529,820</u>	<u>334,811</u>
LIABILITIES						
Current liabilities	456,162	408,068	177,639	206,949	633,801	615,017
Noncurrent liabilities	<u>4,960,456</u>	<u>3,594,351</u>	<u>1,517,946</u>	<u>1,189,658</u>	<u>6,478,402</u>	<u>4,784,009</u>
Total liabilities	<u>5,416,618</u>	<u>4,002,419</u>	<u>1,695,585</u>	<u>1,396,607</u>	<u>7,112,203</u>	<u>5,399,026</u>
DEFERRED INFLOWS						
Deferred credits – pensions	<u>6,648</u>	<u>300,193</u>	<u>712</u>	<u>319,745</u>	<u>7,360</u>	<u>619,938</u>
NET POSITION						
Net investment in capital assets	3,263,976	3,149,440	10,706,244	9,784,515	13,970,220	12,933,955
Restricted	653,641	551,882	-	-	653,641	551,882
Unrestricted	<u>437,595</u>	<u>1,148,011</u>	<u>3,842,536</u>	<u>3,840,654</u>	<u>4,280,131</u>	<u>4,988,665</u>
Total net position	<u>\$4,355,212</u>	<u>\$4,849,333</u>	<u>\$14,548,780</u>	<u>\$13,625,169</u>	<u>\$18,903,992</u>	<u>\$18,474,502</u>

The Borough's total assets as of December 31, 2019 were \$25,493,735 of which \$3,958,311 or 15.53% consisted of cash and \$19,520,644 or 76.57% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2019 were \$7,112,203 of which \$4,287,007 or 60.28% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2019, \$4,280,131 is unrestricted and may be used to meet the Borough's ongoing obligations to citizens and creditors. The Borough's unrestricted net position decreased by \$708,534 during 2019 primarily due to the results of current year operations related to the governmental activities.

A portion of the Borough's net position reflects its restricted net position which totaled \$653,641 as of December 31, 2019. 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, 2019, the Borough's net investment in capital assets increased by \$1,036,265 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, 2019

The following table presents condensed information for the *Statement of Activities* of the Borough for 2019 and 2018:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUES						
Program revenues						
Charges for services	\$1,756,576	\$1,655,643	\$3,933,519	\$4,092,306	\$5,690,095	\$5,747,949
Operating grants and contributions	385,011	395,573	100,976	71,828	485,987	467,401
Capital grants and contributions	150,055	39,542	-	292,265	150,055	331,807
General revenues						
Taxes	3,198,505	3,152,469	-	-	3,198,505	3,152,469
Franchise fees	125,792	125,974	-	-	125,792	125,974
Investment earnings	27,171	31,354	46,781	39,611	73,952	70,965
Total revenues	<u>5,643,110</u>	<u>5,400,555</u>	<u>4,081,276</u>	<u>4,496,010</u>	<u>9,724,386</u>	<u>9,896,565</u>
EXPENSES						
General government	875,682	917,843	-	-	875,682	917,843
Public safety	2,806,172	2,743,113	-	-	2,806,172	2,743,113
Health and human services	42,805	39,567	-	-	42,805	39,567
Public works	1,803,074	1,876,034	-	-	1,803,074	1,876,034
Culture and recreation	130,466	107,572	-	-	130,466	107,572
Community development	2,283	57,515	-	-	2,283	57,515
Interest expense related to noncurrent liabilities	103,453	100,268	-	-	103,453	100,268
Sewer operations	-	-	1,507,959	1,538,166	1,507,959	1,538,166
Water operations	-	-	1,799,208	1,492,667	1,799,208	1,492,667
Golf course operations	-	-	223,794	259,305	223,794	259,305
Total expenses	<u>5,763,935</u>	<u>5,841,912</u>	<u>3,530,961</u>	<u>3,290,138</u>	<u>9,294,896</u>	<u>9,132,050</u>
Change in net position before transfers	(120,825)	(441,357)	550,315	1,205,872	429,490	764,515
Transfers	(373,296)	540,208	373,296	(540,208)	-	-
CHANGE IN NET POSITION	<u>\$ (494,121)</u>	<u>\$ 98,851</u>	<u>\$ 923,611</u>	<u>\$ 665,664</u>	<u>\$ 429,490</u>	<u>\$ 764,515</u>

Governmental Activities

The cost of all governmental activities in 2019 was \$5,763,935. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$3,198,505 or 55.49%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,756,576 or 30.48%).

Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,609,246 or 79.97%. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,367,927 for 2019.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

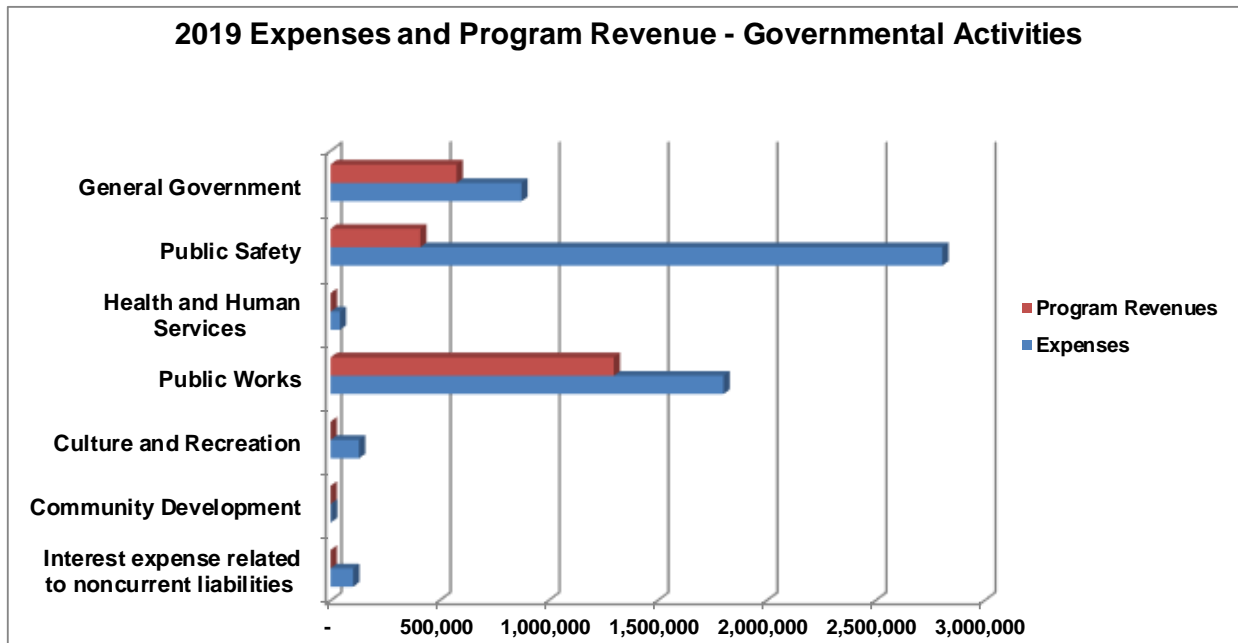
December 31, 2019

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 2019, sewer and water fees remained unchanged. 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 \$276,334 primarily due to costs associated with major water plant upgrades in 2019. Other operating receipts for the water and sewer operations decreased by \$238,254 due to a decrease in one-time reassessments for equivalent dwelling units ("**EDUs**") and tapping fees.

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 \$56,048 for 2019.

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.

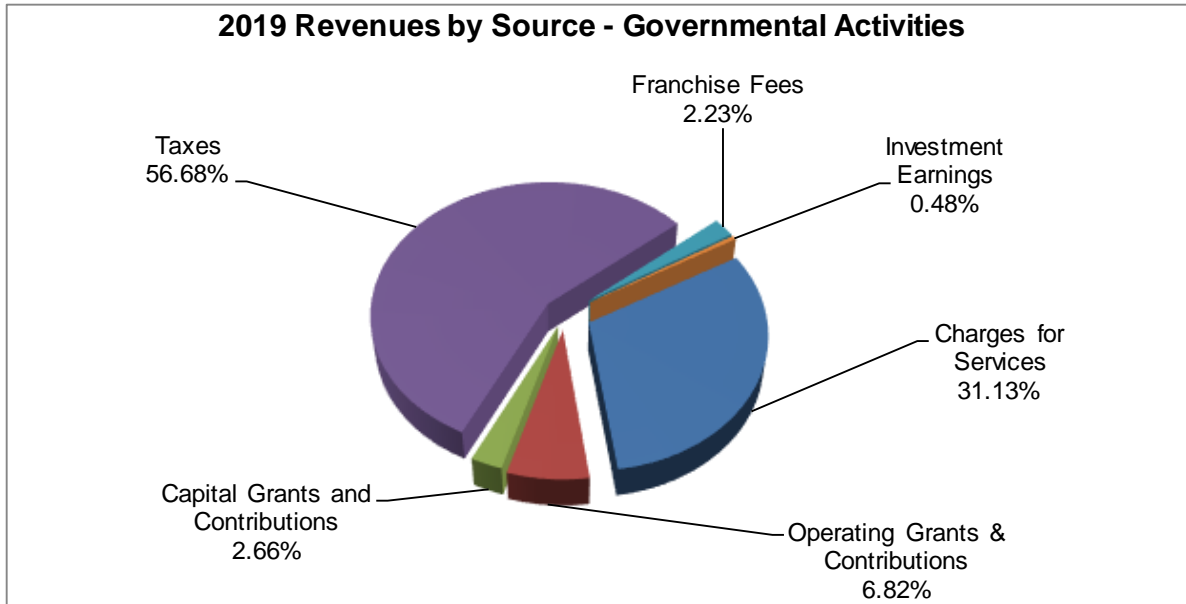


BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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, 2019, the Borough's governmental funds reported a combined fund balance of \$844,947 which is a decrease of \$626,661 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2019 and 2018 and the total 2018 change in governmental fund balances.

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>
General Fund	\$191,306	\$ 919,726	\$(728,420)
Capital Projects Fund	430,821	355,343	75,478
Nonmajor Governmental Funds	<u>222,820</u>	<u>196,539</u>	<u>26,281</u>
	<u>\$844,947</u>	<u>\$1,471,608</u>	<u>\$(626,661)</u>

GENERAL FUND

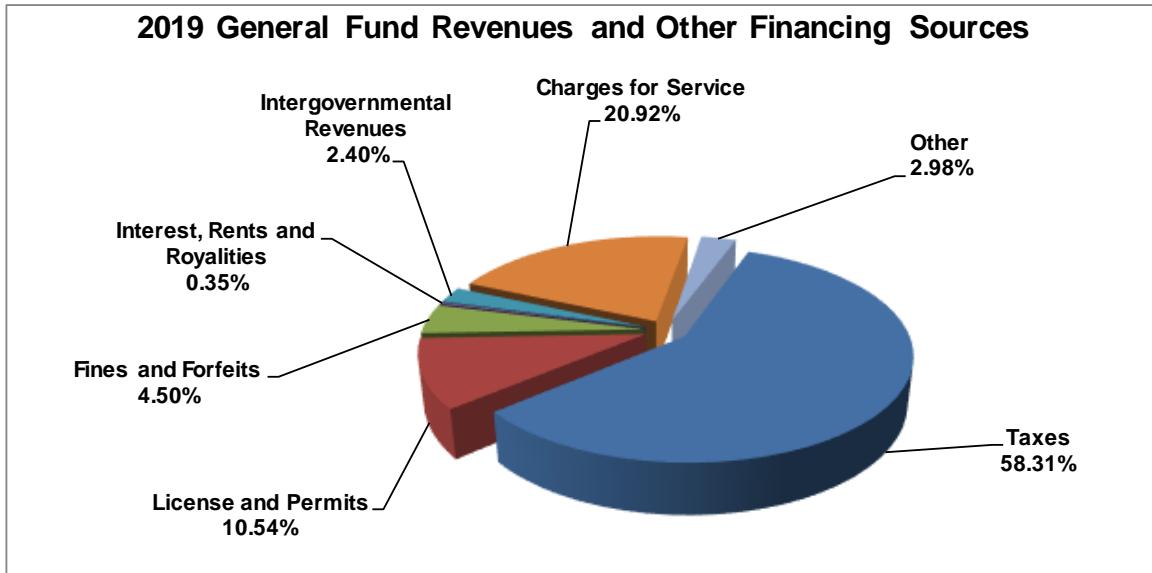
The General Fund is the Borough's primary operating fund. At the conclusion of the 2019 fiscal year the General Fund fund balance was \$191,306 representing a decrease of \$728,420 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2019 fiscal year.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 58.31% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,734,414	\$2,729,127	\$ 5,287	0.19
Licenses and permits	494,312	311,460	182,852	58.71
Fines and forfeits	211,184	237,086	(25,902)	(10.93)
Interest, rents and royalties	16,357	16,838	(481)	(2.86)
Intergovernmental revenues	112,403	105,952	6,451	6.09
Charges for services	981,179	990,178	(8,999)	(0.91)
Other	139,744	231,746	(92,002)	(39.70)
Transfers in	-	358,105	(358,105)	(100.00)
	<u>\$4,689,593</u>	<u>\$4,980,492</u>	<u>\$(290,899)</u>	<u>(5.84)</u>

Licenses and permits increased by \$182,852 or 58.71% primarily due additional permit fees associated with development at the Pocono Plaza.

Other revenue in 2018 included insurance reimbursements related to damage at the water plant caused by a storm resulting in a decrease of \$92,002 or 39.70% in 2019.

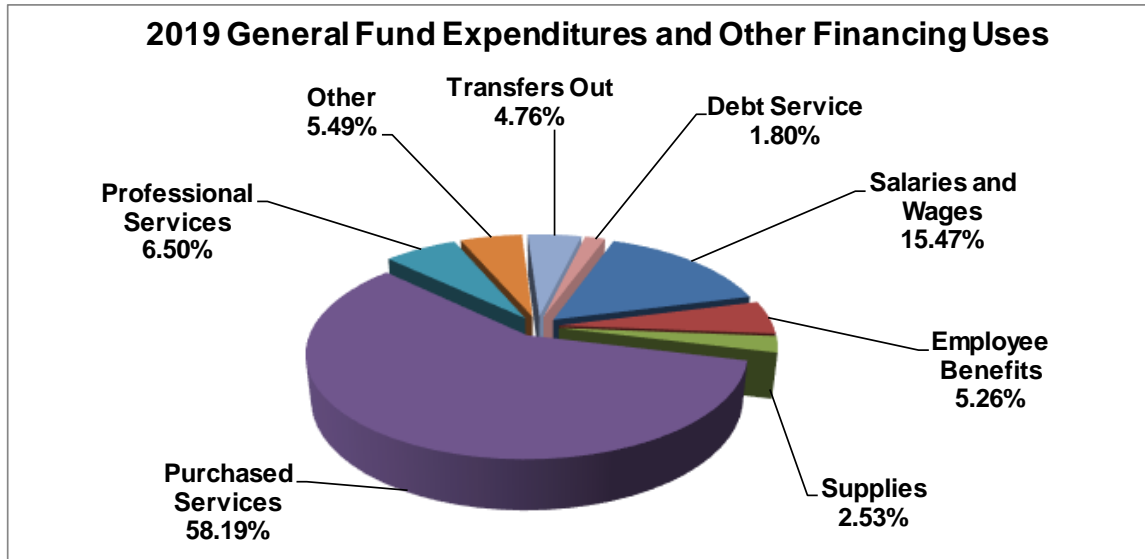
Transfers in in 2018 represent transfers from water operations to subsidize general government activities.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 838,221	\$ 860,270	\$ (22,049)	(2.56)
Employee benefits	284,740	341,174	(56,434)	(16.54)
Supplies and equipment	137,277	197,955	(60,678)	(30.65)
Purchased services	3,152,878	3,027,463	125,415	4.14
Professional services	351,981	368,995	(17,014)	(4.61)
Other	297,560	270,676	26,884	9.93
Debt service	97,339	98,273	(934)	(0.95)
Transfers out	<u>258,017</u>	<u>153,299</u>	<u>104,718</u>	<u>68.31</u>
	<u>\$5,418,013</u>	<u>\$5,318,105</u>	<u>\$ 99,908</u>	<u>1.88</u>

The increase in purchased services of \$125,415 or 4.14% can be attributed to the increase in cost for services in 2019 for the Stroud Area Regional Police Department.

Transfers out represent annual appropriations to subsidize golf course operations, capital projects and debt service maturities.

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 2019, the Capital Projects Fund fund balance increased by \$75,478 for a cumulative balance of \$430,821 as of December 31, 2019.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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 2019, the Nonmajor Governmental Funds fund balance increased by \$26,281 for a cumulative balance of \$222,820 as of December 31, 2019. Within the nonmajor governmental funds the CDBG Fund, the State Liquid Fuels Fund, Community Development Fund and Debt Service Fund represent \$0, \$150,501, \$69,825 and \$2,494, respectively, of the cumulative fund balance as of December 31, 2019.

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 were \$108,475 or 2.37% more than budgeted amounts, General Fund expenditures were \$126,370 or 2.39% less than budgeted amounts and other financing (uses) had a negative variance of \$613,265 resulting in a net negative variance of \$378,420. The net negative variance was primarily due to the budgeted proceeds of the sale of real estate in the amount of \$755,000 that were not received. The 2020 General Fund budget included the use of \$350,000 of fund balance to balance the budget.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 47 through 56. 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, 2019 amounted to \$19,520,644 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 2019 was \$1,937,950 or 11.02%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$2,920,066 and depreciation expense was \$982,116.

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

Governmental Activities	
Willow Street utility, drainage and road improvements – construction in progress	\$1,253,729
Peterbilt Model 737 truck	\$ 77,448
Business-type Activities	
Property located at 670 Wooddale Road	\$ 436,320
Dam rehabilitation project	\$ 317,248

NONCURRENT LIABILITIES

As of December 31, 2019, the Borough had total general obligation debt of \$5,311,182 consisting of notes payable. The entire amount is backed by the full faith and credit of the Borough. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net increase in the Borough's general obligation debt for the current year was \$998,526 or 23.15%.

BOROUGH OF EAST STROUDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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 \$188,774 at December 31, 2019 and decreased by \$92,973 or 33.00% 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 \$890,548 as of December 31, 2019. The Borough's net pension liability increased by \$792,537 or 808.62% during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and a capital lease which totaled \$87,898 as of December 31, 2019. These liabilities decreased by \$3,697, or 4.04% 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 median price of an owner-occupied unit in 2010 was \$212,700 and rose to a peak of \$214,300 in 2012, but fell to \$160,100 in 2015. 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.

Over the past 15 years, the borough has experienced the successful re-use/redevelopment of the original railroad depot sites and the fire house. In addition, several vacant and underutilized buildings are available for new owners and perhaps new uses. The 11-acre former International Boiler Works ("**IBW**") property is the largest developable site within Borough limits. The Borough has readied the property for development and is partnering with the Pocono Mountains Economic Development Corporation ("**PMEDC**") to negotiate a sale. Currently, there is a potential buyer interested in the site but there are significant costs that will need to be offset for any successful redevelopment of the site. These costs are expected in part to be funded with funding through a Redevelopment Assistance Capital Project grant ("**RCAP**") through the Commonwealth of Pennsylvania.

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 2020 budget totaling \$5,905,482 and the real estate tax millage rate remained unchanged at 25.50 mills. Sewer rates were increased to be more consistent with water rate structure, while water rates remained unchanged for 2020.

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

In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Monroe County, Pennsylvania for what was an extended period of time. Future potential impacts may include disruption of Borough services and impairment of the ability to generate revenues. The future effects of these issues are unknown.

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, 2019 with summarized comparative totals for 2018

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 1,080,038	\$ 2,878,273	\$ 3,958,311	\$ 4,070,443
Taxes receivable	252,268	-	252,268	226,366
Due from other governments	-	-	-	2,284
Accounts receivable, net	440,554	1,256,948	1,697,502	2,207,710
Internal balances	(83,178)	83,178	-	-
Prepaid expenses	25,105	39,905	65,010	69,158
Total current assets	<u>1,714,787</u>	<u>4,258,304</u>	<u>5,973,091</u>	<u>6,575,961</u>
NONCURRENT ASSETS				
Capital assets, net	<u>7,790,225</u>	<u>11,730,419</u>	<u>19,520,644</u>	<u>17,582,694</u>
Total assets	<u>9,505,012</u>	<u>15,988,723</u>	<u>25,493,735</u>	<u>24,158,655</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	<u>273,466</u>	<u>256,354</u>	<u>529,820</u>	<u>334,811</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	180,346	146,567	326,913	321,979
Accrued salaries and benefits	42,928	31,072	74,000	64,627
Accrued interest payable	25,429	-	25,429	18,747
Escrow deposits	207,459	-	207,459	209,664
Total current liabilities	<u>456,162</u>	<u>177,639</u>	<u>633,801</u>	<u>615,017</u>
NONCURRENT LIABILITIES				
Due within one year	565,379	77,949	643,328	629,395
Due in more than one year	4,395,077	1,439,997	5,835,074	4,154,614
Total noncurrent liabilities	<u>4,960,456</u>	<u>1,517,946</u>	<u>6,478,402</u>	<u>4,784,009</u>
Total liabilities	<u>5,416,618</u>	<u>1,695,585</u>	<u>7,112,203</u>	<u>5,399,026</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	<u>6,648</u>	<u>712</u>	<u>7,360</u>	<u>619,938</u>
NET POSITION				
Net investment in capital assets	3,263,976	10,706,244	13,970,220	12,933,955
Restricted	653,641	-	653,641	551,882
Unrestricted	437,595	3,842,536	4,280,131	4,988,665
Total net position	<u>\$ 4,355,212</u>	<u>\$ 14,548,780</u>	<u>\$ 18,903,992</u>	<u>\$ 18,474,502</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF ACTIVITIES

Year ended December 31, 2019 with summarized comparative totals for 2018

	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>2019</u>	<u>2018</u>
GOVERNMENTAL ACTIVITIES								
General government	\$ 875,682	\$ 564,216	\$ 14,185	\$ -	\$ (297,281)	\$ -	\$ (297,281)	\$ (477,720)
Public safety	2,806,172	211,185	50,115	150,055	(2,394,817)	-	(2,394,817)	(2,445,522)
Health and human services	42,805	-	1,835	-	(40,970)	-	(40,970)	(38,213)
Public works	1,803,074	981,175	318,258	-	(503,641)	-	(503,641)	(524,873)
Culture and recreation	130,466	-	618	-	(129,848)	-	(129,848)	(107,043)
Community development	2,283	-	-	-	(2,283)	-	(2,283)	(57,515)
Interest expense related to noncurrent liabilities	103,453	-	-	-	(103,453)	-	(103,453)	(100,268)
Total governmental activities	<u>5,763,935</u>	<u>1,756,576</u>	<u>385,011</u>	<u>150,055</u>	<u>(3,472,293)</u>	<u>-</u>	<u>(3,472,293)</u>	<u>(3,751,154)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	1,507,959	1,585,316	50,488	-	-	127,845	127,845	112,396
Water	1,799,208	2,191,366	50,488	-	-	442,646	442,646	1,171,072
Golf course	223,794	156,837	-	-	-	(66,957)	(66,957)	(117,207)
Total business-type activities	<u>3,530,961</u>	<u>3,933,519</u>	<u>100,976</u>	<u>-</u>	<u>-</u>	<u>503,534</u>	<u>503,534</u>	<u>1,166,261</u>
Total primary government	<u>\$ 9,294,896</u>	<u>\$ 5,690,095</u>	<u>\$ 485,987</u>	<u>\$ 150,055</u>	<u>(3,472,293)</u>	<u>503,534</u>	<u>(2,968,759)</u>	<u>(2,584,893)</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					1,933,878	-	1,933,878	1,904,695
Earned income taxes					846,247	-	846,247	836,702
Real estate transfer taxes					147,401	-	147,401	99,889
Local services taxes					270,979	-	270,979	311,183
Franchise fees					125,792	-	125,792	125,974
Investment earnings					27,171	46,781	73,952	70,965
TRANSFERS					<u>(373,296)</u>	<u>373,296</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>2,978,172</u>	<u>420,077</u>	<u>3,398,249</u>	<u>3,349,408</u>
CHANGE IN NET POSITION					(494,121)	923,611	429,490	764,515
NET POSITION								
Beginning of year					<u>4,849,333</u>	<u>13,625,169</u>	<u>18,474,502</u>	<u>17,709,987</u>
End of year					<u>\$ 4,355,212</u>	<u>\$ 14,548,780</u>	<u>\$ 18,903,992</u>	<u>\$ 18,474,502</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	2019	2018
ASSETS					
Cash	\$ 262,668	\$ 482,315	\$ 335,055	\$ 1,080,038	\$ 1,258,529
Due from other governments	-	-	-	-	2,284
Receivables					
Taxes	252,268	-	-	252,268	226,366
Garbage fees, net	222,601	-	-	222,601	245,867
Other	217,953	-	-	217,953	327,103
Due from other funds	113,812	-	-	113,812	259,862
Prepaid items	25,105	-	-	25,105	68,079
Total assets	\$ 1,094,407	\$ 482,315	\$ 335,055	\$ 1,911,777	\$ 2,388,090
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 153,845	\$ 2,585	\$ 23,916	\$ 180,346	\$ 136,547
Accrued salaries and benefits	42,928	-	-	42,928	43,110
Due to other funds	108,671	-	88,319	196,990	103,398
Escrow deposits	158,550	48,909	-	207,459	209,664
Total liabilities	463,994	51,494	112,235	627,723	492,719
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes and garbage fees	439,107	-	-	439,107	423,763
FUND BALANCES					
Nonspendable					
Prepaid items	25,105	-	-	25,105	68,079
Restricted for					
Public works - roads	-	-	150,501	150,501	120,786
Community development	-	-	69,825	69,825	70,515
Debt service	-	-	2,494	2,494	5,238
Committed to					
Balance 2019 budget	-	-	-	-	350,000
Road improvements fund	-	376,125	-	376,125	372,472
Unassigned	166,201	54,696	-	220,897	484,518
Total fund balances	191,306	430,821	222,820	844,947	1,471,608
Total liabilities, deferred inflows of resources and fund balances	\$ 1,094,407	\$ 482,315	\$ 335,055	\$ 1,911,777	\$ 2,388,090

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, 2019

TOTAL GOVERNMENTAL FUND BALANCES	\$ 844,947
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	7,790,225
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.	439,107
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.	266,818
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.	(25,429)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(4,960,456)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,355,212</u>

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	2019	2018
REVENUES					
Taxes	\$ 2,734,414	\$ -	\$ 452,786	\$ 3,187,200	\$ 3,183,293
Licenses and permits	494,312	-	-	494,312	311,460
Fines and forfeits	211,184	-	-	211,184	237,086
Interest, rent and royalties	16,357	5,175	5,839	27,371	31,454
Intergovernmental revenues	112,403	-	276,108	388,511	400,333
Charges for services	981,179	-	-	981,179	990,178
Contributions and donations	-	9,000	-	9,000	15,000
Miscellaneous	139,744	-	-	139,744	231,476
Total revenues	<u>4,689,593</u>	<u>14,175</u>	<u>734,733</u>	<u>5,438,501</u>	<u>5,400,280</u>
EXPENDITURES					
Current					
General government	730,205	-	3,598	733,803	792,948
Public safety	2,662,421	19,966	-	2,682,387	2,645,108
Health and human services	43,165	-	-	43,165	44,637
Public works - sanitation	719,269	-	-	719,269	749,661
Public works - highways and streets	508,927	1,279,348	250,611	2,038,886	960,753
Public works - other services	144,501	-	-	144,501	154,380
Culture and recreation	180,055	-	-	180,055	198,116
Community development	74,113	6,219	2,284	82,616	128,126
Debt service					
Principal	92,973	-	429,880	522,853	510,433
Interest	4,367	-	92,404	96,771	100,447
Total expenditures	<u>5,159,996</u>	<u>1,305,533</u>	<u>778,777</u>	<u>7,244,306</u>	<u>6,284,609</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(470,403)</u>	<u>(1,291,358)</u>	<u>(44,044)</u>	<u>(1,805,805)</u>	<u>(884,329)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of general long-term debt	-	1,504,235	-	1,504,235	204,678
Refund of prior year expenditures	-	48,205	-	48,205	-
Transfers in	-	131,644	70,325	201,969	693,507
Transfers out	(258,017)	(317,248)	-	(575,265)	(153,299)
Sale of capital assets	-	-	-	-	270
Total other financing sources (uses)	<u>(258,017)</u>	<u>1,366,836</u>	<u>70,325</u>	<u>1,179,144</u>	<u>745,156</u>
NET CHANGE IN FUND BALANCES	<u>(728,420)</u>	<u>75,478</u>	<u>26,281</u>	<u>(626,661)</u>	<u>(139,173)</u>
FUND BALANCES					
Beginning of year	<u>919,726</u>	<u>355,343</u>	<u>196,539</u>	<u>1,471,608</u>	<u>1,610,781</u>
End of year	<u>\$ 191,306</u>	<u>\$ 430,821</u>	<u>\$ 222,820</u>	<u>\$ 844,947</u>	<u>\$ 1,471,608</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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$(626,661)

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 1,655,592	
Depreciation expense	<u>(563,542)</u>	1,092,050

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 increased by this amount this year.

Deferred inflows of resources December 31, 2018	(423,763)	
Deferred inflows of resources December 31, 2019	<u>439,107</u>	15,344

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	(1,504,235)	
Repayment of notes payable	429,880	
Repayment of lease rental payable	92,973	
Proceeds from capital lease payable	(34,628)	
Repayment of capital lease payable	<u>38,496</u>	(977,514)

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	(554)	
Current year change in accrued interest payable	(6,682)	
Change in net pension liability and related deferred inflows and outflows	<u>9,896</u>	2,660

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (494,121)

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 1,729,071	\$ 1,131,642	\$ 17,560	\$ 2,878,273	\$ 2,811,914
Accounts receivable, net	537,990	718,958	-	1,256,948	1,634,740
Due from other funds	107,077	42,922	-	149,999	1,169
Prepaid expenses	20,208	17,236	2,461	39,905	1,079
Total current assets	2,394,346	1,910,758	20,021	4,325,125	4,448,902
NONCURRENT ASSETS					
Capital assets, net	2,493,182	5,037,750	4,199,487	11,730,419	10,884,519
Total assets	4,887,528	6,948,508	4,219,508	16,055,544	15,333,421
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges - pensions	119,729	92,057	44,568	256,354	165,733
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of notes payable	-	77,949	-	77,949	75,829
Accounts payable	84,519	61,999	49	146,567	185,432
Accrued salaries and benefits	15,493	13,448	2,131	31,072	21,517
Due to other funds	-	41,328	25,493	66,821	157,633
Total current liabilities	100,012	194,724	27,673	322,409	440,411
NONCURRENT LIABILITIES					
Notes payable, net of current portion	-	946,226	-	946,226	1,024,175
Net pension liability	220,386	161,249	82,036	463,671	59,171
Compensated absences	14,489	11,769	3,842	30,100	30,483
Total noncurrent liabilities	234,875	1,119,244	85,878	1,439,997	1,113,829
Total liabilities	334,887	1,313,968	113,551	1,762,406	1,554,240
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - pensions	-	712	-	712	319,745
NET POSITION					
Net investment in capital assets	2,493,182	4,013,575	4,199,487	10,706,244	9,784,515
Unrestricted	2,179,188	1,712,310	(48,962)	3,842,536	3,840,654
Total net position	\$ 4,672,370	\$ 5,725,885	\$ 4,150,525	\$ 14,548,780	\$ 13,625,169

See accompanying notes

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2019	2018
OPERATING REVENUES					
Charges for services	\$ 1,195,104	\$ 1,975,165	\$ 155,809	\$ 3,326,078	\$ 3,246,611
Other	390,212	216,201	1,028	607,441	845,695
Total operating revenues	<u>1,585,316</u>	<u>2,191,366</u>	<u>156,837</u>	<u>3,933,519</u>	<u>4,092,306</u>
OPERATING EXPENSES					
Salaries and wages	413,494	403,508	136,662	953,664	949,937
Employee benefits	355,174	363,517	34,651	753,342	748,101
Administrative expenses	72,175	60,725	2,972	135,872	35,149
Insurance	50,126	50,126	-	100,252	48,778
Professional services	150,245	180,767	1,215	332,227	256,392
Repairs and maintenance	95,802	297,245	13,562	406,609	480,977
Supplies	76,691	158,801	19,607	255,099	222,262
Utilities	80,418	62,697	2,469	145,584	170,800
Depreciation	213,834	192,084	12,656	418,574	345,942
Total operating expenses	<u>1,507,959</u>	<u>1,769,470</u>	<u>223,794</u>	<u>3,501,223</u>	<u>3,258,338</u>
Operating income (loss)	<u>77,357</u>	<u>421,896</u>	<u>(66,957)</u>	<u>432,296</u>	<u>833,968</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	27,351	19,306	124	46,781	39,611
Interest expense	-	(29,738)	-	(29,738)	(31,800)
Intergovernmental revenues	50,488	50,488	-	100,976	364,093
Total nonoperating revenues (expenses)	<u>77,839</u>	<u>40,056</u>	<u>124</u>	<u>118,019</u>	<u>371,904</u>
Income (loss) before capital contributions and transfers	155,196	461,952	(66,833)	550,315	1,205,872
Capital contributions	-	-	-	-	180,334
Transfers in	-	317,248	56,048	373,296	92,465
Transfers out	-	-	-	-	(813,007)
CHANGE IN NET POSITION	155,196	779,200	(10,785)	923,611	665,664
NET POSITION					
Beginning of year	4,517,174	4,946,685	4,161,310	13,625,169	12,959,505
End of year	<u>\$ 4,672,370</u>	<u>\$ 5,725,885</u>	<u>\$ 4,150,525</u>	<u>\$ 14,548,780</u>	<u>\$ 13,625,169</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 1,077,681	\$ 1,883,338	\$ 155,809	\$ 3,116,828	\$ 3,299,190
Payments to suppliers for goods and services	(471,956)	(781,947)	(39,827)	(1,293,730)	(1,350,289)
Payments to employees	(859,519)	(902,354)	(178,254)	(1,940,127)	(1,609,172)
Other receipts	622,097	530,030	1,028	1,153,155	192,187
Net cash provided by (used for) operating activities	368,303	729,067	(61,244)	1,036,126	531,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	50,488	50,488	-	100,976	364,093
Transfers from other funds	-	317,248	56,048	373,296	92,465
Transfers to other funds	-	-	-	-	(358,105)
Net cash provided by noncapital financing activities	50,488	367,736	56,048	474,272	98,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(328,663)	(1,056,590)	-	(1,385,253)	(322,757)
Repayment of notes payable	-	(75,829)	-	(75,829)	(73,767)
Interest paid	-	(29,738)	-	(29,738)	(31,800)
Net cash used for capital and related financing activities	(328,663)	(1,162,157)	-	(1,490,820)	(428,324)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	27,351	19,306	124	46,781	39,611
Net increase (decrease) in cash	117,479	(46,048)	(5,072)	66,359	241,656
CASH					
Beginning of year	1,611,592	1,177,690	22,632	2,811,914	2,570,258
End of year	\$ 1,729,071	\$ 1,131,642	\$ 17,560	\$ 2,878,273	\$ 2,811,914
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 77,357	\$ 421,896	\$ (66,957)	432,296	833,968
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	213,834	192,084	12,656	418,574	345,942
(Increase) decrease in					
Accounts receivable	155,790	222,002	-	377,792	(600,929)
Due from other funds	(105,907)	(42,922)	-	(148,829)	(6,427)
Prepaid expenses	(19,683)	(16,832)	(2,311)	(38,826)	(1,079)
Deferred outflows - pensions	(48,554)	(37,095)	(4,972)	(90,621)	14,477
Increase (decrease) in					
Accounts payable	53,501	28,414	(2)	81,913	(123,247)
Accrued salaries and benefits	5,765	4,446	(657)	9,554	3,257
Due to other funds	(14,522)	(81,960)	5,671	(90,811)	99,849
Compensated absences	(874)	2,140	(1,649)	(383)	15,394
Net pension liability	194,374	141,975	68,151	404,500	(322,578)
Deferred inflows - pensions	(142,778)	(105,081)	(71,174)	(319,033)	273,289
Net cash provided by (used for) operating activities	\$ 368,303	\$ 729,067	\$ (61,244)	\$ 1,036,126	\$ 531,916
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	\$ -	\$ -	\$ -	\$ -	\$ 120,779
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 120,779

See accompanying notes

BOROUGH OF EAST STROUDSBURG

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2019 with summarized comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments	\$ -	\$ 3,747,815
Receivables		
Employer contributions	-	-
Total assets	<u>-</u>	<u>3,747,815</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ -</u>	<u>\$ 3,747,815</u>

BOROUGH OF EAST STROUDSBURG

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2019 with summarized comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ADDITIONS		
Contributions		
Employer contributions	\$ -	\$ 261,991
Member contributions	-	43,048
Total contributions	-	305,039
Investment income	-	249,701
Total additions	-	554,740
DEDUCTIONS		
Benefits paid	-	406,331
Administrative expenses	-	1,164
Total deductions	-	407,495
CHANGE IN NET POSITION	-	147,245
NET POSITION		
Beginning of year	-	3,600,570
End of year	<u>\$ -</u>	<u>\$ 3,747,815</u>

See accompanying notes

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Joint Ventures

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

The Borough participates with the Borough of Stroudsburg and Stroud Township in the Stroud Area Regional Police Department (the "**SARPD**") through an Intergovernmental Cooperation Agreement to provide police services to the three participating members. The SARPD is controlled by a joint Board comprised of a commission of officials from the three participating members. The governing body of each participating member must approve the annual operating budget of the SARPD, but the participating members have no ongoing fiduciary interest or responsibility to the SARPD. The Borough's share of operating costs for police services for 2019 was \$2,367,927. 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 2019 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, 2019

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2019

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 2019 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 2019 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, 2019.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2018, from which the summarized information was derived.

New Accounting Pronouncements

GASB Statement No. 83 "*Certain Asset Retirement Obligations*" will be effective for the Borough for the year ended December 31, 2020. 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, 2020. GASB Statement No. 84 improves 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. 88 "*Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*" will be effective for the Borough for the year ended December 31, 2020. GASB Statement No. 88 improves 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, 2020. GASB Statement No. 90 improves 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, 2019

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

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(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, 2019, the carrying amount of the Borough's deposits was \$3,958,311 and the bank balance was \$4,070,703. Of the bank balance, \$263,638 was covered by federal depository insurance and \$1,561,843 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, 2019, PLGIT was rated AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,945,634	\$ -	\$ -	\$ 1,945,634
Construction in progress	<u>83,220</u>	<u>1,253,729</u>	<u>1,336,949</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,028,854</u>	<u>1,253,729</u>	<u>1,336,949</u>	<u>1,945,634</u>
Capital assets being depreciated				
Buildings and improvements	2,002,332	141,055	-	2,143,387
Improvements other than buildings	4,441,275	1,336,949	-	5,778,224
Machinery and equipment	<u>3,901,805</u>	<u>260,808</u>	<u>-</u>	<u>4,162,613</u>
Total capital assets being depreciated	<u>10,345,412</u>	<u>1,738,812</u>	<u>-</u>	<u>12,084,224</u>
Less accumulated depreciation for				
Buildings and improvements	(1,011,898)	(42,042)	-	(1,053,940)
Improvements other than buildings	(2,333,302)	(225,568)	-	(2,558,870)
Machinery and equipment	<u>(2,330,891)</u>	<u>(295,932)</u>	<u>-</u>	<u>(2,626,823)</u>
Total accumulated depreciation	<u>(5,676,091)</u>	<u>(563,542)</u>	<u>-</u>	<u>(6,239,633)</u>
Total capital assets being depreciated, net	<u>4,669,321</u>	<u>1,175,270</u>	<u>-</u>	<u>5,844,591</u>
Governmental activities, net	<u>\$ 6,698,175</u>	<u>\$2,428,999</u>	<u>\$1,336,949</u>	<u>\$ 7,790,225</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 4,970,175	\$ 436,319	\$ -	\$ 5,406,494
Capital assets being depreciated				
Buildings and improvements	5,299,556	104,625	-	5,404,181
Improvements other than buildings	14,376,026	592,280	-	14,968,306
Machinery and equipment	249,697	131,250	-	380,947
Total capital assets being depreciated	<u>19,925,279</u>	<u>828,155</u>	<u>-</u>	<u>20,753,434</u>
Less accumulated depreciation for				
Buildings and improvements	(4,643,230)	(46,352)	-	(4,689,582)
Improvements other than buildings	(9,155,388)	(364,410)	-	(9,519,798)
Machinery and equipment	(212,317)	(7,812)	-	(220,129)
Total accumulated depreciation	<u>(14,010,935)</u>	<u>(418,574)</u>	<u>-</u>	<u>(14,429,509)</u>
Total capital assets being depreciated, net	<u>5,914,344</u>	<u>409,581</u>	<u>-</u>	<u>6,323,925</u>
Business-type activities, net	<u>\$ 10,884,519</u>	<u>\$ 845,900</u>	<u>\$ -</u>	<u>\$ 11,730,419</u>

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

Governmental activities	
General government	\$ 19,578
Public safety	205,786
Public works	264,306
Culture and recreation	<u>73,872</u>
Total depreciation expense - governmental activities	<u>\$563,542</u>
Business-type activities	
Sewer	\$213,834
Water	192,084
Golf course	<u>12,656</u>
Total depreciation expense - business-type activities	<u>\$418,574</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS,

The composition of interfund balances as of December 31, 2019 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 25,493	Golf Course Fund	\$ 25,493
Water Fund	42,922	General Fund	42,922
Sewer Fund	65,749	General Fund	65,749
General Fund	88,319	Nonmajor Governmental Funds	88,319
Sewer Fund	<u>41,328</u>	Water Fund	<u>41,328</u>
	<u>\$263,811</u>		<u>\$263,811</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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>
Capital Projects Fund	\$131,644	General Fund	\$131,644
Golf Course Fund	56,048	General Fund	56,048
Nonmajor Governmental Funds	70,325	General Fund	70,325
Water Fund	<u>317,248</u>	Capital Projects Fund	<u>317,248</u>
	<u>\$575,265</u>		<u>\$575,265</u>

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

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2019:

	<u>Balance January 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2019</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt:					
Notes payable	<u>\$3,212,652</u>	<u>\$1,504,235</u>	<u>\$429,880</u>	<u>\$4,287,007</u>	<u>\$440,650</u>
Other noncurrent liabilities					
Lease rental payable	281,747	-	92,973	188,774	94,987
Capital leases payable	54,336	34,628	38,496	50,468	29,742
Compensated absences	6,776	554	-	7,330	-
Net pension liability	<u>38,840</u>	<u>388,037</u>	<u>-</u>	<u>426,877</u>	<u>-</u>
Total other noncurrent liabilities	<u>381,699</u>	<u>423,219</u>	<u>131,469</u>	<u>673,449</u>	<u>124,729</u>
Total noncurrent liabilities governmental activities	<u>\$3,594,351</u>	<u>\$1,927,454</u>	<u>\$561,349</u>	<u>\$4,960,456</u>	<u>\$565,379</u>

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

Business-type activities					
General obligation debt:					
Notes payable	<u>\$1,100,004</u>	<u>\$ -</u>	<u>\$ 75,829</u>	<u>\$1,024,175</u>	<u>\$ 77,949</u>
Other noncurrent liabilities					
Net pension liability	59,171	404,500	-	463,671	-
Compensated absences	<u>30,483</u>	<u>-</u>	<u>383</u>	<u>30,100</u>	<u>-</u>
Total other noncurrent liabilities	<u>89,654</u>	<u>404,500</u>	<u>383</u>	<u>493,771</u>	<u>-</u>
Total noncurrent liabilities business-type activities	<u>\$1,189,658</u>	<u>\$ 404,500</u>	<u>\$ 76,212</u>	<u>\$1,517,946</u>	<u>\$ 77,949</u>

BOROUGH OF EAST STROUDSBURG

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December 31, 2019

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, 2019 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 May and November at a rate of 3.11%. The amount outstanding under the Series 2009 Note was \$1,174,500 at December 31, 2019.

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 2035. 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, 2019 is \$3,112,507.

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>
2020	\$ 440,650	\$104,523	\$ 545,173
2021	453,420	92,878	546,298
2022	561,860	78,537	640,397
2023	576,410	63,812	640,222
2024	591,370	48,690	640,060
2025-2028	<u>1,663,297</u>	<u>69,948</u>	<u>1,733,245</u>
	<u>\$4,287,007</u>	<u>\$458,388</u>	<u>\$4,745,395</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 \$497,136 at December 31, 2019.

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 \$527,039 at December 31, 2019.

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>
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	87,044	18,524	105,568
2025-2029	473,162	54,675	527,837
2030-2032	<u>138,847</u>	<u>5,166</u>	<u>144,013</u>
	<u>\$1,024,175</u>	<u>\$175,512</u>	<u>\$1,199,687</u>

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 \$188,774 at December 31, 2019.

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2019 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 94,987	\$ 2,926	\$ 97,913
2021	<u>93,787</u>	<u>2,814</u>	<u>96,601</u>
	<u>\$188,774</u>	<u>\$5,740</u>	<u>\$194,514</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Capital Leases

The Borough has entered into long-term lease agreements for a street sweeper and a vehicle. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of December 31, 2019 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$29,742	\$2,007	\$31,749
2021	6,498	1,285	7,783
2022	6,901	882	7,783
2023	<u>7,327</u>	<u>454</u>	<u>7,781</u>
	<u>\$50,468</u>	<u>\$4,628</u>	<u>\$55,096</u>

(7) EMPLOYEE RETIREMENT PLAN

Non-Uniform Pension Fund

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

Plan Membership

Membership in the Plan consisted of the following at December 31, 2018:

Active employees	15
Retirees and beneficiaries currently receiving benefits	16
Terminated plan members entitled to but not yet receiving benefits	<u>2</u>
Total	<u>33</u>

Benefit Provisions

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

Basis of Accounting

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

Method Used to Value Investments

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

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019 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.

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%	7.3%	4.6%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.3%
International Equities (International Developed Markets)	15%	6.2%	3.5%
International Equities (Emerging Markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	15%	3.3%	1.1%
Total Portfolio	100%	7.5%	4.8%

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, 2018.

BOROUGH OF EAST STROUDSBURG

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December 31, 2019

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2018. The net pension liability is \$883,705 measured as the difference between the total pension liability of \$7,642,428 and the fiduciary net position of \$6,758,723.

As of December 31, 2019, the net pension liability of \$420,696 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 \$463,009 of the net pension liability is recorded as a liability in the Sewer Fund for \$220,386, in the Water Fund for \$160,587 and in the Golf Course Fund for \$82,036 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 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>
Balances as of December 31, 2017	<u>\$7,357,391</u>	<u>\$7,246,750</u>	<u>\$ 110,641</u>
Changes for the year:			
Service cost	133,431	-	133,431
Interest on total pension liability	382,052	-	382,052
Changes of assumptions	-	-	-
Differences between expected and actual experience	197,635	-	197,635
Employer contributions	-	238,461	(238,461)
Member contributions	-	35,488	(35,488)
PMRS investment income	-	335,039	(335,039)
Market value investment income	-	(653,303)	653,303
Benefit payments	(428,081)	(428,081)	-
PMRS administrative expense	-	(680)	680
Additional administrative expense	-	(14,951)	14,951
Net changes	<u>285,037</u>	<u>(488,027)</u>	<u>773,064</u>
Balances as of December 31, 2018	<u>\$7,642,428</u>	<u>\$6,758,723</u>	<u>\$ 883,705</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	<u>\$1,700,130</u>	<u>\$883,705</u>	<u>\$172,689</u>

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

For the year ended December 31, 2019, the Borough recognized pension expense of \$219,797. At December 31, 2019 the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 96,187	\$ -
Changes in assumptions	78,347	-
Net difference between projected and actual earnings on pension plan investments	105,717	-
Contributions subsequent to the measurement date	<u>199,838</u>	<u>-</u>
	<u>\$480,089</u>	<u>\$ -</u>

An amount of \$199,838 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, 2020.

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

Year ended December 31:

2019	\$ 61,444
2020	10,013
2021	38,608
2022	<u>170,186</u>
	<u>\$280,251</u>

Actuarial Methods and Significant Assumptions

- Investment return – 5.25% (including inflation)
- 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.pmr.state.pa.us/publications/index.html>.

Plan Membership

Membership in the Cash Balance Plan consisted of the following at December 31, 2018:

Active employees	14
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>14</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Benefit Provisions

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

The Borough is required to contribute 6.00% of the members' total compensation to the Cash Balance Plan. Members are not required to contribute to the Cash Balance Plan but may make a voluntary contribution up to 10.00% of total compensation.

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, 2019 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, 2019

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%	7.3%	4.6%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.3%
International Equities (International Developed Markets)	15%	6.2%	3.5%
International Equities (Emerging Markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	<u>15%</u>	<u>3.3%</u>	<u>1.1%</u>
Total Portfolio	<u>100%</u>	<u>7.5%</u>	<u>4.8%</u>

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2018.

Net Pension Liability

The Borough's net pension liability has been measured as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2018. The net pension liability is \$6,843 and measured as the difference between the total pension liability of \$115,605 and the fiduciary net position of \$108,762.

As of December 31, 2019, the net pension liability of \$6,181 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 \$662 of the net pension liability is recorded as a liability in the Sewer Fund in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

The Borough's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2018 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2017	<u>\$ 61,180</u>	<u>\$ 73,810</u>	<u>\$(12,630)</u>
Changes for the year:			
Service cost	49,614	-	49,614
Interest on total pension liability	4,151	-	4,151
Changes of benefits	661	-	661
Differences between expected and actual experience	(1)	-	(1)
Employer contributions	-	34,610	(34,610)
Member contributions	-	7,560	(7,560)
PMRS investment income	-	4,363	(4,363)
Market value investment income	-	(11,226)	11,226
Benefit payments	-	-	-
PMRS administrative expense	-	(160)	160
Additional administrative expense	-	(195)	195
Net changes	<u>54,425</u>	<u>34,952</u>	<u>19,473</u>
Balances as of December 31, 2018	<u>\$115,605</u>	<u>\$108,762</u>	<u>\$ 6,843</u>

BOROUGH OF EAST STROUDSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u> <u>4.25%</u>	<u>Current Discount Rate</u> <u>5.25%</u>	<u>1% Increase</u> <u>6.25%</u>
Net pension liability	<u>\$29,964</u>	<u>\$6,843</u>	<u>\$(16,278)</u>

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

For the year ended December 31, 2019, the Borough recognized pension expense of \$43,203. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$7,360
Net difference between projected and actual earnings on pension plan investments	5,611	-
Contributions subsequent to the measurement date	<u>44,120</u>	<u>-</u>
	<u>\$49,731</u>	<u>\$7,360</u>

An amount of \$44,120 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2019	\$ 320
2020	(37)
2021	(71)
2022	1,195
2023	(1,051)
Thereafter	<u>(2,105)</u>
	<u>\$(1,749)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 5.25% (including inflation)
- 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, 2019

(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 September 1, 2020, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in the financial statements.

In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Monroe County, Pennsylvania for what was an extended period of time. Future potential impacts may include disruption of Borough services and impairment of the ability to generate revenues. The future effects of these issues are unknown.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes			
Real estate-current year levy	\$ 1,342,381	\$ 1,329,467	\$ (12,914)
Real estate-current year levy - interim	450	59	(391)
Real estate-prior years levy	1,000	3,493	2,493
Real estate-payment in lieu	3,550	4,040	490
Real estate-delinquent taxes	<u>86,000</u>	<u>132,729</u>	<u>46,729</u>
Total real estate taxes	<u>1,433,381</u>	<u>1,469,788</u>	<u>36,407</u>
Local tax enabling act (Act 511):			
Real estate transfer	90,000	147,401	57,401
Earned income tax	865,000	846,247	(18,753)
Municipal services tax	<u>335,000</u>	<u>270,978</u>	<u>(64,022)</u>
Total local tax enabling act	<u>1,290,000</u>	<u>1,264,626</u>	<u>(25,374)</u>
Total taxes	<u>2,723,381</u>	<u>2,734,414</u>	<u>11,033</u>
Licenses and permits			
Health/restaurant licenses	8,000	14,245	6,245
Rental license	117,000	119,887	2,887
Cable TV franchise tax	127,200	125,792	(1,408)
Event permit fees	500	710	210
Street opening permits	12,500	10,350	(2,150)
Zoning permits and fees	60,000	204,088	144,088
Zoning plan review	5,000	17,160	12,160
Miscellaneous permits	<u>2,000</u>	<u>2,080</u>	<u>80</u>
Total licenses and permits	<u>332,200</u>	<u>494,312</u>	<u>162,112</u>
Fines and forfeits			
Vehicle code violations	230,000	184,667	(45,333)
Violation of zoning ordinances and statutes	5,000	26,467	21,467
Vehicle boot fines	<u>1,500</u>	<u>50</u>	<u>(1,450)</u>
Total fines and forfeits	<u>236,500</u>	<u>211,184</u>	<u>(25,316)</u>
Interest, rent and royalties			
Interest income	18,205	16,157	(2,048)
Rent of buildings	<u>50</u>	<u>200</u>	<u>150</u>
Total interest, rent and royalties	<u>18,255</u>	<u>16,357</u>	<u>(1,898)</u>
Intergovernmental revenues			
Recycling/Act 101	-	15,952	15,952
General municipal pension aid	108,000	47,518	(60,482)
Public utility realty/beverage tax	11,000	3,500	(7,500)
Fire insurance premium tax	<u>48,000</u>	<u>45,433</u>	<u>(2,567)</u>
Total intergovernmental revenues	<u>167,000</u>	<u>112,403</u>	<u>(54,597)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued)			
Charges for services			
Closing report fee	2,500	6,765	4,265
Codes office supplies	50	6	(44)
Fire department apparatus donations	15,000	-	(15,000)
Rental unit reinspection fees	250	50	(200)
Meter revenue	120,000	133,887	13,887
Parking permits	14,000	50,894	36,894
Parking permits-residential	500	485	(15)
Meter bags	500	282	(218)
PennDOT snow removal	19,302	20,101	799
Borough DPW services	6,000	-	(6,000)
Solid waste user fees	800,000	707,862	(92,138)
Solid waste fees prior/delinquent	20,000	15,329	(4,671)
Lien rents solid waste	30,000	36,925	6,925
Garbage lien interest	2,000	7,935	5,935
Utility services revenue	1,600	658	(942)
Total charges for services	<u>1,031,702</u>	<u>981,179</u>	<u>(50,523)</u>
Miscellaneous			
Miscellaneous income	5,000	22,608	17,608
Shopping cart fees	6,500	7,335	835
Stroudsburg share of employees	800	-	(800)
Dividends received - workers compensation	9,780	3,349	(6,431)
Dividends received - general liability	15,000	53,722	38,722
Dividends received - health insurance	35,000	52,730	17,730
Total miscellaneous	<u>72,080</u>	<u>139,744</u>	<u>67,664</u>
Total revenues	<u>4,581,118</u>	<u>4,689,593</u>	<u>108,475</u>
General government			
Legislative body			
Council salary	7,500	10,500	(3,000)
Mayor salary	2,500	3,333	(833)
FICA	620	548	72
Medicare	145	129	16
Training/conferences	1,125	1,442	(317)
Dues/subscriptions	2,250	2,779	(529)
Miscellaneous/travel	1,500	190	1,310
Total legislative body	<u>15,640</u>	<u>18,921</u>	<u>(3,281)</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued)			
Administration			
Manager salary	54,200	54,050	150
Director of public works salary	24,861	114	24,747
Staff salary	114,326	189,462	(75,136)
FICA	12,501	11,049	1,452
Medicare	2,924	2,596	328
Overtime	8,250	1,139	7,111
Office supplies	3,500	5,431	(1,931)
Office equipment/furniture	600	240	360
Computer equipment/supplies	1,188	3,774	(2,586)
Equipment repairs/maintenance	500	655	(155)
Vehicle expense	500	57	443
Telephone	4,000	4,371	(371)
Postage	6,000	7,276	(1,276)
Travel	1,000	17	983
Advertising/printing	4,000	14,661	(10,661)
Dues/subscription/memberships	500	1,389	(889)
Conferences/training	1,500	562	938
Property and liability insurance	8,793	6,885	1,908
Workers compensation insurance	8,680	7,787	893
Public officials liability	879	824	55
Life/disability insurance	1,691	1,992	(301)
Major medical (BC/BS)	38,136	29,135	9,001
Health insurance buyout/HRA	1,015	2,731	(1,716)
Nonuniform pension MMO	25,960	20,283	5,677
Unemployment compensation	8,455	3,442	5,013
Total administration	<u>333,959</u>	<u>369,922</u>	<u>(35,963)</u>
Auditing services/financial administration			
Trustee charge bond payment	1,225	282	943
Auditing services	9,250	9,315	(65)
Accounting services	5,000	1,263	3,737
Accounting software	2,610	3,017	(407)
Credit card fees	2,500	9,973	(7,473)
Total auditing services/financial administration	<u>20,585</u>	<u>23,850</u>	<u>(3,265)</u>
Tax collection			
Salary-tax collector	6,133	6,309	(176)
FICA	380	322	58
Medicare	89	76	13
Materials and supplies	1,368	1,429	(61)
Commissions			
Delinquent real estate	3,420	2,461	959
Local service tax	7,200	4,186	3,014

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued)			
Tax collection (continued)			
Earned income tax	14,000	12,664	1,336
Real estate transfer tax	<u>4,500</u>	<u>7,110</u>	<u>(2,610)</u>
Total tax collection	<u>37,090</u>	<u>34,557</u>	<u>2,533</u>
Solicitor/legal services			
Legal expenses	<u>125,000</u>	<u>127,872</u>	<u>(2,872)</u>
Total solicitor/legal services	<u>125,000</u>	<u>127,872</u>	<u>(2,872)</u>
Engineering services			
Engineering services	<u>30,000</u>	<u>121,946</u>	<u>(91,946)</u>
General government buildings and plant			
Materials and supplies	1,600	592	1,008
Electricity	6,500	4,960	1,540
Electricity annex	1,500	2,493	(993)
Gas (heat) annex	1,500	1,636	(136)
Maintenance and repair	7,500	18,358	(10,858)
Maintenance and repair annex	<u>2,500</u>	<u>5,098</u>	<u>(2,598)</u>
Total general government buildings and plant	<u>21,100</u>	<u>33,137</u>	<u>(12,037)</u>
Total general government	<u>583,374</u>	<u>730,205</u>	<u>(146,831)</u>
Public safety			
Police			
Regional police services	<u>2,273,081</u>	<u>2,367,927</u>	<u>(94,846)</u>
Total police	<u>2,273,081</u>	<u>2,367,927</u>	<u>(94,846)</u>
Fire			
Service awards	15,000	10,533	4,467
Vehicle maintenance/supplies	5,500	12,661	(7,161)
Small tools/equipment	1,000	372	628
Telephone	2,500	2,594	(94)
Radio maintenance	500	-	500
Electricity	12,000	10,949	1,051
Gas (heat)	6,500	3,644	2,856
Equipment testing	7,000	3,005	3,995
Building maintenance	14,500	11,854	2,646
Contracted services	7,500	600	6,900
Contribution	10,000	-	10,000
Contribution - fire relief fund	41,955	45,433	(3,478)
Pumper lease	23,924	-	23,924
Workers compensation insurance	<u>5,200</u>	<u>4,501</u>	<u>699</u>
Total fire	<u>153,079</u>	<u>106,146</u>	<u>46,933</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety (continued)			
UCC and code enforcement			
Code enforcement officer salary	52,312	55,413	(3,101)
Staff salary	26,635	25,000	1,635
FICA	4,957	4,381	576
Medicare	1,159	1,029	130
Overtime	1,000	-	1,000
Materials and supplies	1,500	3,069	(1,569)
Computer equipment/supplies	500	2,879	(2,379)
Vehicle operation	1,200	443	757
Vehicle maintenance	250	1,668	(1,418)
Software license	3,700	4,897	(1,197)
Advertising/printing	3,000	1,673	1,327
Dues/subscriptions/memberships	1,400	2,291	(891)
Conferences/training	1,250	482	768
Property and liability insurance	1,664	2,262	(598)
Workers compensation insurance	1,642	2,558	(916)
Public officials liability	166	271	(105)
Life/disability insurance	320	654	(334)
Major medical (BC/BS)	7,216	9,572	(2,356)
Health insurance buyout/HRA	192	897	(705)
Nonuniform pension MMO	4,913	6,664	(1,751)
Unemployment compensation	1,600	1,130	470
Total UCC and code enforcement	<u>116,576</u>	<u>127,233</u>	<u>(10,657)</u>
Planning and zoning			
Engineering	2,500	-	2,500
Legal services	12,000	26,091	(14,091)
Contracted permitting	-	1,561	(1,561)
Total planning and zoning	<u>14,500</u>	<u>27,652</u>	<u>(13,152)</u>
Emergency services			
Monroe County Control Center	33,464	33,463	1
Total public safety	<u>2,590,700</u>	<u>2,662,421</u>	<u>(71,721)</u>
Human and health services			
General health services			
Salaries and wages	33,095	31,516	1,579
FICA	2,052	1,813	239
Medicare	480	427	53
Material and supplies	250	-	250
Computer equipment/supplies	420	-	420
Conferences/training	420	-	420
Property-liability insurance	996	887	109
Workers comp insurance	984	1,003	(19)
Public officials liability	100	106	(6)
Life/disability insurance	192	256	(64)
Major medical (BC/BS)	4,322	3,751	571

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human and health services (continued)			
General health services (continued)			
Health insurance buyout/HRA	115	352	(237)
N/U pension MMO	2,942	2,612	330
Unemployment compensation	<u>958</u>	<u>442</u>	<u>516</u>
Total human and health services	<u>47,326</u>	<u>43,165</u>	<u>4,161</u>
Public works - sanitation			
Recycling/solid waste collection and disposal			
Staff salaries	114,125	120,291	(6,166)
FICA	7,541	6,664	877
Medicare	1,703	1,512	191
Overtime	7,500	-	7,500
Materials and supplies	500	376	124
Conferences/training	500	-	500
Landfill engineering	10,000	15,895	(5,895)
Refuse collection/disposal contract	507,269	538,615	(31,346)
Property and liability insurance	2,405	3,384	(979)
Workers compensation insurance	2,374	3,827	(1,453)
Public officials liability	241	405	(164)
Life/disability insurance	463	979	(516)
Major medical (BC/BS)	10,431	14,319	(3,888)
Health insurance buyout/HRA	278	1,342	(1,064)
Nonuniform pension MMO	7,101	9,968	(2,867)
Unemployment compensation	<u>2,312</u>	<u>1,692</u>	<u>620</u>
Total public works - sanitation	<u>674,743</u>	<u>719,269</u>	<u>(44,526)</u>
Public works - highways and streets			
Street department			
Street superintendent salary	30,335	33,543	(3,208)
Staff salary	162,103	221,105	(59,002)
Temp salary	9,360	-	9,360
FICA	13,379	17,033	(3,654)
Medicare	3,129	4,001	(872)
Overtime	14,000	-	14,000
Office supplies	200	330	(130)
Office equipment/furniture	80	133	(53)
Computer equipment/supplies	200	-	200
Office equipment maintenance/repair	80	41	39
Vehicle operation (fuel, oil, fluids)	13,400	16,938	(3,538)
Uniforms	2,400	1,669	731
Vehicle maintenance repair	5,000	8,232	(3,232)
Small tools/minor equipment	1,040	3,644	(2,604)
Drug testing	280	173	107
Telephone	480	398	82
Radio purchase/maintenance	800	-	800

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - highways and streets (continued)			
Travel	400	733	(333)
Electricity	1,200	693	507
Gas (heat)	2,400	2,005	395
Building Maintenance	1,000	2,258	(1,258)
Equipment maintenance and repair	4,800	7,434	(2,634)
Conferences/training	1,000	30	970
Capital purchase	26,000	44,261	(18,261)
Property-liability insurance	9,880	7,163	2,717
Workers comp insurance	9,753	8,101	1,652
Public officials liability	988	858	130
Life/disability insurance	1,900	2,072	(172)
Major medical (BC/BS)	42,848	30,312	12,536
Health insurance buyout/HRA	1,140	2,841	(1,701)
Nonuniform pension MMO	29,168	21,102	8,066
Unemployment compensation	9,500	3,581	5,919
Total street department	<u>398,243</u>	<u>440,684</u>	<u>(42,441)</u>
Cleaning of streets and gutters			
Machinery maintenance/supplies	3,500	7,462	(3,962)
Sweeper lease	<u>32,000</u>	<u>31,956</u>	<u>44</u>
Total cleaning of streets and gutters	<u>35,500</u>	<u>39,418</u>	<u>(3,918)</u>
Winter maintenance - snow removal			
Snow and ice removal supplies	<u>3,000</u>	<u>2,856</u>	<u>144</u>
Traffic control devices			
Material and supplies	<u>6,000</u>	<u>2,117</u>	<u>3,883</u>
Street lighting			
Electric	81,750	-	81,750
Street light repair	500	-	500
Operation/maintenance	<u>4,000</u>	<u>5,307</u>	<u>(1,307)</u>
Total street lighting	<u>86,250</u>	<u>5,307</u>	<u>80,943</u>
Storm sewers and drains			
Materials and supplies	500	243	257
Electricity pond pumps	500	-	500
Contracted services	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total storm sewers and drains	<u>7,000</u>	<u>243</u>	<u>6,757</u>
Maintenance and repairs of roads and bridges			
Materials and supplies/street maintenance	1,000	7,316	(6,316)
Street paving	<u>114,000</u>	<u>10,986</u>	<u>103,014</u>
Total maintenance and repairs of roads and bridges	<u>115,000</u>	<u>18,302</u>	<u>96,698</u>
Total public works - highways and streets	<u>650,993</u>	<u>508,927</u>	<u>142,066</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works - other			
Parking			
Parking enforcement officer	107,297	75,030	32,267
FICA	6,807	6,016	791
Medicare	1,592	1,414	178
Overtime	2,500	-	2,500
Uniforms	1,200	824	376
Materials and supplies	500	-	500
Vehicle registration/inspection	150	-	150
Meter purchase	2,500	4,504	(2,004)
Software	1,850	1,712	138
Postage	2,250	2,250	-
Radio	250	-	250
Advertising/printing	1,200	718	482
Parking lot maintenance	1,000	1,761	(761)
Meter repair/maintenance supplies	5,500	27,378	(21,878)
Property and liability insurance	2,261	2,111	150
Workers compensation insurance	2,232	2,387	(155)
Public officials liability	226	253	(27)
Life/disability insurance	435	610	(175)
Major medical (BC/BS)	9,807	8,931	876
Health insurance buyout/HRA	261	837	(576)
Nonuniform pension MMO	6,676	6,218	458
Unemployment compensation	<u>2,175</u>	<u>1,055</u>	<u>1,120</u>
Total parking	<u>158,669</u>	<u>144,009</u>	<u>14,660</u>
Storm water and flood control			
Engineering	8,500	-	8,500
Levee maintenance	1,500	-	1,500
Equipment maintenance and repairs	<u>750</u>	<u>492</u>	<u>258</u>
Total storm water and flood control	<u>10,750</u>	<u>492</u>	<u>10,258</u>
Total public works - other	<u>169,419</u>	<u>144,501</u>	<u>24,918</u>
Culture and recreation			
Participant recreation			
Building maintenance/repair	7,500	-	7,500
Pool maintenance/repair	12,000	2,265	9,735
Small tools and equipment	500	26	474
Materials and supplies	12,000	1,876	10,124
Electricity	8,050	1,590	6,460
Heat gas	1,400	1,220	180
Maintenance and repair services	2,350	7,193	(4,843)
Stewardship contribution	127,122	115,747	11,375
Contribution to Arts Council	250	250	-
Monroe County Historical Association	250	250	-
Contribution to BWA	250	-	250

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation (continued)			
Participant recreation (continued)			
MCCD stream gauge	500	-	500
Borough 150th anniversary celebration	-	95	(95)
Total participant recreation	<u>172,172</u>	<u>130,512</u>	<u>41,660</u>
Parks			
Parks director	30,240	-	30,240
Park caretakers	36,000	10,614	25,386
FICA	4,107	2,493	1,614
Medicare	960	585	375
Fuel/Oil	750	-	750
Recreation equipment	2,500	-	2,500
Parks supplies	500	-	500
Telephone	1,025	1,027	(2)
Electric	1,650	7,981	(6,331)
Land maintenance	5,000	6,464	(1,464)
Equipment maintenance and repairs	1,000	718	282
Building maintenance and repairs	2,500	203	2,297
Portable toilet rentals	4,000	5,290	(1,290)
Capital purchase	10,000	2,224	7,776
Total parks	<u>100,232</u>	<u>37,599</u>	<u>62,633</u>
Shade trees			
Materials and supplies	2,500	146	2,354
Maintenance	2,500	5,350	(2,850)
New planting	8,000	6,448	1,552
Total shade trees	<u>13,000</u>	<u>11,944</u>	<u>1,056</u>
Total culture and recreation	<u>285,404</u>	<u>180,055</u>	<u>105,349</u>
Community development			
Economic development			
Comprehensive plan implementation	100,000	53,974	46,026
Contribution - ECA	10,000	10,000	-
Total economic development	<u>110,000</u>	<u>63,974</u>	<u>46,026</u>
Community development - other			
Economic development coordinator	62,400	800	61,600
FICA	3,869	-	3,869
Medicare	905	-	905
Maintenance and repair (decorations)	10,000	9,339	661
Total community development - other	<u>77,174</u>	<u>10,139</u>	<u>67,035</u>
Total community development	<u>187,174</u>	<u>74,113</u>	<u>113,061</u>

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

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Debt service			
Principal	90,037	92,973	(2,936)
Interest	<u>7,196</u>	<u>4,367</u>	<u>2,829</u>
Total debt service	<u>97,233</u>	<u>97,340</u>	<u>(107)</u>
Total expenditures	<u>5,286,366</u>	<u>5,159,996</u>	<u>126,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(705,248)</u>	<u>(470,403)</u>	<u>234,845</u>
Other financing sources (uses)			
Transfers in	69,916	-	(69,916)
Transfers out	(119,668)	(258,017)	(138,349)
Sale of capital assets	755,000	-	(755,000)
Budgetary reserve	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>
Total other financing sources (uses)	<u>355,248</u>	<u>(258,017)</u>	<u>(613,265)</u>
Net change in fund balance	<u>\$ (350,000)</u>	<u>(728,420)</u>	<u>\$ (378,420)</u>
Fund balance			
Beginning of the year		<u>919,726</u>	
End of year		<u>\$ 191,306</u>	

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

For the year ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,298,850	\$ 1,195,104	\$ (103,746)
Other	501,950	390,212	(111,738)
Total operating revenues	<u>1,800,800</u>	<u>1,585,316</u>	<u>(215,484)</u>
OPERATING EXPENSES			
Salaries and wages	500,042	413,494	86,548
Employee benefits	385,379	355,174	30,205
Administrative expenses	58,488	72,175	(13,687)
Insurance	57,200	50,126	7,074
Professional services	170,375	150,245	20,130
Repairs and maintenance	376,920	95,802	281,118
Supplies	73,750	76,691	(2,941)
Utilities	111,310	80,418	30,892
Depreciation	-	213,834	(213,834)
Total operating expenses	<u>1,733,464</u>	<u>1,507,959</u>	<u>225,505</u>
Operating income (loss)	<u>67,336</u>	<u>77,357</u>	<u>10,021</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,000	27,351	12,351
Intergovernmental revenues	-	50,488	50,488
Total nonoperating revenues (expenses)	<u>15,000</u>	<u>77,839</u>	<u>62,839</u>
Income (loss) before transfers	82,336	155,196	72,860
Transfers out	-	-	-
CHANGE IN NET POSITION	82,336	155,196	72,860
NET POSITION			
Beginning of year	<u>4,517,174</u>	<u>4,517,174</u>	-
End of year	<u>\$ 4,599,510</u>	<u>\$ 4,672,370</u>	<u>\$ (72,860)</u>

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

For the year ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 2,166,150	\$ 1,975,165	\$ (190,985)
Other	457,270	216,201	(241,069)
Total operating revenues	<u>2,623,420</u>	<u>2,191,366</u>	<u>(432,054)</u>
OPERATING EXPENSES			
Salaries and wages	513,307	403,508	109,799
Employee benefits	382,651	363,517	19,134
Administrative expenses	78,953	60,725	18,228
Insurance	57,200	50,126	7,074
Professional services	234,115	180,767	53,348
Repairs and maintenance	489,610	297,245	192,365
Supplies	160,324	158,801	1,523
Utilities	77,760	62,697	15,063
Depreciation	-	192,084	(192,084)
Total operating expenses	<u>1,993,920</u>	<u>1,769,470</u>	<u>224,450</u>
Operating income (loss)	<u>629,500</u>	<u>421,896</u>	<u>(207,604)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	20,000	19,306	(694)
Interest expense	(105,567)	(29,738)	75,829
Intergovernmental revenues	-	50,488	50,488
Total nonoperating revenues (expenses)	<u>(85,567)</u>	<u>40,056</u>	<u>125,623</u>
Income (loss) before transfers	543,933	461,952	(81,981)
Transfers out	-	317,248	317,248
CHANGE IN NET POSITION	543,933	779,200	235,267
NET POSITION			
Beginning of year	<u>4,946,685</u>	<u>4,946,685</u>	<u>-</u>
End of year	<u>\$ 5,490,618</u>	<u>\$ 5,725,885</u>	<u>\$ 235,267</u>

BOROUGH OF EAST STROUDSBURG

BUDGETARY COMPARISON SCHEDULE - GOLF COURSE FUND

For the year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 216,520	\$ 155,809	\$ (60,711)
Other	<u>4,600</u>	<u>1,028</u>	<u>(3,572)</u>
Total operating revenues	<u>221,120</u>	<u>156,837</u>	<u>(64,283)</u>
OPERATING EXPENSES			
Salaries and wages	147,426	136,662	10,764
Employee benefits	69,807	34,651	35,156
Administrative expenses	7,135	2,972	4,163
Professional services	1,000	1,215	(215.00)
Repairs and maintenance	19,000	13,562	5,438
Supplies	20,500	19,607	893
Utilities	12,300	2,469	9,831
Depreciation	<u>-</u>	<u>12,656</u>	<u>(12,656)</u>
Total operating expenses	<u>277,168</u>	<u>223,794</u>	<u>53,374</u>
Operating income (loss)	<u>(56,048)</u>	<u>(66,957)</u>	<u>(10,909)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>-</u>	<u>124</u>	<u>124</u>
Income (loss) before transfers	<u>(56,048)</u>	<u>(66,833)</u>	<u>(10,785)</u>
Transfers in	<u>56,048</u>	<u>56,048</u>	<u>-</u>
CHANGE IN NET POSITION	<u>-</u>	<u>(10,785)</u>	<u>(10,785)</u>
NET POSITION			
Beginning of year	<u>4,161,310</u>	<u>4,161,310</u>	<u>-</u>
End of year	<u>\$ 4,161,310</u>	<u>\$ 4,150,525</u>	<u>\$ 10,785</u>

BOROUGH OF EAST STROUDSBURG

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	Measurement			
	2018		2017	
	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund
TOTAL PENSION LIABILITY				
Service cost	\$ 133,431	\$ 49,614	\$ 142,081	\$ 23,228
Interest on total pension liability	382,052	4,151	374,727	2,392
Changes of assumptions	-	-	-	-
Changes of benefits	-	661	-	-
Differences between expected and actual experience	197,635	(1)	-	(8,424)
Benefit payments, including refunds of member contributions	(428,081)	-	(310,112)	-
Net change in total pension liability	285,037	54,425	206,696	17,196
Total pension liability, beginning	7,357,391	61,180	7,150,695	43,984
Total pension liability, ending	\$ 7,642,428	\$ 115,605	\$ 7,357,391	\$ 61,180
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 238,461	\$ 34,610	\$ 234,212	\$ 21,775
Member contributions	35,488	7,560	37,113	400
PMRS investment income	335,039	4,363	320,077	2,669
Market value investment income	(653,303)	(11,226)	706,859	6,325
Benefit payments	(428,081)	-	(310,112)	-
PMRS administrative expense	(680)	(160)	(680)	(120)
Additional administrative expense	(14,951)	(195)	(14,720)	(123)
Net change in plan fiduciary net position	(488,027)	34,952	972,749	30,926
Fiduciary net position, beginning	7,246,750	73,810	6,274,001	42,884
Fiduciary net position, ending	\$ 6,758,723	\$ 108,762	\$ 7,246,750	\$ 73,810
Net pension liability (asset), ending	\$ 883,705	\$ 6,843	\$ 110,641	\$ (12,630)
Fiduciary net position as a % of total pension liability	88.44%	94.08%	98.50%	120.64%
Covered payroll	\$ 881,823	\$ 700,902	\$ 945,130	\$ 380,474
Net pension liability as a % of covered payroll	100.21%	0.98%	11.71%	-3.32%

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.

Date

<u>2016</u>		<u>2015</u>		<u>2014</u>	
<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Nonuniform Cash Balance Pension Fund</u>
\$ 154,308	\$ 14,911	\$ 173,321	\$ 11,827	\$ 173,277	\$ 8,272
375,390	1,810	362,036	1,094	346,877	503
182,587	-	(64,731)	-	-	-
-	-	-	-	-	-
(123,841)	(1,153)	-	-	(8,711)	-
<u>(221,526)</u>	<u>-</u>	<u>(193,095)</u>	<u>-</u>	<u>(275,253)</u>	<u>-</u>
366,918	15,568	277,531	12,921	236,190	8,775
<u>6,783,777</u>	<u>28,416</u>	<u>6,506,246</u>	<u>15,495</u>	<u>6,270,056</u>	<u>6,720</u>
<u>\$ 7,150,695</u>	<u>\$ 43,984</u>	<u>\$ 6,783,777</u>	<u>\$ 28,416</u>	<u>\$ 6,506,246</u>	<u>\$ 15,495</u>
\$ 229,485	\$ 15,051	\$ 232,435	\$ 11,927	\$ 187,558	\$ 8,352
43,883	-	44,346	-	41,696	-
333,020	1,750	314,814	1,136	297,934	518
142,966	(178)	(321,885)	(1,779)	2,460	(133)
(221,526)	-	(193,095)	-	(275,253)	-
(680)	(80)	(680)	(100)	(700)	(80)
<u>(16,315)</u>	<u>(86)</u>	<u>(13,124)</u>	<u>(47)</u>	<u>(11,426)</u>	<u>(20)</u>
510,833	16,457	62,811	11,137	242,269	8,637
<u>5,763,168</u>	<u>26,427</u>	<u>5,700,357</u>	<u>15,290</u>	<u>5,458,088</u>	<u>6,653</u>
<u>\$ 6,274,001</u>	<u>\$ 42,884</u>	<u>\$ 5,763,168</u>	<u>\$ 26,427</u>	<u>\$ 5,700,357</u>	<u>\$ 15,290</u>
<u>\$ 876,694</u>	<u>\$ 1,100</u>	<u>\$ 1,020,609</u>	<u>\$ 1,989</u>	<u>\$ 805,889</u>	<u>\$ 205</u>
87.74%	97.50%	84.96%	93.00%	87.61%	98.68%
\$ 1,066,909	\$ 248,513	\$ 1,163,780	\$ 197,118	\$ 1,176,548	\$ 137,840
82.17%	0.44%	87.70%	1.01%	68.50%	0.15%

BOROUGH OF EAST STROUDSBURG

SCHEDULE OF BOROUGH PENSION CONTRIBUTIONS

Year ended December 31

Nonuniform Pension Fund

Measurement Date December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 187,558	\$ 187,558	\$ -	\$ 1,176,548	15.94%
2015	\$ 232,435	\$ 232,435	\$ -	\$ 1,163,780	19.97%
2016	\$ 229,447	\$ 229,485	\$ (38)	\$ 1,066,909	21.51%
2017	\$ 233,816	\$ 234,212	\$ (396)	\$ 945,130	24.78%
2018	\$ 219,677	\$ 238,461	\$ (18,784)	\$ 881,823	27.04%

Nonuniform Cash Balance Pension Fund

Measurement Date December 31	Statutorily Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 8,352	\$ 8,352	\$ -	\$ 137,840	6.06%
2015	\$ 11,927	\$ 11,927	\$ -	\$ 197,118	6.05%
2016	\$ 14,991	\$ 15,051	\$ (60)	\$ 248,513	6.06%
2017	\$ 22,948	\$ 21,775	\$ 1,173	\$ 380,474	5.72%
2018	\$ 42,214	\$ 34,610	\$ 7,604	\$ 700,902	4.94%

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, 2019

	<u>Special Revenue Funds</u>				
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS					
Cash	<u>\$249,098</u>	<u>\$ 13,638</u>	<u>\$ 69,825</u>	<u>\$ 2,494</u>	<u>\$ 335,055</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 10,278	\$ 13,638	\$ -	-	\$ 23,916
Due to other funds	<u>88,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,319</u>
Total liabilities	<u>98,597</u>	<u>13,638</u>	<u>-</u>	<u>-</u>	<u>112,235</u>
FUND BALANCES					
Restricted for					
Public works - roads	150,501	-	-	-	150,501
Community development	-	-	69,825	-	69,825
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,494</u>	<u>2,494</u>
Total fund balances	<u>150,501</u>	<u>-</u>	<u>69,825</u>	<u>2,494</u>	<u>222,820</u>
Total liabilities and fund balances	<u>\$249,098</u>	<u>\$ 13,638</u>	<u>\$ 69,825</u>	<u>\$ 2,494</u>	<u>\$ 335,055</u>

BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2019

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State Liquid Fuels Fund</u>	<u>CDBG Fund</u>	<u>Community Development Fund</u>	<u>Debt Service Fund</u>	
REVENUES					
Taxes				\$ 452,786	\$ 452,786
Interest, rents and royalties	4,218	-	1,594	27	5,839
Intergovernmental revenues	<u>276,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,108</u>
Total revenues	<u>280,326</u>	<u>-</u>	<u>1,594</u>	<u>452,813</u>	<u>734,733</u>
EXPENDITURES					
Current					
General government	-	-	-	3,598	3,598
Public works - highways and streets	250,611	-	-	-	250,611
Community development	-	2,284	-	-	2,284
Debt Service					
Principal	-	-	-	429,880	429,880
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,404</u>	<u>92,404</u>
Total expenditures	<u>250,611</u>	<u>2,284</u>	<u>-</u>	<u>525,882</u>	<u>778,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>29,715</u>	<u>(2,284)</u>	<u>1,594</u>	<u>(73,069)</u>	<u>(44,044)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,325</u>	<u>70,325</u>
NET CHANGE IN FUND BALANCES	<u>29,715</u>	<u>(2,284)</u>	<u>1,594</u>	<u>(2,744)</u>	<u>26,281</u>
FUND BALANCES					
Beginning of year	<u>120,786</u>	<u>2,284</u>	<u>68,231</u>	<u>5,238</u>	<u>196,539</u>
End of year	<u>\$ 150,501</u>	<u>\$ -</u>	<u>\$ 69,825</u>	<u>\$ 2,494</u>	<u>\$ 222,820</u>

BOROUGH OF EAST STROUDSBURG

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2019

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ASSETS			
Investments	\$ -	\$ -	\$ -
NET POSITION			
Assets held in trust for pension benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF EAST STROUDSBURG

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2019

	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions			\$ -
Member contributions			-
Total contributions	-	-	-
Investment income			-
Total additions	-	-	-
DEDUCTIONS			
Benefits paid			-
Administrative expenses			-
Total deductions	-	-	-
CHANGE IN NET POSITION	-	-	-
NET POSITION			
Beginning of year			-
End of year	\$ -	\$ -	\$ -

SUPPLEMENTAL INFORMATION

BOROUGH OF EAST STROUDSBURG

ASSESSED VALUE AND MARKET VALUE OF TAXABLE PROPERTY - UNAUDITED

Last ten fiscal years ending December 31,

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Value of Taxable Property</u>	<u>Assessed Value as A Percentage of Market Value</u>
2019	\$ 75,613,170	\$ 395,825,229	19.10%
2018	75,680,030	404,424,164	18.71%
2017	73,595,520	392,077,039	18.77%
2016	73,004,920	389,912,456	18.72%
2015	76,346,920	435,514,584	17.53%
2014	74,024,540	424,547,709	17.44%
2013	75,435,980	475,679,133	15.86%
2012	72,120,220	458,431,331	15.73%
2011	73,325,720	463,820,714	15.81%
2010	72,931,610	460,547,461	15.84%

BOROUGH OF EAST STROUDSBURG

PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED

Last ten fiscal years ending December 31,

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes To Tax Levy</u>
2019	\$ 1,928,983	\$ 1,795,905	93.10%	\$ -	\$ 1,795,905	93.10%	133,078	6.90%
2018	1,924,398	1,802,792	93.68%	72,003	1,874,795	97.42%	49,603	2.58%
2017	1,817,353	1,707,014	93.93%	104,608	1,811,622	93.93%	5,731	6.07%
2016	1,707,217	1,587,549	92.99%	118,302	1,705,851	99.92%	1,366	0.08%
2015	1,570,093	1,456,780	92.78%	112,581	1,569,361	99.95%	732	0.05%
2014	1,642,461	1,475,215	89.82%	166,964	1,642,179	99.98%	282	0.02%
2013	1,586,019	1,468,307	92.58%	117,468	1,585,775	99.98%	244	0.02%
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%

BOROUGH OF EAST STROUDSBURG

TAX RATES - UNAUDITED

Last ten fiscal years ending December 31,

<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Real Estate Transfer</u>	<u>Wage & Income Tax</u>	<u>Municipal Services Tax</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Borough Total</u>			
2019	19.20	6.30	25.50	0.5%	0.5%	47.00
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

BOROUGH OF EAST STROUDSBURG

PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2019

<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, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated September 1, 2020.

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
September 1, 2020**