



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

Financial Statements  
Year Ended December 31, 2020



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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, 2020, and the related notes to the financial statements, which collectively comprise Borough of East Stroudsburg's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Summarized Comparative Information**

We have previously audited the Borough of East Stroudsburg's 2019 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated September 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the schedules of changes in net pension liability and Borough pension contributions on pages 3 through 13 and 46 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's basic financial statements. The combining and individual fund financial statements on pages 61 through 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022, on our consideration of Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough of East Stroudsburg, East Stroudsburg, Pennsylvania's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
July 27, 2022**

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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Management's discussion and analysis ("**MD&A**") of the financial performance of Borough of East Stroudsburg, East Stroudsburg (the "**Borough**") provides an overview of the Borough's financial performance for fiscal year ended December 31, 2020. 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 2020, 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 2020 fiscal year of \$17,077,065. During the 2020 fiscal year, the Borough had a decrease in total net position of \$1,826,927. The net position of the governmental activities increased by \$105,872 and net position of business-type activities decreased by \$1,932,799.
- During 2020, the Borough entered into an agreement with Brodhead Creek Regional Authority ("**BCRA**") for the acquisition and construction of a pump station which will allow for the transfer of water between the Borough and BCRA during periods of water emergencies including disruption as a result of the Middle Dam improvements. The Borough will finance the construction of the pump station and the BCRA will construct, own, operate, maintain, repair and replace the pump station. Amounts transferred to the BCRA from the Borough for the construction of the pump station totaling approximately \$1.6 million for the year ended December 31, 2020.
- As of the close of the 2020 fiscal year, the Borough's governmental funds reported combined ending fund balances of \$710,486, a decrease of \$134,461 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$52,301, bringing the cumulative balance to \$139,005 at the conclusion of the 2020 fiscal year.
- At December 31, 2020, the General Fund fund balance includes \$20,024 which is considered nonspendable, and unassigned amounts of \$118,981 or 2.05% of the \$5,811,672 2021 General Fund budget.
- General Fund revenues were \$397,152 or 8.31% less than budgeted amounts, General Fund expenditures were \$656,728 or 11.17% less than budgeted amounts and other financing (uses) had a negative variance of \$426,028 resulting in a net negative variance of \$166,452.
- 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.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2020**

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

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

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

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

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

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

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

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

#### **Governmental Activities**

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

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2020**

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### **Governmental Funds**

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

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

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

The Borough adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16 through 19 of this report.

### **Proprietary Funds**

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

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

### **Fiduciary Funds**

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

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

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 25 through 45 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 46 through 68 of this report.

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# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

### 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 2020 fiscal year the Borough's assets and deferred outflows exceeded liabilities and deferred inflows by \$16,857,866. The following table presents condensed information for the *Statement of Net Position* of the Borough at December 31, 2020 and 2019.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>						
Current assets	\$1,791,517	\$1,714,787	\$ 2,106,166	\$ 4,258,304	\$ 3,897,683	\$ 5,973,091
Noncurrent assets	<u>7,564,818</u>	<u>7,790,225</u>	<u>11,899,524</u>	<u>11,730,419</u>	<u>19,464,342</u>	<u>19,520,644</u>
<b>Total assets</b>	<u>9,356,335</u>	<u>9,505,012</u>	<u>14,005,690</u>	<u>15,988,723</u>	<u>23,362,025</u>	<u>25,493,735</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges – pensions	<u>214,435</u>	<u>273,466</u>	<u>201,317</u>	<u>256,354</u>	<u>415,752</u>	<u>529,820</u>
<b>LIABILITIES</b>						
Current liabilities	662,897	456,162	314,782	177,639	977,679	633,801
Noncurrent liabilities	<u>4,051,786</u>	<u>4,960,456</u>	<u>851,785</u>	<u>1,517,946</u>	<u>4,903,571</u>	<u>6,478,402</u>
<b>Total liabilities</b>	<u>4,714,683</u>	<u>5,416,618</u>	<u>1,166,567</u>	<u>1,695,585</u>	<u>5,881,250</u>	<u>7,112,203</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits – pensions	<u>395,003</u>	<u>6,648</u>	<u>424,459</u>	<u>712</u>	<u>819,462</u>	<u>7,360</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,387,861	3,263,976	10,953,298	10,706,244	14,341,159	13,970,220
Restricted	571,481	653,641	-	-	571,481	653,641
Unrestricted	<u>501,742</u>	<u>437,595</u>	<u>1,662,683</u>	<u>3,842,536</u>	<u>2,146,425</u>	<u>4,280,131</u>
<b>Total net position</b>	<u>\$4,461,084</u>	<u>\$4,355,212</u>	<u>\$12,615,981</u>	<u>\$14,548,780</u>	<u>\$17,077,065</u>	<u>\$18,903,992</u>

The Borough's total assets as of December 31, 2020 were \$23,362,025 of which \$1,780,313 or 7.62% consisted of cash and \$19,464,342 or 83.31% consisted of the Borough's investment in capital assets. The Borough's total liabilities as of December 31, 2020 were \$5,881,250 of which \$4,814,703 or 81.87% consisted of general obligation debt used to acquire and construct capital assets.

Of the Borough's total net position at December 31, 2020, \$2,146,425 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 \$2,133,706 during 2020 primarily due to the results of current year operations and an approximately \$1.6 million capital investment from the Water Fund in the BCRA.

A portion of the Borough's net position reflects its restricted net position which totaled \$571,481 as of December 31, 2020. 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, 2020, the Borough's net investment in capital assets increased by \$370,939 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

December 31, 2020

The following table presents condensed information for the *Statement of Activities* of the Borough for 2020 and 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$1,473,433	\$1,756,576	\$ 3,879,603	\$3,933,519	\$ 5,353,036	\$5,690,095
Operating grants and contributions	360,129	385,011	154,051	100,976	514,180	485,987
Capital grants and contributions	42,235	150,055	-	-	42,235	150,055
<b>General revenues</b>						
Taxes	3,164,245	3,198,505	-	-	3,164,245	3,198,505
Franchise fees	145,311	125,792	-	-	145,311	125,792
Investment earnings	6,655	27,171	15,347	46,781	22,012	73,952
<b>Total revenues</b>	<u>5,192,008</u>	<u>5,643,110</u>	<u>4,049,001</u>	<u>4,081,276</u>	<u>9,241,009</u>	<u>9,724,386</u>
<b>EXPENSES</b>						
General government	637,775	875,682	-	-	637,775	875,682
Public safety	3,058,986	2,806,172	-	-	3,058,986	2,806,172
Health and human services	15,677	42,805	-	-	15,677	42,805
Public works	1,990,404	1,803,074	-	-	1,990,404	1,803,074
Culture and recreation	110,165	130,466	-	-	110,165	130,466
Community development	-	2,283	-	-	-	2,283
Interest expense related to noncurrent liabilities	109,490	103,453	-	-	109,490	103,453
Sewer operations	-	-	1,612,139	1,507,959	1,612,139	1,507,959
Water operations	-	-	1,776,629	1,799,208	1,776,629	1,799,208
Golf course operations	-	-	130,278	223,794	130,278	223,794
<b>Total expenses</b>	<u>5,922,497</u>	<u>5,763,935</u>	<u>3,519,046</u>	<u>3,530,961</u>	<u>9,441,543</u>	<u>9,294,896</u>
<b>Change in net position before transfers and special item</b>						
	(730,489)	(120,825)	529,955	550,315	(200,534)	429,490
Special item	-	-	(1,626,393)	-	(1,626,393)	-
Transfers	836,361	(373,296)	(836,361)	373,296	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 105,872</u>	<u>\$ (494,121)</u>	<u>\$(1,932,799)</u>	<u>\$ 923,611</u>	<u>\$(1,826,927)</u>	<u>\$ 429,490</u>

### Governmental Activities

The cost of all governmental activities in 2020 was \$5,922,497. The amount that taxpayers ultimately financed for these activities through Borough taxes was \$3,164,245 or 53.43%. A majority of the other expenses were financed through charges for services by those who directly benefited from the programs (\$1,473,433 or 24.88%).

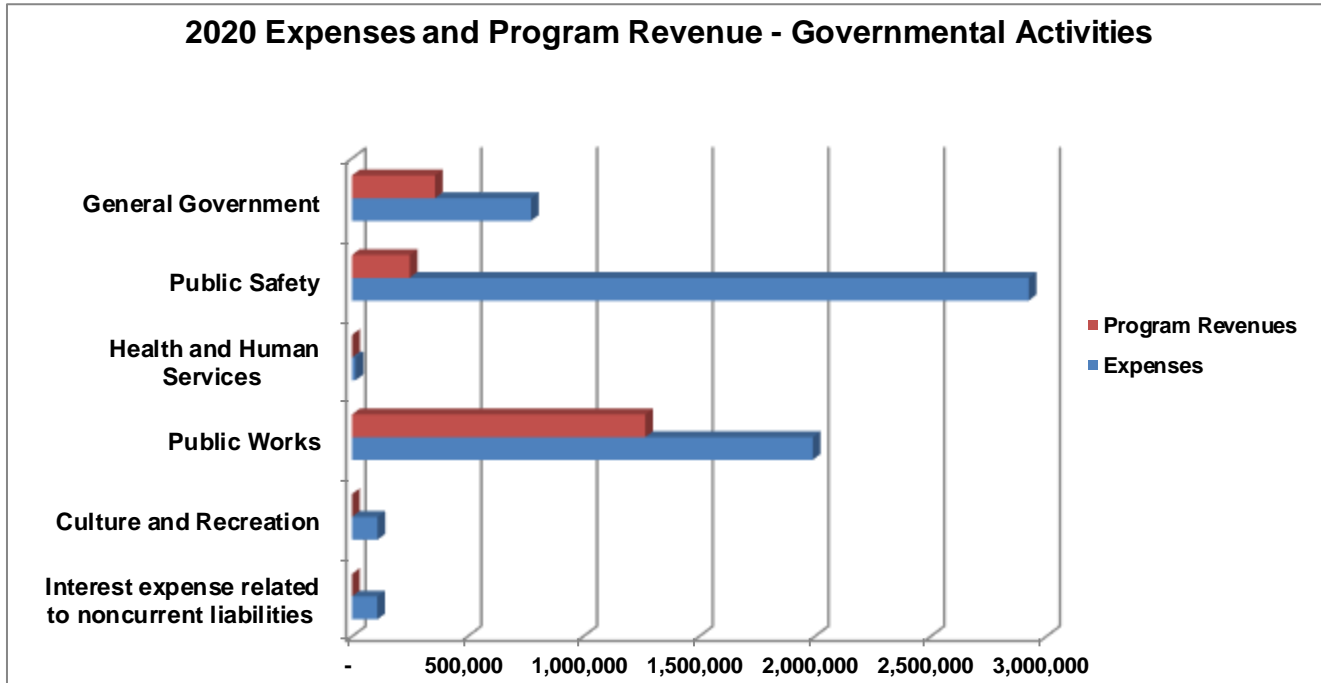
Public safety and public works expenses comprise a majority of the Borough's total expenses totaling \$4,914,153 or 82.97%. Public safety expenses primarily consist of payments for services to the Stroud Area Regional Police Department which totaled \$2,497,287 for 2020.

# BOROUGH OF EAST STROUDSBURG

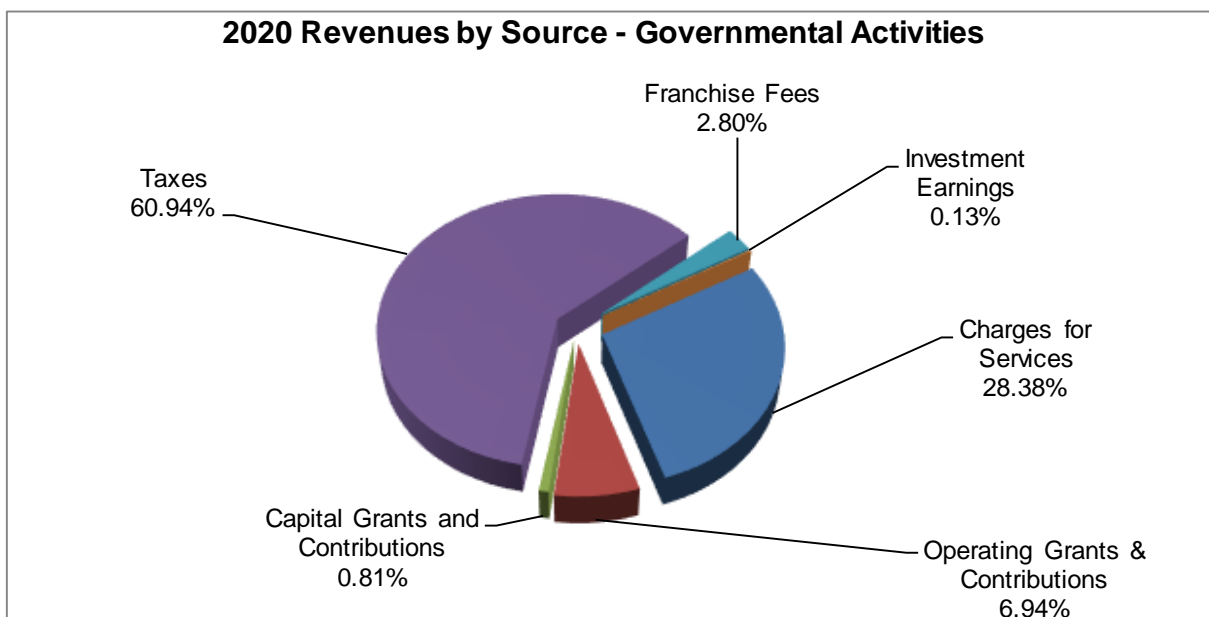
## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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



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



# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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### 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. The net position of the Sewer Fund increased by \$278,739 and the net position of the Water Fund decreased by \$2,269,503 in 2020. During 2020, sewer rates were increased to be more consistent with water rate structure and water fees remained unchanged. Expenses for water and sewer operations increased by \$81,601 primarily due to a new budget allocation of overhead. Other operating receipts for the water and sewer operations decreased by \$308,067 due to a decrease in one-time reassessments for equivalent dwelling units ("**EDUs**") and tapping fees. In addition, as described above the Borough made an approximately \$1.6 million capital investment from the Water Fund in the BCRA during 2020.

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 Golf Course Fund had an increase in net position of \$57,965 for 2020 as a direct result of a decrease in employee salaries and employees benefits in comparison to 2019. During 2019, the Borough implemented budget efficiencies in operation from full-time employees with benefits to seasonal part-time employees with no benefits resulting in a decrease in expenses of \$93,516.

### 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, 2020, the Borough's governmental funds reported a combined fund balance of \$710,486 which is a decrease of \$134,461 from the prior year. The following table summarizes the Borough's total governmental fund balances as of December 31, 2020 and 2019 and the total 2020 change in governmental fund balances.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>
General Fund	\$139,005	\$191,306	\$ (52,301)
Capital Projects Fund	338,333	430,821	(92,488)
Nonmajor Governmental Funds	<u>233,148</u>	<u>222,820</u>	<u>10,328</u>
	<u>\$710,486</u>	<u>\$844,947</u>	<u>\$(134,461)</u>

### GENERAL FUND

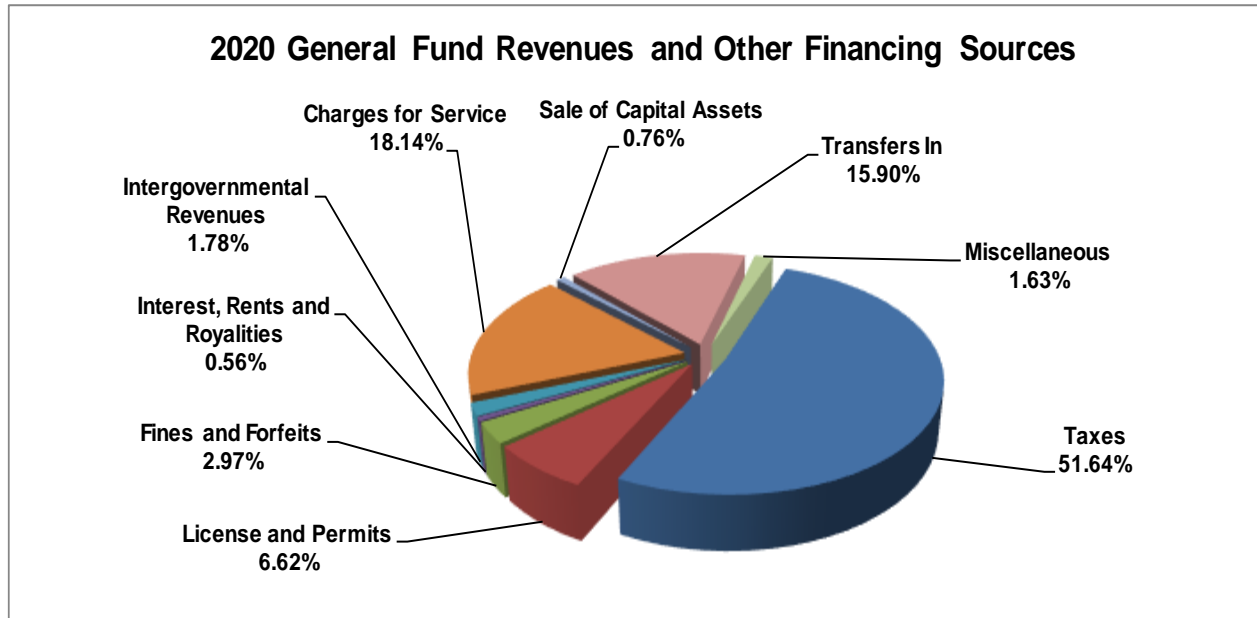
The General Fund is the Borough's primary operating fund. At the conclusion of the 2020 fiscal year the General Fund fund balance was \$139,005 representing a decrease of \$52,301 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020 fiscal year.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The Borough's reliance upon tax revenues is demonstrated by the graph below that indicates 51.64% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$2,716,266	\$2,734,414	\$ (18,148)	(0.66)
Licenses and permits	348,161	494,312	(146,151)	(29.57)
Fines and forfeits	156,057	211,184	(55,127)	(26.10)
Interest, rents and royalties	29,334	16,357	12,977	79.34
Intergovernmental revenues	93,727	112,403	(18,676)	(16.62)
Charges for services	954,693	981,179	(26,486)	(2.70)
Miscellaneous	85,815	139,744	(53,929)	(38.59)
Sale of capital assets	40,000	-	40,000	100.00
Transfers in	836,361	-	836,361	100.00
	<u>\$5,260,414</u>	<u>\$4,689,593</u>	<u>\$ 570,821</u>	<u>11.32</u>

Licenses and permits, fines and forfeits and charges for services all decreased in 2020 due to the impact of COVID-19. Decreases were primarily related to permits, vehicle code violations and parking revenue all revenue streams that were impact by the shutdown of business within Borough for a period of time.

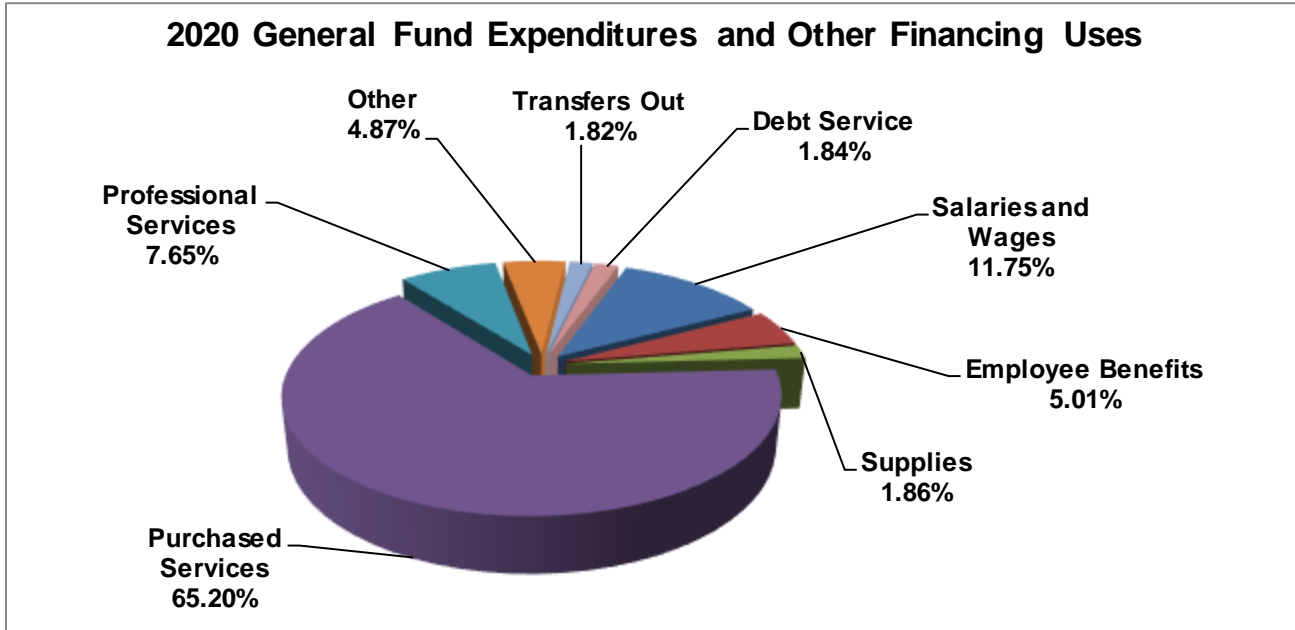
Transfers in in 2020 represent transfers from water operations to subsidize general government activities.

# BOROUGH OF EAST STROUDSBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 624,011	\$ 838,221	\$(214,210)	(25.56)
Employee benefits	265,991	284,740	(18,749)	(6.58)
Supplies and equipment	98,905	137,277	(38,372)	(27.95)
Purchased services	3,463,710	3,152,878	310,832	9.86
Professional services	406,564	351,981	54,583	15.51
Other	258,890	297,560	(38,670)	(13.00)
Debt service	97,913	97,339	574	0.59
Transfers out	96,731	258,017	(161,286)	(62.51)
	<u>\$5,312,715</u>	<u>\$5,418,013</u>	<u>\$(105,298)</u>	<u>(1.94)</u>

Salaries and wages decreased by \$214,210 or 25.56% in 2020 compared to 2019 due to a new budget allocation between governmental and proprietary fund activities.

The increase in purchased services of \$310,832 or 9.86% can be attributed to the increase in cost for services in 2020 for refuse collection and the Stroud Area Regional Police Department.

Transfers out in 2019 included appropriations to subsidize golf course operations and capital projects.

### **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 2020, the Capital Projects Fund fund balance decreased by \$92,488 for a cumulative balance of \$338,333 as of December 31, 2020.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2020**

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### **NONMAJOR GOVERNMENTAL FUNDS**

The Nonmajor Governmental Funds consist of special revenue funds which are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes and a debt service fund. The nonmajor special revenue funds include the State Liquid Fuels Fund, CDBG Fund and Community Development Fund. Major revenue sources for these funds include taxes and intergovernmental revenues. During 2020, the Nonmajor Governmental Funds fund balance increased by \$10,328 for a cumulative balance of \$233,148 as of December 31, 2020. Within the nonmajor governmental funds the CDBG Fund, the State Liquid Fuels Fund, Community Development Fund and Debt Service Fund represent \$0, \$162,703, \$70,301 and \$144, respectively, of the cumulative fund balance as of December 31, 2020.

### **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 \$397,152 or 8.31% less than budgeted amounts, General Fund expenditures were \$656,728 or 11.17% less than budgeted amounts and other financing (uses) had a negative variance of \$426,028 resulting in a net negative variance of \$166,452.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 46 through 55. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources and uses for the fiscal year.

### **CAPITAL ASSETS**

The Borough's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounted to \$19,464,342 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, and machinery and equipment. The total net decrease in the Borough's investment in capital assets for 2020 was \$56,302 or 0.29%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$1,085,064 and depreciation expense was \$1,141,366.

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

Governmental Activities	
Vine street paving project	\$ 117,030
Fire pumper truck	\$200,000
Business-type Activities	
Property located at 743 Milford Road	\$ 153,238

### **NONCURRENT LIABILITIES**

As of December 31, 2020, the Borough had total general obligation debt of \$4,814,713 consisting of notes payable. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Borough's general obligation debt for the current year was \$496,469 or 9.35%.

# **BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2020**

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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 \$93,787 at December 31, 2020 and decreased by \$94,987 or 50.32% 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 an asset of \$254,820 as of December 31, 2020. The Borough's net pension liability (asset) decreased by \$1,145,368 or 128.61% during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and capital leases payable which totaled \$249,891 as of December 31, 2020. These liabilities increased by \$161,993 or 184.30% during the current year. The current year increase is due to a new capital lease for a fire pumper truck.

### **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 is readying the property for development and is partnering with the Pocono Mountains Economic Development Corporation ("**PMEDC**") to negotiate a sale. The Borough has obtained grant funding for the demolition of building structures on the site. 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 2021 budget totaling \$5,811,672 and the real estate tax millage rate remained unchanged at 3.7826 mills. Sewer rates remained unchanged while water rates were increased for anticipated additional debt service to finance capital projects.

The Borough will receive approximately \$2.8 million as part of the American Rescue Plan Act. The Borough is planning to invest these funds in water, sewer and other infrastructure.

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

### **REQUESTS FOR INFORMATION**

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

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# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION

December 31, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,101,147	\$ 679,166	\$ 1,780,313	\$ 3,958,311
Taxes receivable	320,626	-	320,626	252,268
Accounts receivable, net	678,260	1,059,170	1,737,430	1,697,502
Internal balances	(328,540)	328,540	-	-
Prepaid expenses	20,024	39,290	59,314	65,010
<b>Total current assets</b>	<u>1,791,517</u>	<u>2,106,166</u>	<u>3,897,683</u>	<u>5,973,091</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>7,564,818</u>	<u>11,899,524</u>	<u>19,464,342</u>	<u>19,520,644</u>
<b>Total assets</b>	<u>9,356,335</u>	<u>14,005,690</u>	<u>23,362,025</u>	<u>25,493,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges - pensions	<u>214,435</u>	<u>201,317</u>	<u>415,752</u>	<u>529,820</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	282,323	280,775	563,098	326,913
Accrued salaries and benefits	37,321	34,007	71,328	74,000
Accrued interest payable	20,669	-	20,669	25,429
Escrow deposits	<u>322,584</u>	<u>-</u>	<u>322,584</u>	<u>207,459</u>
<b>Total current liabilities</b>	<u>662,897</u>	<u>314,782</u>	<u>977,679</u>	<u>633,801</u>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	572,077	80,129	652,206	643,328
Due in more than one year	<u>3,479,709</u>	<u>771,656</u>	<u>4,251,365</u>	<u>5,835,074</u>
<b>Total noncurrent liabilities</b>	<u>4,051,786</u>	<u>851,785</u>	<u>4,903,571</u>	<u>6,478,402</u>
<b>Total liabilities</b>	<u>4,714,683</u>	<u>1,166,567</u>	<u>5,881,250</u>	<u>7,112,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits - pensions	<u>395,003</u>	<u>424,459</u>	<u>819,462</u>	<u>7,360</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,387,861	10,953,298	14,341,159	13,970,220
Restricted	571,481	-	571,481	653,641
Unrestricted	<u>501,742</u>	<u>1,662,683</u>	<u>2,164,425</u>	<u>4,280,131</u>
<b>Total net position</b>	<u>\$ 4,461,084</u>	<u>\$ 12,615,981</u>	<u>\$ 17,077,065</u>	<u>\$ 18,903,992</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF ACTIVITIES

Year ended December 31, 2020 with summarized comparative totals for 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 637,775	\$ 347,887	\$ 10,948	\$ -	\$ (278,940)	\$ -	\$ (278,940)	\$ (297,281)
Public safety	3,058,986	156,057	50,962	42,235	(2,809,732)	-	(2,809,732)	(2,394,817)
Health and human services	15,677	-	839	-	(14,838)	-	(14,838)	(40,970)
Public works	1,990,404	969,489	297,380	-	(723,535)	-	(723,535)	(503,641)
Culture and recreation	110,165	-	-	-	(110,165)	-	(110,165)	(129,848)
Community development	-	-	-	-	-	-	-	(2,283)
Interest expense related to noncurrent liabilities	109,490	-	-	-	(109,490)	-	(109,490)	(103,453)
<b>Total governmental activities</b>	<u>5,922,497</u>	<u>1,473,433</u>	<u>360,129</u>	<u>42,235</u>	<u>(4,046,700)</u>	<u>-</u>	<u>(4,046,700)</u>	<u>(3,472,293)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	1,612,139	1,833,300	48,549	-	-	269,710	269,710	127,845
Water	1,776,629	1,858,184	105,502	-	-	187,057	187,057	442,646
Golf course	130,278	188,119	-	-	-	57,841	57,841	(66,957)
<b>Total business-type activities</b>	<u>3,519,046</u>	<u>3,879,603</u>	<u>154,051</u>	<u>-</u>	<u>-</u>	<u>514,608</u>	<u>514,608</u>	<u>503,534</u>
<b>Total primary government</b>	<u>\$ 9,441,543</u>	<u>\$ 5,353,036</u>	<u>\$ 514,180</u>	<u>\$ 42,235</u>	<u>(4,046,700)</u>	<u>514,608</u>	<u>(3,532,092)</u>	<u>(2,968,759)</u>
<b>GENERAL REVENUES</b>								
Taxes								
Real estate taxes					1,857,792	-	1,857,792	1,933,878
Earned income taxes					866,803	-	866,803	846,247
Real estate transfer taxes					157,435	-	157,435	147,401
Local services taxes					282,215	-	282,215	270,979
Franchise fees					145,311	-	145,311	125,792
Investment earnings					6,655	15,347	22,002	73,952
<b>SPECIAL ITEM</b>					-	(1,626,393)	(1,626,393)	-
<b>TRANSFERS</b>					836,361	(836,361)	-	-
<b>Total general revenues and transfers</b>					<u>4,152,572</u>	<u>(2,447,407)</u>	<u>1,705,165</u>	<u>3,398,249</u>
<b>CHANGE IN NET POSITION</b>					105,872	(1,932,799)	(1,826,927)	429,490
<b>NET POSITION</b>								
Beginning of year					4,355,212	14,548,780	18,903,992	18,474,502
<b>End of year</b>					<u>\$ 4,461,084</u>	<u>\$ 12,615,981</u>	<u>\$ 17,077,065</u>	<u>\$ 18,903,992</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	General	Capital	Nonmajor		
	Fund	Projects	Governmental	2020	2019
		Fund	Funds		
<b>ASSETS</b>					
Cash	\$ 214,279	\$ 582,535	\$ 304,333	\$ 1,101,147	\$ 1,080,038
Receivables					
Taxes	320,626	-	-	320,626	252,268
Garbage fees, net	218,225	-	-	218,225	222,601
Other	460,035	-	-	460,035	217,953
Due from other funds	11,900	-	15,841	27,741	113,812
Prepaid items	20,024	-	-	20,024	25,105
<b>Total assets</b>	<b>\$ 1,245,089</b>	<b>\$ 582,535</b>	<b>\$ 320,174</b>	<b>\$ 2,147,798</b>	<b>\$ 1,911,777</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 108,142	\$ 87,155	\$ 87,026	\$ 282,323	\$ 180,346
Accrued salaries and benefits	37,321	-	-	37,321	42,928
Due to other funds	344,381	11,900	-	356,281	196,990
Escrow deposits	177,437	145,147	-	322,584	207,459
<b>Total liabilities</b>	<b>667,281</b>	<b>244,202</b>	<b>87,026</b>	<b>998,509</b>	<b>627,723</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - property taxes and garbage fees	438,803	-	-	438,803	439,107
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid items	20,024	-	-	20,024	25,105
Restricted for					
Public works - roads	-	-	162,703	162,703	150,501
Community development	-	-	70,301	70,301	69,825
Debt service	-	-	144	144	2,494
Committed to					
Road improvements fund	-	377,798	-	377,798	376,125
Unassigned	118,981	(39,465)	-	79,516	220,897
<b>Total fund balances</b>	<b>139,005</b>	<b>338,333</b>	<b>233,148</b>	<b>710,486</b>	<b>844,947</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,245,089</b>	<b>\$ 582,535</b>	<b>\$ 320,174</b>	<b>\$ 2,147,798</b>	<b>\$ 1,911,777</b>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

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

December 31, 2020

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 710,486
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.	7,564,818
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.	438,803
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.	(180,568)
Accrued interest payable on noncurrent liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	(20,669)
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>(4,051,786)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 4,461,084</u>

# BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	General	Capital	Nonmajor	2020	2019
	Fund	Projects	Governmental		
	Fund	Fund	Funds		
<b>REVENUES</b>					
Taxes	\$ 2,716,266	\$ -	\$ 452,869	\$ 3,169,135	\$ 3,187,200
Licenses and permits	348,161	-	-	348,161	494,312
Fines and forfeits	156,057	-	-	156,057	211,184
Interest, rent and royalties	29,334	2,411	1,840	33,585	27,371
Intergovernmental revenues	93,727	-	268,902	362,629	388,511
Charges for services	954,693	-	-	954,693	981,179
Contributions and donations	-	-	-	-	9,000
Miscellaneous	85,815	-	-	85,815	139,744
<b>Total revenues</b>	<u>4,384,053</u>	<u>2,411</u>	<u>723,611</u>	<u>5,110,075</u>	<u>5,438,501</u>
<b>EXPENDITURES</b>					
Current					
General government	573,923	-	-	573,923	733,803
Public safety	2,861,103	-	-	2,861,103	2,682,387
Health and human services	17,740	-	-	17,740	43,165
Public works - sanitation	944,716	-	-	944,716	719,269
Public works - highways and streets	405,032	116,461	258,039	779,532	2,038,886
Public works - other services	110,769	-	-	110,769	144,501
Culture and recreation	167,406	-	-	167,406	180,055
Community development	37,382	568	-	37,950	82,616
Debt service					
Principal	96,450	-	440,650	537,100	522,853
Interest	1,463	-	111,325	112,788	96,771
<b>Total expenditures</b>	<u>5,215,984</u>	<u>117,029</u>	<u>810,014</u>	<u>6,143,027</u>	<u>7,244,306</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>(831,931)</u>	<u>(114,618)</u>	<u>(86,403)</u>	<u>(1,032,952)</u>	<u>(1,805,805)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of general long-term debt					
	-	22,130	-	22,130	1,504,235
Refund of prior year expenditures					
	-	-	-	-	48,205
Transfers in					
	836,361	-	96,731	933,092	201,969
Transfers out					
	(96,731)	-	-	(96,731)	(575,265)
Sale of capital assets					
	40,000	-	-	40,000	-
<b>Total other financing sources (uses)</b>	<u>779,630</u>	<u>22,130</u>	<u>96,731</u>	<u>898,491</u>	<u>1,179,144</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(52,301)</u>	<u>(92,488)</u>	<u>10,328</u>	<u>(134,461)</u>	<u>(626,661)</u>
<b>FUND BALANCES</b>					
Beginning of year					
	<u>191,306</u>	<u>430,821</u>	<u>222,820</u>	<u>844,947</u>	<u>1,471,608</u>
<b>End of year</b>	<u>\$ 139,005</u>	<u>\$ 338,333</u>	<u>\$ 233,148</u>	<u>\$ 710,486</u>	<u>\$ 844,947</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, 2020

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<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$(134,461)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 430,161	
Depreciation expense	<u>(655,568)</u>	(225,407)

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, 2019	(439,107)	
Deferred inflows of resources December 31, 2020	<u>438,803</u>	(304)

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	(22,130)	
Repayment of notes payable	440,650	
Repayment of lease rental payable	94,987	
Proceeds from capital lease payable	(200,000)	
Repayment of capital lease payable	<u>35,785</u>	349,292

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	3,308	
Current year change in accrued interest payable	4,760	
Change in net pension liability and related deferred inflows and outflows	<u>108,684</u>	116,752

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 105,872</u></b>
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See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 230,899	\$ 423,629	\$ 24,638	\$ 679,166	\$ 2,878,273
Accounts receivable, net	531,866	527,304	-	1,059,170	1,256,948
Due from other funds	1,911,180	-	18,171	1,929,351	149,999
Prepaid expenses	19,649	19,491	150	39,290	39,905
<b>Total current assets</b>	<u>2,693,594</u>	<u>970,424</u>	<u>42,959</u>	<u>3,706,977</u>	<u>4,325,125</u>
<b>NONCURRENT ASSETS</b>					
Capital assets, net	<u>2,374,871</u>	<u>5,337,823</u>	<u>4,186,830</u>	<u>11,899,524</u>	<u>11,730,419</u>
<b>Total assets</b>	<u>5,068,465</u>	<u>6,308,247</u>	<u>4,229,789</u>	<u>15,606,501</u>	<u>16,055,544</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges - pensions	<u>101,338</u>	<u>74,327</u>	<u>25,652</u>	<u>201,317</u>	<u>256,354</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Current portion of notes payable	-	80,129	-	80,129	77,949
Accounts payable	38,248	242,433	94	280,775	146,567
Accrued salaries and benefits	16,193	17,493	321	34,007	31,072
Due to other funds	-	1,600,811	-	1,600,811	66,821
<b>Total current liabilities</b>	<u>54,441</u>	<u>1,940,866</u>	<u>415</u>	<u>1,995,722</u>	<u>322,409</u>
<b>NONCURRENT LIABILITIES</b>					
Notes payable, net of current portion	-	866,097	-	866,097	946,226
Net pension liability (asset)	(63,506)	(46,045)	(16,076)	(125,627)	463,671
Compensated absences	<u>10,774</u>	<u>12,727</u>	<u>7,685</u>	<u>31,186</u>	<u>30,100</u>
<b>Total noncurrent liabilities</b>	<u>(52,732)</u>	<u>832,779</u>	<u>(8,391)</u>	<u>771,656</u>	<u>1,439,997</u>
<b>Total liabilities</b>	<u>1,709</u>	<u>2,773,645</u>	<u>(7,976)</u>	<u>2,767,378</u>	<u>1,762,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred credits - pensions	<u>216,985</u>	<u>152,547</u>	<u>54,927</u>	<u>424,459</u>	<u>712</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,374,871	4,391,597	4,186,830	10,953,298	10,706,244
Unrestricted (deficit)	<u>2,576,238</u>	<u>(935,215)</u>	<u>21,660</u>	<u>1,662,683</u>	<u>3,842,536</u>
<b>Total net position</b>	<u>\$ 4,951,109</u>	<u>\$ 3,456,382</u>	<u>\$ 4,208,490</u>	<u>\$ 12,615,981</u>	<u>\$ 14,548,780</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2020	2019
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,652,406	\$ 1,740,732	\$ 186,811	\$ 3,579,949	\$ 3,326,078
Other	180,894	117,452	1,308	299,654	607,441
<b>Total operating revenues</b>	<u>1,833,300</u>	<u>1,858,184</u>	<u>188,119</u>	<u>3,879,603</u>	<u>3,933,519</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	440,932	515,224	96,521	1,052,677	953,664
Employee benefits	294,565	301,123	(14,159)	581,529	753,342
Administrative expenses	47,734	45,579	3,382	96,695	135,872
Insurance	51,142	50,797	-	101,939	100,252
Professional services	234,258	270,512	4,200	508,970	332,227
Repairs and maintenance	134,402	124,382	12,883	271,667	406,609
Supplies	93,536	173,907	13,602	281,045	255,099
Utilities	68,220	41,696	1,192	111,108	145,584
Depreciation	247,350	225,791	12,657	485,798	418,574
<b>Total operating expenses</b>	<u>1,612,139</u>	<u>1,749,011</u>	<u>130,278</u>	<u>3,491,428</u>	<u>3,501,223</u>
<b>Operating income</b>	<u>221,161</u>	<u>109,173</u>	<u>57,841</u>	<u>388,175</u>	<u>432,296</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	9,029	6,194	124	15,347	46,781
Interest expense	-	(27,618)	-	(27,618)	(29,738)
Intergovernmental revenues	48,549	105,502	-	154,051	100,976
<b>Total nonoperating revenues (expenses)</b>	<u>57,578</u>	<u>84,078</u>	<u>124</u>	<u>141,780</u>	<u>118,019</u>
<b>Income before transfers and special item</b>	278,739	193,251	57,965	529,955	550,315
Capital investment in Brodhead Creek Regional Authority	-	(1,626,393)	-	(1,626,393)	-
Transfers in	-	-	-	-	373,296
Transfers out	-	(836,361)	-	(836,361)	-
<b>CHANGE IN NET POSITION</b>	278,739	(2,269,503)	57,965	(1,932,799)	923,611
<b>NET POSITION</b>					
Beginning 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>
<b>End of year</b>	<u>\$ 4,951,109</u>	<u>\$ 3,456,382</u>	<u>\$ 4,208,490</u>	<u>\$ 12,615,981</u>	<u>\$ 14,548,780</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Water Fund	Golf Course Fund	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from charges for services	\$ 1,405,833	\$ 1,922,050	\$ 186,811	\$ 3,514,694	\$ 3,116,828
Payments to suppliers for goods and services	(675,563)	(644,700)	(35,363)	(1,355,626)	(1,293,730)
Payments to employees	(786,469)	(849,734)	(145,802)	(1,782,005)	(1,940,127)
Other receipts	230,299	127,788	1,308	359,395	1,153,155
<b>Net cash provided by (used for) operating activities</b>	<b>174,100</b>	<b>555,404</b>	<b>6,954</b>	<b>736,458</b>	<b>1,036,126</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental revenues	48,549	105,502	-	154,051	100,976
Capital investment in Brodhead Creek Regional Authority	(1,600,811)	(25,582)	-	(1,626,393)	-
Transfers from other funds	-	-	-	-	373,296
Transfers to other funds	-	(836,361)	-	(836,361)	-
<b>Net cash provided by noncapital financing activities</b>	<b>(1,552,262)</b>	<b>(756,441)</b>	<b>-</b>	<b>(2,308,703)</b>	<b>474,272</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(129,039)	(407,603)	-	(536,642)	(1,385,253)
Repayment of notes payable	-	(77,949)	-	(77,949)	(75,829)
Interest paid	-	(27,618)	-	(27,618)	(29,738)
<b>Net cash used for capital and related financing activities</b>	<b>(129,039)</b>	<b>(513,170)</b>	<b>-</b>	<b>(642,209)</b>	<b>(1,490,820)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	9,029	6,194	124	15,347	46,781
<b>Net increase (decrease) in cash</b>	<b>(1,498,172)</b>	<b>(708,013)</b>	<b>7,078</b>	<b>(2,199,107)</b>	<b>66,359</b>
<b>CASH</b>					
Beginning of year	1,729,071	1,131,642	17,560	2,878,273	2,811,914
<b>End of year</b>	<b>\$ 230,899</b>	<b>\$ 423,629</b>	<b>\$ 24,638</b>	<b>\$ 679,166</b>	<b>\$ 2,878,273</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
<b>Operating income</b>	<b>\$ 221,161</b>	<b>\$ 109,173</b>	<b>\$ 57,841</b>	<b>\$ 388,175</b>	<b>\$ 432,296</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>					
Depreciation	247,350	225,791	12,657	485,798	418,574
(Increase) decrease in					
Accounts receivable	6,124	191,654	-	197,778	377,792
Due from other funds	(203,292)	42,922	(18,171)	(178,541)	(148,829)
Prepaid expenses	559	(2,255)	2,311	615	(38,826)
Deferred outflows - pensions	18,391	17,730	18,916	55,037	(90,621)
Increase (decrease) in					
Accounts payable	(46,271)	62,173	46	15,948	81,913
Accrued salaries and benefits	700	4,045	(1,810)	2,935	9,554
Due to other funds	-	(41,328)	(25,493)	(66,821)	(90,811)
Compensated absences	(3,715)	958	3,843	1,086	(383)
Net pension liability (asset)	(283,892)	(207,294)	(98,113)	(589,299)	404,500
Deferred inflows - pensions	216,985	151,835	54,927	423,747	(319,033)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 174,100</b>	<b>\$ 555,404</b>	<b>\$ 6,954</b>	<b>\$ 736,458</b>	<b>\$ 1,036,126</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	\$ -	\$ (118,261)	\$ -	\$ (118,261)	\$ -
Accounts payable	\$ -	\$ 118,261	\$ -	\$ 118,261	\$ -

See accompanying notes

**BOROUGH OF EAST STROUDSBURG**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2020 with summarized comparative totals for 2019**

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	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>ASSETS</b>		
Investments	<u>\$ 4,127,952</u>	<u>\$ 4,073,035</u>
<b>NET POSITION</b>		
Assets held in trust for pension benefits	<u>\$ 4,127,952</u>	<u>\$ 4,073,035</u>

# BOROUGH OF EAST STROUDSBURG

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	<u>2020</u>	<u>2019</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 236,299	\$ 248,064
Member contributions	<u>41,610</u>	<u>43,860</u>
<b>Total contributions</b>	<u>277,909</u>	<u>291,924</u>
<b>Investment income</b>	<u>212,055</u>	<u>194,835</u>
<b>Total additions</b>	<u>489,964</u>	<u>486,759</u>
<b>DEDUCTIONS</b>		
Benefits and refunds paid	434,087	160,404
Administrative expenses	<u>960</u>	<u>1,135</u>
<b>Total deductions</b>	<u>435,047</u>	<u>161,539</u>
<b>CHANGE IN NET POSITION</b>	54,917	325,220
<b>NET POSITION</b>		
Beginning of year	<u>4,073,035</u>	<u>3,747,815</u>
<b>End of year</b>	<u>\$ 4,127,952</u>	<u>\$ 4,073,035</u>

See accompanying notes

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Borough as a reporting entity, management has addressed all potential component units which may or may not fall within the Borough's accountability. The criteria used to evaluate component units for possible inclusion as part of the Borough's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the following component units are required to be included in the Township's reporting entity.

#### **Blended Component Units**

The Nonuniform Pension Plans are a single employer defined benefit pension plans that provide pension benefits for all regular full-time employees. Although the Nonuniform Pension Plans are separate legal entities, they are reported as if they are part of the Borough as they are governed by a board comprised of members appointed by the Borough Council or by the Borough Council themselves and the Borough is responsible for funding the Nonuniform Pension Plans. The activities of the Nonuniform Pension Plans are blended as fiduciary funds and do not issue separate financial statements.

#### **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 2020 was \$2,497,287. 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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### 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 2020 was \$33,464. 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.

### 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.

# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

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### ***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.

### ***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.

# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

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### ***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.

### ***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 reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has two trust funds, consisting of Nonuniform Pension Funds.

### **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."

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### 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

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 2020 was 3.7826 mills (\$3.7826 for \$1,000 of assessed valuation) consisting of 1.8716 mills for general purposes, 0.1474 mills for streets, 0.1107 mills for fire, 0.4445 mills for recreation, 0.1843 mills for street lighting, 0.0738 mills for pension and mills 0.9503 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 2020 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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### **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, 2020.

### **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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### ***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.

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, 2019, 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. The implementation of GASB Statement No. 83 had no impact on the Borough's financial statements for the year ended December 31, 2020.

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. As a result of the implementation of GASB Statement No. 84 the Borough reported the Nonuniform Pension Funds as component units.

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. The implementation of GASB Statement No. 88 had no impact on the Borough's financial statements for the year ended December 31, 2020.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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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. The implementation of GASB Statement No. 90 had no impact on the Borough's financial statements for the year ended December 31, 2020.

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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

### (3) DEPOSITS

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2020, the carrying amount of the Borough's deposits was \$1,780,313 and the bank balance was \$1,820,745. Of the bank balance, \$263,043 was covered by federal depository insurance and \$585,549 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, 2020, PLGIT was rated AAA by a nationally recognized statistical rating agency.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,945,634	\$ -	\$ -	\$ 1,945,634
Capital assets being depreciated				
Buildings and improvements	2,143,387	42,235	-	2,185,622
Improvements other than buildings	5,778,224	117,030	-	5,895,254
Machinery and equipment	4,162,613	270,896	-	4,433,509
<b>Total capital assets being depreciated</b>	<u>12,084,224</u>	<u>430,161</u>	<u>-</u>	<u>12,514,385</u>
Less accumulated depreciation for				
Buildings and improvements	(1,053,940)	(51,446)	-	(1,105,386)
Improvements other than buildings	(2,558,870)	(279,046)	-	(2,837,916)
Machinery and equipment	(2,626,823)	(325,076)	-	(2,951,899)
<b>Total accumulated depreciation</b>	<u>(6,239,633)</u>	<u>(655,568)</u>	<u>-</u>	<u>(6,895,201)</u>
<b>Total capital assets being depreciated, net</b>	<u>5,844,591</u>	<u>(225,407)</u>	<u>-</u>	<u>5,619,184</u>
<b>Governmental activities, net</b>	<u>\$ 7,790,225</u>	<u>\$(225,407)</u>	<u>\$ -</u>	<u>\$ 7,564,818</u>

**BOROUGH OF EAST STROUDSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 5,406,494	\$ 153,238	\$ -	\$ 5,559,732
Capital assets being depreciated				
Buildings and improvements	5,404,181	123,994	-	5,528,175
Improvements other than buildings	14,968,306	123,637	-	15,091,943
Machinery and equipment	380,947	254,034	-	634,981
<b>Total capital assets being depreciated</b>	<u>20,753,434</u>	<u>501,665</u>	<u>-</u>	<u>21,255,099</u>
Less accumulated depreciation for				
Buildings and improvements	(4,689,582)	(54,780)	-	(4,744,363)
Improvements other than buildings	(9,519,798)	(385,847)	-	(9,905,644)
Machinery and equipment	(220,129)	(45,171)	-	(265,300)
<b>Total accumulated depreciation</b>	<u>(14,429,509)</u>	<u>(485,798)</u>	<u>-</u>	<u>(14,915,307)</u>
<b>Total capital assets being depreciated, net</b>	<u>6,323,925</u>	<u>15,867</u>	<u>-</u>	<u>6,339,792</u>
<b>Business-type activities, net</b>	<u>\$ 11,730,419</u>	<u>\$ 169,105</u>	<u>\$ -</u>	<u>\$ 11,899,524</u>

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

<b>Governmental activities</b>	
General government	\$ 73,797
Public safety	217,279
Public works	290,620
Culture and recreation	<u>73,872</u>
<b>Total depreciation expense - governmental activities</b>	<u>\$655,568</u>
<b>Business-type activities</b>	
Sewer	\$247,350
Water	225,791
Golf course	<u>12,657</u>
<b>Total depreciation expense - business-type activities</b>	<u>\$485,798</u>

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

The composition of interfund balances as of December 31, 2020 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 11,900	Capital Projects Fund	\$ 11,900
Golf Course Fund	18,171	General Fund	18,171
Sewer Fund	310,369	General Fund	310,369
Nonmajor Governmental Funds	15,841	General Fund	15,841
Sewer Fund	<u>1,600,811</u>	Water Fund	<u>1,600,811</u>
	<u>\$1,957,092</u>		<u>\$1,957,092</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

A summary of interfund transfers for the year ended December 31, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$836,361	Water Fund	\$836,361
Nonmajor Governmental Funds	<u>96,731</u>	General Fund	<u>96,731</u>
	<u>\$933,092</u>		<u>\$933,092</u>

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

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2020:

	<u>Balance January 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2020</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt:</b>					
Notes payable	\$4,287,007	\$ 22,130	\$ 440,650	\$3,868,487	\$453,420
<b>Other noncurrent liabilities</b>					
Lease rental payable	188,774	-	94,987	93,787	93,787
Capital leases payable	50,468	200,000	35,785	214,683	24,870
Compensated absences	7,330	-	3,308	4,022	-
Net pension liability (asset)	<u>426,877</u>	<u>-</u>	<u>556,070</u>	<u>(129,193)</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>673,449</u>	<u>200,000</u>	<u>690,150</u>	<u>183,299</u>	<u>118,957</u>
<b>Total noncurrent liabilities governmental activities</b>	<u>\$4,960,456</u>	<u>\$222,130</u>	<u>\$1,130,800</u>	<u>\$4,051,786</u>	<u>\$572,077</u>

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

<b>Business-type activities</b>					
<b>General obligation debt:</b>					
Notes payable	\$1,024,175	\$ -	\$ 77,949	\$ 946,226	\$ 80,129
<b>Other noncurrent liabilities</b>					
Net pension liability (asset)	463,671	-	589,298	(125,627)	-
Compensated absences	<u>30,100</u>	<u>1,086</u>	<u>-</u>	<u>31,186</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>493,771</u>	<u>1,086</u>	<u>589,298</u>	<u>(94,441)</u>	<u>-</u>
<b>Total noncurrent liabilities business-type activities</b>	<u>\$1,517,946</u>	<u>\$ 1,086</u>	<u>\$ 667,247</u>	<u>\$ 851,785</u>	<u>\$ 80,129</u>

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

### General Obligation Debt

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

General obligation debt outstanding as of December 31, 2020 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 \$1,071,000 at December 31, 2020.

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, 2020 is \$2,797,487.

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>
2021	\$ 453,420	\$ 93,420	\$ 546,840
2022	561,860	79,079	640,939
2023	576,410	64,354	640,764
2024	591,370	49,232	640,602
2025	606,650	33,701	640,351
2026-2028	<u>1,078,777</u>	<u>40,409</u>	<u>1,119,186</u>
	<u>\$3,868,487</u>	<u>\$360,195</u>	<u>\$4,228,682</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 \$454,140 at December 31, 2020.

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 \$492,086 at December 31, 2020.

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>
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	89,480	16,088	105,568
2026-2030	444,692	41,776	486,468
2031-2032	<u>77,837</u>	<u>1,976</u>	<u>79,813</u>
	<u>\$946,226</u>	<u>\$147,893</u>	<u>\$1,094,119</u>

### 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 \$93,787 at December 31, 2020.

The Borough's future minimum lease rental payments under the subsidy agreement as of December 31, 2020 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$93,787</u>	<u>\$2,814</u>	<u>\$96,601</u>

### Capital Leases

The Borough has entered into long-term lease agreements for a street sweeper, fire pumper truck 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, 2020 are as follows:

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 24,870	\$ 4,996	\$ 29,866
2022	25,643	4,223	29,866
2023	26,450	3,417	29,867
2024	19,507	2,576	22,083
2025	19,901	2,183	22,084
2026-2030	<u>98,312</u>	<u>4,741</u>	<u>103,053</u>
	<u>\$214,683</u>	<u>\$22,136</u>	<u>\$236,819</u>

### (7) EMPLOYEE RETIREMENT PLANS

#### 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.

#### 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.

# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### 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%	7.4%	4.7%
Domestic Equities (Small Capitalized Firms)	15%	9.8%	7.1%
International Equities (International Developed Markets)	15%	5.5%	2.9%
International Equities (Emerging Markets)	10%	9.9%	7.6%
Real Estate	20%	8.4%	5.3%
Fixed Income	<u>15%</u>	<u>2.2%</u>	<u>0.0%</u>
Total Portfolio	<u>100%</u>	<u>7.1%</u>	<u>4.5%</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, 2019.

### Net Pension Liability (Asset)

The Borough's net pension liability (asset) has been measured as of December 31, 2018. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2019. The net pension asset is \$234,858 measured as the difference between the total pension liability of \$7,810,120 and the fiduciary net position of \$8,044,978.

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# BOROUGH OF EAST STROUDSBURG

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

As of December 31, 2020, the net pension asset of \$111,094 is related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. The remaining \$123,764 of the net pension asset is recorded in the Sewer Fund for \$63,506, in the Water Fund for \$44,182 and in the Golf Course Fund for \$16,076 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 (asset) for the year ended December 31, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2018</b>	<u>\$7,642,428</u>	<u>\$6,758,723</u>	<u>\$ 883,705</u>
<b>Changes for the year:</b>			
Service cost	130,1137	-	133,431
Interest on total pension liability	398,547	-	398,547
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	199,838	(199,838)
Member contributions	-	35,816	(35,816)
PMRS investment income	-	372,894	(372,894)
Market value investment income	-	1,052,268	(1,052,268)
Benefit payments	(360,992)	(360,992)	-
PMRS administrative expense	-	(680)	680
Additional administrative expense	-	(12,889)	12,889
<b>Net changes</b>	<u>167,692</u>	<u>1,286,255</u>	<u>(1,118,563)</u>
<b>Balances as of December 31, 2019</b>	<u>\$7,810,120</u>	<u>\$8,044,978</u>	<u>\$ (234,858)</u>

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

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

	<u>1% Decrease 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Net pension liability (asset)	<u>\$599,481</u>	<u>\$(234,858)</u>	<u>\$(961,475)</u>

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

For the year ended December 31, 2020, the Borough recognized negative pension expense of \$15,467. At December 31, 2020 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, 2020

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$118,581	\$ 41,281
Changes in assumptions	60,863	-
Net difference between projected and actual earnings on pension plan investments	-	761,170
Contributions subsequent to the measurement date	<u>195,322</u>	<u>-</u>
	<u>\$374,766</u>	<u>\$802,451</u>

An amount of \$195,322 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,**

2020	\$ (200,441)
2021	(171,846)
2022	(40,268)
2023	<u>(210,452)</u>
	<u>\$ (623,007)</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.pMrs.state.pa.us/publications/index.html>.

**Plan Membership**

Membership in the Cash Balance Plan consisted of the following at December 31, 2019:

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>

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# **BOROUGH OF EAST STROUDSBURG**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

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### **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, 2020

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%	7.4%	4.7%
Domestic Equities (Small Capitalized Firms)	15%	9.8%	7.1%
International Equities (International Developed Markets)	15%	5.5%	2.9%
International Equities (Emerging Markets)	10%	9.9%	7.6%
Real Estate	20%	8.4%	5.3%
Fixed Income	15%	2.2%	0.0%
Total Portfolio	100%	7.1%	4.5%

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, 2019.

### Net Pension Liability (Asset)

The Borough's net pension liability (asset) has been measured as of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2019. The net pension asset is \$19,962 and measured as the difference between the total pension liability of \$149,364 and the fiduciary net position of \$169,326.

As of December 31, 2020, the net pension asset of \$18,099 is related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. The remaining \$1,863 of the net pension asset is recorded 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, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2018</b>	<u>\$115,605</u>	<u>\$108,762</u>	<u>\$ 6,843</u>
<b>Changes for the year:</b>			
Service cost	49,400	-	49,400
Interest on total pension liability	6,013	-	6,013
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	49,361	(49,361)
Member contributions	-	8,044	(8,044)
PMRS investment income	-	6,646	(6,646)
Market value investment income	-	18,677	(18,677)
Transfers	(21,654)	(21,654)	-
Benefit payments	-	-	-
PMRS administrative expense	-	(280)	280
Additional administrative expense	-	(230)	230
<b>Net changes</b>	<u>33,759</u>	<u>60,564</u>	<u>(26,805)</u>
<b>Balances as of December 31, 2019</b>	<u>\$149,364</u>	<u>\$169,326</u>	<u>\$(19,962)</u>

**BOROUGH OF EAST STROUDSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

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

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

	<u>1% Decrease</u> <u>4.25%</u>	<u>Current Discount Rate</u> <u>5.25%</u>	<u>1% Increase</u> <u>6.25%</u>
Net pension liability (asset)	<u>\$9,911</u>	<u>\$(19,962)</u>	<u>\$(49,835)</u>

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

For the year ended December 31, 2020, the Borough recognized pension expense of \$37,818. 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	\$ -	\$ 6,309
Net difference between projected and actual earnings on pension plan investments	-	10,702
Contributions subsequent to the measurement date	<u>40,986</u>	<u>-</u>
	<u>\$40,986</u>	<u>\$17,011</u>

An amount of \$40,986 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,**

2020	\$ (3,772)
2021	(3,806)
2022	(2,540)
2023	(4,788)
2024	(1,051)
Thereafter	<u>(1,054)</u>
	<u>\$(17,011)</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, 2020

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### (8) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

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

#### Litigation

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

### (9) RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverage during 2020. 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 July 27, 2022, 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, 2020 that required recognition or disclosure in the financial statements.

On March 31, 2021, the Borough issued General Obligation Note, Series of 2021, in the amount of \$3,050,000. The proceeds from the issuance of the bonds will be used for (a) the middle dam rehabilitation project; (b) other related water capital projects and (c) to pay for the costs of issuance.

**REQUIRED SUPPLEMENTARY INFORMATION**

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
<b>Taxes</b>			
Real estate-current year levy	\$ 1,342,384	\$ 1,289,607	\$ (52,777)
Real estate-current year levy - interim	450	-	(450)
Real estate-prior years levy	1,000	1,015	15
Real estate-payment in lieu	4,040	4,586	546
Real estate-delinquent taxes	<u>86,000</u>	<u>114,605</u>	<u>28,605</u>
Total real estate taxes	<u>1,433,874</u>	<u>1,409,813</u>	<u>(24,061)</u>
Local tax enabling act (Act 511):			
Real estate transfer	100,000	157,435	57,435
Earned income tax	896,000	866,803	(29,197)
Municipal services tax	<u>280,000</u>	<u>282,215</u>	<u>2,215</u>
Total local tax enabling act	<u>1,276,000</u>	<u>1,306,453</u>	<u>30,453</u>
<b>Total taxes</b>	<u>2,709,874</u>	<u>2,716,266</u>	<u>6,392</u>
<b>Licenses and permits</b>			
Health/restaurant licenses	8,000	7,800	(200)
Rental license	75,000	104,618	29,618
Cable TV franchise tax	128,000	118,481	(9,519)
Event permit fees	500	200	(300)
Street opening permits	12,500	6,800	(5,700)
Zoning permits and fees	190,000	99,937	(90,063)
Zoning plan review	12,500	8,510	(3,990)
Miscellaneous permits	<u>2,000</u>	<u>1,815</u>	<u>(185)</u>
<b>Total licenses and permits</b>	<u>428,500</u>	<u>348,161</u>	<u>(80,339)</u>
<b>Fines and forfeits</b>			
Vehicle code violations	230,000	125,295	(104,705)
Violation of zoning ordinances and statutes	30,000	30,762	762
Vehicle boot fines	<u>250</u>	<u>-</u>	<u>(250)</u>
<b>Total fines and forfeits</b>	<u>260,250</u>	<u>156,057</u>	<u>(104,193)</u>
<b>Interest, rent and royalties</b>			
Interest income	22,720	2,403	(20,317)
Royalties - cell tower	24,915	26,830	1,915
Rent of buildings	<u>50</u>	<u>101</u>	<u>51</u>
<b>Total interest, rent and royalties</b>	<u>47,685</u>	<u>29,334</u>	<u>(18,351)</u>
<b>Intergovernmental revenues</b>			
Recycling/Act 101	20,000	-	(20,000)
General municipal pension aid	33,757	45,693	11,936
Public utility realty/beverage tax	7,000	2,500	(4,500)
Fire insurance premium tax	<u>48,000</u>	<u>45,534</u>	<u>(2,466)</u>
<b>Total intergovernmental revenues</b>	<u>108,757</u>	<u>93,727</u>	<u>(15,030)</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued)</b>			
<b>Charges for services</b>			
Closing report fee	2,500	11,578	9,078
Copies	15	-	(15)
Rental unit reinspection fees	500	50	(450)
Meter revenue	150,000	72,148	(77,852)
Parking permits	15,000	15,847	847
Parking permits-residential	1,500	2,040	540
Meter bags	300	140	(160)
PennDOT snow removal	19,773	20,352	579
Borough DPW services	5,000	910	(4,090)
Solid waste user fees	919,894	795,026	(124,868)
Solid waste fees prior/delinquent	15,500	14,527	(973)
Solid waste bulk	-	16,416	16,416
Lien rents solid waste	33,000	1,353	(31,647)
Garbage lien interest	2,500	4,306	1,806
<b>Total charges for services</b>	<u>1,165,482</u>	<u>954,693</u>	<u>(210,789)</u>
<b>Miscellaneous</b>			
Fire department apparatus donations	9,000	-	(9,000)
Miscellaneous income	550	25,203	24,653
Shopping cart fees	6,500	5,775	(725)
Stroudsburg share of employees	11,607	14,795	3,188
Damage to Borough property	15,000	1,000	(14,000)
Dividends received	18,000	39,042	21,042
<b>Total miscellaneous</b>	<u>60,657</u>	<u>85,815</u>	<u>25,158</u>
<b>Total revenues</b>	<u>4,781,205</u>	<u>4,384,053</u>	<u>(397,152)</u>
<b>Expenditures</b>			
<b>General government</b>			
<b>Legislative body</b>			
Council salary	7,500	7,500	-
Mayor salary	2,500	2,500	-
FICA	620	539	81
Medicare	145	126	19
Training/conferences	1,125	135	990
Dues/subscriptions	2,250	474	1,776
Miscellaneous/travel	1,500	-	1,500
<b>Total legislative body</b>	<u>15,640</u>	<u>11,274</u>	<u>4,366</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Administration</b>			
Manager salary	55,318	36,000	19,318
Director of public works salary	42,640	27,000	15,640
Staff salary	80,804	80,517	287
FICA	9,522	8,806	716
Medicare	2,227	2,059	168
Longevity	875	-	875
Overtime	4,200	-	4,200
Office supplies	3,500	4,924	(1,424)
Office equipment/furniture	375	159	216
Computer equipment/supplies	1,500	2,401	(901)
Equipment repairs/maintenance	600	1,512	(912)
Vehicle expense	500	-	500
Telephone	4,200	4,285	(85)
Postage	7,500	1,743	5,757
Travel	375	-	375
Advertising/printing	4,750	5,075	(325)
Dues/subscription/memberships	1,250	4,086	(2,836)
Conferences/training	925	1,302	(377)
Property and liability insurance	11,763	5,566	6,197
Workers compensation insurance	6,436	2,562	3,874
Public officials liability	1,135	1,073	62
Life/disability insurance	1,974	1,470	504
Major medical (BC/BS)	41,152	17,579	23,573
Health insurance buyout/HRA	2,139	3,511	(1,372)
Nonuniform pension MMO	25,447	20,050	5,397
Unemployment compensation	3,115	2,091	1,024
<b>Total administration</b>	<u>314,222</u>	<u>233,771</u>	<u>80,451</u>
<b>Auditing services/financial administration</b>			
Trustee charge bond payment	1,750	1,243	507
Auditing services	7,200	17,502	(10,302)
Accounting services	3,000	225	2,775
Accounting software	2,800	1,593	1,207
Credit card fees	6,090	6,897	(807)
<b>Total auditing services/financial administration</b>	<u>20,840</u>	<u>27,460</u>	<u>(6,620)</u>
<b>Tax collection</b>			
Salary-tax collector	7,342	8,279	(937)
FICA	455	686	(231)
Medicare	106	130	(24)
Materials and supplies	1,355	1,330	25
Commissions			
Delinquent real estate	3,953	23	3,930
Local service tax	3,916	4,349	(433)

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued)</b>			
<b>Tax collection (continued)</b>			
Earned income tax	14,000	13,255	745
Real estate transfer tax	<u>4,500</u>	<u>5,358</u>	<u>(858)</u>
<b>Total tax collection</b>	<u>35,627</u>	<u>33,410</u>	<u>2,217</u>
<b>Solicitor/legal services</b>			
Legal expenses	<u>75,000</u>	<u>192,034</u>	<u>(117,034)</u>
<b>Engineering services</b>			
Engineering services	<u>18,750</u>	<u>53,902</u>	<u>(35,152)</u>
<b>General government buildings and plant</b>			
Materials and supplies	750	1,546	(796)
Electricity	4,050	5,422	(1,372)
Electricity annex	3,750	2,137	1,613
Gas (heat) annex	3,000	1,766	1,234
Maintenance and repair	1,500	783	717
Maintenance and repair annex	2,500	10,418	(7,918)
Capital purchase	<u>17,500</u>	<u>-</u>	<u>17,500</u>
<b>Total general government buildings and plant</b>	<u>33,050</u>	<u>22,072</u>	<u>10,978</u>
<b>Total general government</b>	<u>513,129</u>	<u>573,923</u>	<u>(60,794)</u>
<b>Public safety</b>			
<b>Police</b>			
Regional police services	<u>2,497,287</u>	<u>2,497,287</u>	<u>-</u>
<b>Fire</b>			
Service awards	11,000	11,405	(405)
Vehicle maintenance/supplies	10,250	6,949	3,301
Small tools/equipment	1,000	598	402
Telephone	2,500	2,143	357
Radio maintenance	500	-	500
Electricity	10,500	9,337	1,163
Gas (heat)	6,500	1,714	4,786
Equipment testing	7,000	2,782	4,218
Building maintenance	14,500	11,391	3,109
Contracted services	7,500	101	7,399
Contribution	1,000	-	1,000
Contribution - fire relief fund	41,955	45,534	(3,579)
Pumper lease	23,924	7,472	16,452
Workers compensation insurance	<u>8,142</u>	<u>3,458</u>	<u>4,684</u>
<b>Total fire</b>	<u>146,271</u>	<u>102,884</u>	<u>43,387</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety (continued)</b>			
<b>UCC and code enforcement</b>			
Code enforcement officer salary	52,188	48,209	3,979
Staff salary	42,657	24,000	18,657
FICA	5,942	5,495	447
Medicare	1,390	1,285	105
Overtime	1,000	-	1,000
Materials and supplies	1,500	129	1,371
Computer equipment/supplies	1,500	385	1,115
Vehicle operation	1,000	225	775
Vehicle maintenance	1,500	1,023	477
Software license	5,500	9,933	(4,433)
Advertising/printing	3,500	1,151	2,349
Dues/subscriptions/memberships	2,200	1,142	1,058
Conferences/training	1,000	200	800
Property and liability insurance	6,282	2,800	3,482
Workers compensation insurance	3,437	1,289	2,148
Public officials liability	606	540	66
Life/disability insurance	1,054	740	314
Major medical (BC/BS)	21,976	8,845	13,131
Health insurance buyout/HRA	1,142	1,767	(625)
Nonuniform pension MMO	13,589	10,088	3,501
Unemployment compensation	1,664	1,052	612
<b>Total UCC and code enforcement</b>	<u>170,627</u>	<u>120,298</u>	<u>50,329</u>
<b>Planning and zoning</b>			
Legal services	30,000	15,863	14,137
Contracted permitting	130,000	85,911	44,089
<b>Total planning and zoning</b>	<u>160,000</u>	<u>101,774</u>	<u>58,226</u>
<b>Emergency services</b>			
Monroe County Control Center	33,464	33,464	-
<b>Other public safety</b>			
Computer equipment/supplies	-	969	(969)
Materials and supplies	-	1,755	(1,755)
Professional services	-	2,672	(2,672)
<b>Total other public safety</b>	<u>-</u>	<u>5,396</u>	<u>(5,396)</u>
<b>Total public safety</b>	<u>3,007,649</u>	<u>2,861,103</u>	<u>146,546</u>
<b>Human and health services</b>			
<b>General health services</b>			
Salaries and wages	33,796	11,159	22,637
FICA	2,095	1,937	158
Medicare	490	453	37

**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>
<b>Human and health services (continued)</b>			
<b>General health services (continued)</b>			
Material and supplies	250	-	250
Computer equipment/supplies	350	-	350
Conferences/training	350	-	350
Property-liability insurance	2,238	433	1,805
Workers comp insurance	1,224	199	1,025
Public officials liability	216	83	133
Life/disability insurance	376	114	262
Major medical (BC/BS)	7,831	1,367	6,464
Health insurance buyout/HRA	407	273	134
N/U pension MMO	4,842	1,559	3,283
Unemployment compensation	593	163	430
<b>Total human and health services</b>	<u>55,058</u>	<u>17,740</u>	<u>37,318</u>
<b>Public works - sanitation</b>			
<b>Recycling/solid waste collection and disposal</b>			
Staff salaries	118,500	98,231	20,269
FICA	7,812	7,224	588
Medicare	1,827	1,690	137
Overtime	7,500	-	7,500
Materials and supplies	375	1,001	(626)
Recycling grant to Twin boroughs	20,000	21,550	(1,550)
Conferences/training	500	259	241
Landfill engineering	10,000	5,274	4,726
Refuse collection/disposal contract	754,362	768,985	(14,623)
Trash bags	-	3,609	(3,609)
Property and liability insurance	7,848	3,810	4,038
Workers compensation insurance	4,294	1,753	2,541
Public officials liability	758	735	23
Life/disability insurance	1,317	1,006	311
Major medical (BC/BS)	27,457	12,032	15,425
Health insurance buyout/HRA	1,427	2,403	(976)
Nonuniform pension MMO	16,978	13,723	3,255
Unemployment compensation	2,079	1,431	648
<b>Total public works - sanitation</b>	<u>983,034</u>	<u>944,716</u>	<u>38,318</u>
<b>Public works - highways and streets</b>			
<b>Street department</b>			
Street superintendent salary	27,456	27,600	(144)
Staff salary	164,661	171,036	(6,375)
Temp salary	18,908	19,743	(835)
FICA	13,976	16,502	(2,526)
Medicare	3,269	3,802	(533)

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
Overtime	14,400	-	14,400
Office supplies	300	233	67
Computer equipment/supplies	200	127	73
Office equipment maintenance/repair	80	279	(199)
Vehicle operation (fuel, oil, fluids)	15,200	11,432	3,768
Uniforms	4,426	3,506	920
Vehicle maintenance repair	5,000	4,975	25
Small tools/minor equipment	1,000	1,530	(530)
Drug testing	280	236	44
Telephone	400	346	54
Radio purchase/maintenance	300	-	300
Travel	400	586	(186)
Electricity	740	408	332
Gas (heat)	2,400	1,639	761
Building Maintenance	6,000	1,195	4,805
Equipment maintenance and repair	4,800	(1,750)	6,550
Conferences/training	1,000	50	950
Equipment lease	23,074	19,463	3,611
Property-liability insurance	12,229	8,469	3,760
Workers comp insurance	6,691	3,898	2,793
Public officials liability	1,180	1,633	(453)
Life/disability insurance	2,052	2,237	(185)
Major medical (BC/BS)	42,783	26,749	16,034
Health insurance buyout/HRA	2,223	5,343	(3,120)
Nonuniform pension MMO	26,455	30,508	(4,053)
Unemployment compensation	3,239	3,182	57
<b>Total street department</b>	<u>405,122</u>	<u>364,957</u>	<u>40,165</u>
<b>Cleaning of streets and gutters</b>			
Machinery maintenance/supplies	5,000	4,623	377
Sweeper lease	32,000	23,967	8,033
<b>Total cleaning of streets and gutters</b>	<u>37,000</u>	<u>28,590</u>	<u>8,410</u>
<b>Winter maintenance - snow removal</b>			
Snow and ice removal supplies	3,400	2,560	840
<b>Traffic control devices</b>			
Material and supplies	3,750	593	3,157
<b>Street lighting</b>			
Electric	78,400	-	78,400
Street light repair	3,000	(112)	3,112
Operation/maintenance	4,000	271	3,729
<b>Total street lighting</b>	<u>85,400</u>	<u>159</u>	<u>85,241</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public works - highways and streets (continued)</b>			
<b>Storm sewers and drains</b>			
Materials and supplies	500	510	(10)
Electricity pond pumps	500	-	500
Contracted services	<u>2,500</u>	<u>-</u>	<u>2,500</u>
<b>Total storm sewers and drains</b>	<u>3,500</u>	<u>510</u>	<u>2,990</u>
<b>Maintenance and repairs of roads and bridges</b>			
Materials and supplies/street maintenance	1,000	2,263	(1,263)
Street paving	<u>50,000</u>	<u>5,400</u>	<u>44,600</u>
<b>Total maintenance and repairs of roads and bridges</b>	<u>51,000</u>	<u>7,663</u>	<u>43,337</u>
<b>Total public works - highways and streets</b>	<u>589,172</u>	<u>405,032</u>	<u>184,140</u>
<b>Public works - other</b>			
<b>Parking</b>			
Parking enforcement officer	103,120	62,238	40,882
FICA	6,548	6,055	493
Medicare	1,531	1,416	115
Overtime	2,500	-	2,500
Uniforms	1,200	810	390
Materials and supplies	500	-	500
Vehicle registration/inspection	150	512	(362)
Meter purchase	2,500	-	2,500
Software	1,850	392	1,458
Postage	2,250	2,375	(125)
Radio	250	-	250
Advertising/printing	1,200	1,139	61
Parking lot maintenance	1,000	111	889
Meter repair/maintenance supplies	5,500	12,274	(6,774)
Property and liability insurance	6,830	2,414	4,416
Workers compensation insurance	3,737	1,111	2,626
Public officials liability	659	465	194
Life/disability insurance	1,146	637	509
Major medical (BC/BS)	23,893	7,623	16,270
Health insurance buyout/HRA	1,242	1,523	(281)
Nonuniform pension MMO	14,774	8,695	6,079
Unemployment compensation	<u>1,809</u>	<u>907</u>	<u>902</u>
<b>Total parking</b>	<u>184,189</u>	<u>110,697</u>	<u>73,492</u>
<b>Storm water and flood control</b>			
Engineering	5,000	-	5,000
Levee maintenance	25,000	72	24,928
Equipment maintenance and repairs	<u>750</u>	<u>-</u>	<u>750</u>
<b>Total storm water and flood control</b>	<u>30,750</u>	<u>72</u>	<u>30,678</u>
<b>Total public works - other</b>	<u>214,939</u>	<u>110,769</u>	<u>104,170</u>

**BOROUGH OF EAST STROUDSBURG**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Culture and recreation</b>			
<b>Participant recreation</b>			
Building maintenance/repair	7,000	536	6,464
Pool maintenance/repair	3,500	2,585	915
Small tools and equipment	100	-	100
Materials and supplies	9,250	1,042	8,208
Electricity	3,500	806	2,694
Heat gas	1,250	308	942
Maintenance and repair services	3,500	7,092	(3,592)
Stewardship contribution	155,122	128,181	26,941
Contribution to Arts Council	250	-	250
Monroe County Historical Association	250	-	250
Contribution to BWA	250	-	250
MCCD stream gauge	500	-	500
Borough 150th anniversary celebration	-	83	(83)
<b>Total participant recreation</b>	<u>184,472</u>	<u>140,633</u>	<u>43,839</u>
<b>Parks</b>			
Medicare	100	57	43
Recreation equipment	500	-	500
Parks supplies	100	-	100
Telephone	1,050	1,093	(43)
Electric	6,500	7,216	(716)
Land maintenance	1,000	809	191
Equipment maintenance and repairs	1,200	1,983	(783)
Building maintenance and repairs	12,500	1,625	10,875
Portable toilet rentals	6,000	3,170	2,830
Capital purchase	650	-	650
<b>Total parks</b>	<u>29,600</u>	<u>15,953</u>	<u>13,647</u>
<b>Shade trees</b>			
Materials and supplies	2,500	1,116	1,384
Maintenance	2,500	8,050	(5,550)
New planting	8,000	1,654	6,346
<b>Total shade trees</b>	<u>13,000</u>	<u>10,820</u>	<u>2,180</u>
<b>Total culture and recreation</b>	<u>227,072</u>	<u>167,406</u>	<u>59,666</u>
<b>Community development</b>			
<b>Economic development</b>			
Comprehensive plan implementation	40,000	6,585	33,415
Parking study	30,000	-	30,000
Traffic study	30,000	-	30,000
<b>Total economic development</b>	<u>100,000</u>	<u>6,585</u>	<u>93,415</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Community development (continued)</b>			
<b>Community development - other</b>			
Economic development coordinator	62,400	-	62,400
FICA	3,869	-	3,869
Medicare	905	-	905
Maintenance and repair (decorations)	10,000	20,797	(10,797)
Contribution ECA	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<b>Total community development - other</b>	<u>87,174</u>	<u>30,797</u>	<u>56,377</u>
<b>Total community development</b>	<u>187,174</u>	<u>37,382</u>	<u>149,792</u>
<b>Debt service</b>			
Principal	97,913	96,450	1,463
Interest	<u>4,326</u>	<u>1,463</u>	<u>2,863</u>
<b>Total debt service</b>	<u>102,239</u>	<u>97,913</u>	<u>4,326</u>
<b>Total expenditures</b>	<u>5,879,466</u>	<u>5,215,984</u>	<u>663,482</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,098,261)</u>	<u>(831,931)</u>	<u>266,330</u>
<b>Other financing sources (uses)</b>			
Transfers in	555,658	836,361	280,703
Transfers out	-	(96,731)	(96,731)
Sale of capital assets	<u>650,000</u>	<u>40,000</u>	<u>(610,000)</u>
<b>Total other financing sources (uses)</b>	<u>1,205,658</u>	<u>779,630</u>	<u>(426,028)</u>
<b>Net change in fund balance</b>	<u>\$ 107,397</u>	<u>(52,301)</u>	<u>\$ (159,698)</u>
<b>Fund balance</b>			
Beginning of the year		<u>191,306</u>	
<b>End of year</b>		<u>\$ 139,005</u>	

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

For the year ended December 31, 2020

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,604,300	\$ 1,652,406	\$ 48,106
Other	<u>232,850</u>	<u>180,894</u>	<u>(51,956)</u>
<b>Total operating revenues</b>	<u>1,837,150</u>	<u>1,833,300</u>	<u>(3,850)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	535,377	440,932	94,445
Employee benefits	325,934	294,565	31,369
Administrative expenses	51,284	47,734	3,550
Insurance	52,528	51,142	1,386
Professional services	130,000	234,258	(104,258)
Repairs and maintenance	400,505	134,402	266,103
Supplies	99,870	93,536	6,334
Utilities	86,430	68,220	18,210
Depreciation	<u>-</u>	<u>247,350</u>	<u>(247,350)</u>
<b>Total operating expenses</b>	<u>1,681,928</u>	<u>1,612,139</u>	<u>69,789</u>
<b>Operating income (loss)</b>	<u>155,222</u>	<u>221,161</u>	<u>65,939</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	16,985	9,029	(7,956)
Intergovernmental revenues	<u>33,333</u>	<u>48,549</u>	<u>15,216</u>
<b>Total nonoperating revenues (expenses)</b>	<u>50,318</u>	<u>57,578</u>	<u>7,260</u>
<b>Income (loss) before transfers</b>	205,540	278,739	73,199
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	205,540	278,739	73,199
<b>NET POSITION</b>			
Beginning of year	<u>4,672,370</u>	<u>4,672,370</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,877,910</u>	<u>\$ 4,951,109</u>	<u>\$ 73,199</u>

# BOROUGH OF EAST STROUDSBURG

## BUDGETARY COMPARISON SCHEDULE - WATER FUND

For the year ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,888,200	\$ 1,740,732	\$ (147,468)
Other	321,800	117,452	(204,348)
<b>Total operating revenues</b>	<u>2,210,000</u>	<u>1,858,184</u>	<u>(351,816)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	549,553	515,224	34,329
Employee benefits	328,519	301,123	27,396
Administrative expenses	50,434	45,579	4,855
Insurance	52,528	50,797	1,731
Professional services	312,250	270,512	41,738
Repairs and maintenance	1,110,737	124,382	986,355
Supplies	186,180	173,907	12,273
Utilities	65,005	41,696	23,309
Depreciation	-	225,791	(225,791)
<b>Total operating expenses</b>	<u>2,655,206</u>	<u>1,749,011</u>	<u>906,195</u>
<b>Operating income (loss)</b>	<u>(445,206)</u>	<u>109,173</u>	<u>554,379</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	20,295	6,194	(14,101)
Interest expense	(125,064)	(27,618)	97,446
Intergovernmental revenues	2,022,992	105,502	(1,917,490)
<b>Total nonoperating revenues (expenses)</b>	<u>1,918,223</u>	<u>84,078</u>	<u>(1,834,145)</u>
<b>Income (loss) before transfers and special item</b>	1,473,017	193,251	(1,279,766)
Capital investment in Brodhead Creek Regional Authority	-	(1,626,393)	(1,626,393)
Transfers out	(646,197)	(836,361)	(190,164)
<b>CHANGE IN NET POSITION</b>	826,820	(2,269,503)	(3,096,323)
<b>NET POSITION</b>			
Beginning of year	<u>5,725,885</u>	<u>5,725,885</u>	<u>-</u>
<b>End of year</b>	<u>\$ 6,552,705</u>	<u>\$ 3,456,382</u>	<u>\$ (3,096,323)</u>

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

For the year ended December 31, 2020

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 156,225	\$ 186,811	\$ 30,586
Other	<u>3,200</u>	<u>1,308</u>	<u>(1,892)</u>
<b>Total operating revenues</b>	<u>159,425</u>	<u>188,119</u>	<u>28,694</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	100,792	96,521	4,271
Employee benefits	7,710	(14,159)	21,869
Administrative expenses	2,200	3,382	(1,182)
Professional services	1,800	4,200	(2,400)
Repairs and maintenance	17,450	12,883	4,567
Supplies	19,450	13,602	5,848
Utilities	4,750	1,192	3,558
Depreciation	<u>-</u>	<u>12,657</u>	<u>(12,657)</u>
<b>Total operating expenses</b>	<u>154,152</u>	<u>130,278</u>	<u>23,874</u>
<b>Operating income (loss)</b>	<u>5,273</u>	<u>57,841</u>	<u>52,568</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	<u>-</u>	<u>124</u>	<u>124</u>
<b>Income (loss) before transfers</b>	<u>5,273</u>	<u>57,965</u>	<u>52,692</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>5,273</u>	<u>57,965</u>	<u>52,692</u>
<b>NET POSITION</b>			
Beginning of year	<u>4,150,525</u>	<u>4,150,525</u>	<u>-</u>
<b>End of year</b>	<u>\$ 4,155,798</u>	<u>\$ 4,208,490</u>	<u>\$ 52,692</u>

# BOROUGH OF EAST STROUDSBURG

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31

	2019		2018	
	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 130,137	\$ 49,400	\$ 133,431	\$ 49,614
Interest on total pension liability	398,547	6,013	382,052	4,151
Changes of assumptions	-	-	-	-
Changes of benefits	-	-	-	661
Differences between expected and actual experience	-	-	197,635	(1)
Transfers	-	(21,654)	-	-
Benefit payments, including refunds of member contributions	(360,992)	-	(428,081)	-
<b>Net change in total pension liability</b>	167,692	33,759	285,037	54,425
<b>Total pension liability, beginning</b>	<u>7,642,428</u>	<u>115,605</u>	<u>7,357,391</u>	<u>61,180</u>
<b>Total pension liability, ending</b>	<u>\$ 7,810,120</u>	<u>\$ 149,364</u>	<u>\$ 7,642,428</u>	<u>\$ 115,605</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 199,838	\$ 49,361	\$ 238,461	\$ 34,610
Member contributions	35,816	8,044	35,488	7,560
PMRS investment income	372,894	6,646	335,039	4,363
Market value investment income	1,052,268	18,677	(653,303)	(11,226)
Transfers	-	(21,654)	-	-
Benefit payments	(360,992)	-	(428,081)	-
PMRS administrative expense	(680)	(280)	(680)	(160)
Additional administrative expense	(12,889)	(230)	(14,951)	(195)
<b>Net change in plan fiduciary net position</b>	1,286,255	60,564	(488,027)	34,952
<b>Fiduciary net position, beginning</b>	<u>6,758,723</u>	<u>108,762</u>	<u>7,246,750</u>	<u>73,810</u>
<b>Fiduciary net position, ending</b>	<u>\$ 8,044,978</u>	<u>\$ 169,326</u>	<u>\$ 6,758,723</u>	<u>\$ 108,762</u>
<b>Net pension liability (asset), ending</b>	<u>\$ (234,858)</u>	<u>\$ (19,962)</u>	<u>\$ 883,705</u>	<u>\$ 6,843</u>
<b>Fiduciary net position as a % of total pension liability</b>	103.01%	113.36%	88.44%	94.08%
<b>Covered payroll</b>	\$ 853,174	\$ 679,121	\$ 881,823	\$ 700,902
<b>Net pension liability as a % of covered payroll</b>	-27.53%	-2.94%	100.21%	0.98%

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.

Measurement Date							
2017		2016		2015		2014	
Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund	Nonuniform Pension Fund	Nonuniform Cash Balance Pension Fund
\$ 142,081	\$ 23,228	\$ 154,308	\$ 14,911	\$ 173,321	\$ 11,827	\$ 173,277	\$ 8,272
374,727	2,392	375,390	1,810	362,036	1,094	346,877	503
-	-	182,587	-	(64,731)	-	-	-
-	-	-	-	-	-	-	-
-	(8,424)	(123,841)	(1,153)	-	-	(8,711)	-
-	-	-	-	-	-	-	-
<u>(310,112)</u>	<u>-</u>	<u>(221,526)</u>	<u>-</u>	<u>(193,095)</u>	<u>-</u>	<u>(275,253)</u>	<u>-</u>
206,696	17,196	366,918	15,568	277,531	12,921	236,190	8,775
<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>	<u>6,270,056</u>	<u>6,720</u>
<u>\$ 7,357,391</u>	<u>\$ 61,180</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>
\$ 234,212	\$ 21,775	\$ 229,485	\$ 15,051	\$ 232,435	\$ 11,927	\$ 187,558	\$ 8,352
37,113	400	43,883	-	44,346	-	41,696	-
320,077	2,669	333,020	1,750	314,814	1,136	297,934	518
706,859	6,325	142,966	(178)	(321,885)	(1,779)	2,460	(133)
-	-	-	-	-	-	-	-
(310,112)	-	(221,526)	-	(193,095)	-	(275,253)	-
(680)	(120)	(680)	(80)	(680)	(100)	(700)	(80)
<u>(14,720)</u>	<u>(123)</u>	<u>(16,315)</u>	<u>(86)</u>	<u>(13,124)</u>	<u>(47)</u>	<u>(11,426)</u>	<u>(20)</u>
972,749	30,926	510,833	16,457	62,811	11,137	242,269	8,637
<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>5,458,088</u>	<u>6,653</u>
<u>\$ 7,246,750</u>	<u>\$ 73,810</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>\$ 110,641</u>	<u>\$ (12,630)</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>
98.50%	120.64%	87.74%	97.50%	84.96%	93.00%	87.61%	98.68%
\$ 945,130	\$ 380,474	\$ 1,066,909	\$ 248,513	\$ 1,163,780	\$ 197,118	\$ 1,176,548	\$ 137,840
11.71%	-3.32%	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**

<b>Measurement Date December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 187,558	\$ 187,558	\$ -	\$ 1,176,548	15.94%
2015	\$ 232,435	\$ 232,435	\$ -	\$ 1,163,780	19.97%
2016	\$ 229,447	\$ 229,485	\$ (38)	\$ 1,066,909	21.51%
2017	\$ 233,816	\$ 234,212	\$ (396)	\$ 945,130	24.78%
2018	\$ 219,677	\$ 238,461	\$ (18,784)	\$ 881,823	27.04%
2019	\$ 199,838	\$ 199,838	\$ -	\$ 853,174	23.42%

**Nonuniform Cash Balance Pension Fund**

<b>Measurement Date December 31</b>	<b>Statutorily Required Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 8,352	\$ 8,352	\$ -	\$ 137,840	6.06%
2015	\$ 11,927	\$ 11,927	\$ -	\$ 197,118	6.05%
2016	\$ 14,991	\$ 15,051	\$ (60)	\$ 248,513	6.06%
2017	\$ 22,948	\$ 21,775	\$ 1,173	\$ 380,474	5.72%
2018	\$ 42,214	\$ 34,610	\$ 7,604	\$ 700,902	4.94%
2019	\$ 41,636	\$ 49,361	\$ (7,725)	\$ 679,121	7.27%

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, 2020

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	<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>
<b>ASSETS</b>					
Cash	\$220,846	\$ 13,042	\$ 70,301	\$ 144	\$ 304,333
Due from other funds	<u>15,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,841</u>
<b>Total assets</b>	<u>\$236,687</u>	<u>\$ 13,042</u>	<u>\$ 70,301</u>	<u>\$ 144</u>	<u>\$ 320,174</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	<u>\$ 73,984</u>	<u>\$ 13,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,026</u>
 <b>FUND BALANCES</b>					
Restricted for					
Public works - roads	162,703	-	-	-	162,703
Community development	-	-	70,301	-	70,301
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>144</u>	<u>144</u>
<b>Total fund balances</b>	<u>162,703</u>	<u>-</u>	<u>70,301</u>	<u>144</u>	<u>233,148</u>
 <b>Total liabilities and fund balances</b>	<u>\$236,687</u>	<u>\$ 13,042</u>	<u>\$ 70,301</u>	<u>\$ 144</u>	<u>\$ 320,174</u>

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# BOROUGH OF EAST STROUDSBURG

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

Year ended December 31, 2020

	Special Revenue Funds				Total
	State Liquid Fuels Fund	CDBG Fund	Community Development Fund	Debt Service Fund	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 452,869	\$ 452,869
Interest, rents and royalties	1,339	-	476	25	1,840
Intergovernmental revenues	<u>268,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,902</u>
<b>Total revenues</b>	<u>270,241</u>	<u>-</u>	<u>476</u>	<u>452,894</u>	<u>723,611</u>
<b>EXPENDITURES</b>					
Current					
Public works - highways and streets	258,039	-	-	-	258,039
Debt Service					
Principal	-	-	-	440,650	440,650
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,325</u>	<u>111,325</u>
<b>Total expenditures</b>	<u>258,039</u>	<u>-</u>	<u>-</u>	<u>551,975</u>	<u>810,014</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>12,202</u>	<u>-</u>	<u>476</u>	<u>(99,081)</u>	<u>(86,403)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,731</u>	<u>96,731</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>12,202</u>	<u>-</u>	<u>476</u>	<u>(2,350)</u>	<u>10,328</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>150,501</u>	<u>-</u>	<u>69,825</u>	<u>2,494</u>	<u>222,820</u>
<b>End of year</b>	<u>\$ 162,703</u>	<u>\$ -</u>	<u>\$ 70,301</u>	<u>\$ 144</u>	<u>\$ 233,148</u>

**BOROUGH OF EAST STROUDSBURG**

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

**December 31, 2020**

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Investments	<u>\$ 3,911,456</u>	<u>\$ 216,496</u>	<u>\$ 4,127,952</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 3,911,456</u>	<u>\$ 216,496</u>	<u>\$ 4,127,952</u>

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

Year ended December 31, 2020

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	<u>Pension Fund</u>	<u>Cash Balance Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ 195,155	\$ 41,144	\$ 236,299
Member contributions	<u>33,527</u>	<u>8,083</u>	<u>41,610</u>
<b>Total contributions</b>	<u>228,682</u>	<u>49,227</u>	<u>277,909</u>
<b>Investment income</b>	<u>203,352</u>	<u>8,703</u>	<u>212,055</u>
<b>Total additions</b>	<u>432,034</u>	<u>57,930</u>	<u>489,964</u>
<b>DEDUCTIONS</b>			
Benefits and refunds paid	434,087	-	434,087
Administrative expenses	<u>680</u>	<u>280</u>	<u>960</u>
<b>Total deductions</b>	<u>434,767</u>	<u>280</u>	<u>435,047</u>
<b>CHANGE IN NET POSITION</b>	(2,733)	57,650	54,917
<b>NET POSITION</b>			
Beginning of year	<u>3,914,189</u>	<u>158,846</u>	<u>4,073,035</u>
<b>End of year</b>	<u>\$ 3,911,456</u>	<u>\$ 216,496</u>	<u>\$ 4,127,952</u>

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## **SUPPLEMENTAL INFORMATION**

# BOROUGH OF EAST STROUDSBURG

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

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Value of Taxable Property</u>	<u>Assessed Value as A Percentage of Market Value</u>
2020 <sup>(1)</sup>	\$ 496,048,910	\$ 399,424,476	124.19%
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%

<sup>(1)</sup> Monroe County property reassessment effective for 2020

# 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>
2020	\$ 1,886,128	\$ 1,757,067	93.16%	\$ -	\$ 1,757,067	93.16%	129,061	6.84%
2019	1,928,983	1,795,905	93.10%	80,763	1,876,668	97.29%	52,315	2.71%
2018	1,924,398	1,802,792	93.68%	103,359	1,906,151	99.05%	18,247	0.95%
2017	1,817,353	1,707,014	93.93%	108,330	1,815,344	93.93%	2,009	6.07%
2016	1,707,217	1,587,549	92.99%	117,040	1,704,589	99.85%	2,628	0.15%
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%

# BOROUGH OF EAST STROUDSBURG

## TAX RATES - UNAUDITED

Last ten fiscal years ending December 31,

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<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Real Estate Transfer</u>	<u>Wage &amp; Income Tax</u>	<u>Municipal Services Tax</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Borough Total</u>			
2020 <sup>(1)</sup>	2.83	0.95	3.78	0.5%	0.5%	47.00
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

<sup>(1)</sup> Monroe County property reassessment effective for 2020

# BOROUGH OF EAST STROUDSBURG

## PRINCIPAL TAXPAYERS - UNAUDITED

Year ending December 31, 2020

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<u>Taxpayer</u>	<u>Assessed Valuation</u>
Wal-Mart Real Estate Business Trust	\$ 16,100,000
The Kimco Development Co.	15,325,730
New GVPT, LLC	10,850,000
GPH East Stroudsburg LP	9,989,090
Eagle Valley Realty LP	7,936,010
BFG Pocno DST	7,632,270
Sunrest Properties LLC	5,882,890
Dein Properties LP	5,685,700
East Stroudsburg Elderly Associates	4,725,070
East Brown Street Associates	3,341,600
SCP 2002E-52 LLC	<u>2,750,000</u>
	<u>\$ 90,218,360</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, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 27, 2022.

**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****July 27, 2022**