

Borough of Honesdale

Audit Report

December 31, 2014

Rainey & Rainey
Certified Public Accountants

TABLE OF CONTENTS

Independent Auditor’s Report.....	2-3
Balance Sheet – Governmental Funds.....	4
Statement of Revenues, Expenditures and Changes in Fund	
Balances – Governmental Funds.....	5
Statement of Revenues, Expenditures and Changes in Fund	
Balances – Governmental Funds – Budget vs. Actual.....	6
Statement of Fiduciary Net Assets – Fiduciary Funds.....	7
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	8
Notes to Financial Statements.....	9-15

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA
Kevin P. Noone, CPA

Independent Auditor's Report

Borough Council
Borough of Honesdale
Wayne County, Pennsylvania

We have audited the accompanying modified accrual basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Honesdale, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough'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 the 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Borough of Honesdale as of December 31, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Scranton, Pennsylvania
May 28, 2015

Borough of Honesdale
Balance Sheet - Governmental Funds
As of December 31, 2014

	General Fund	Special Revenue	Debt Service	Total Governmental Fund Types
Assets				
Cash - Checking	\$ 75,215	\$ 81,165	\$ 55,393	\$ 211,773
Certificates of Deposit	-	47,306	-	47,306
Taxes Receivables	71,921	-	-	71,921
Other Receivables	2,963	-	-	2,963
Total Assets	\$ 150,099	\$ 128,471	\$ 55,393	\$ 333,963
Liabilities				
Accounts Payable	\$ 13,407	\$ -	\$ -	\$ 13,407
Accrued Wages	25,459	-	-	25,459
Total Liabilities	\$ 38,866	\$ -	\$ -	\$ 38,866
Fund Balance				
Unreserved	\$ 111,233	\$ -	\$ -	\$ 111,233
Reserved For Debt Retirement	-	-	55,393	55,393
Designated For Specific Fund Purpose	-	128,471	-	128,471
Total Fund Balance	\$ 111,233	\$ 128,471	\$ 55,393	\$ 295,097
Total Liabilites and Fund Balance	\$ 150,099	\$ 128,471	\$ 55,393	\$ 333,963

Borough of Honesdale
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Special Revenue	Debt Service	Total Governmental Fund Types
Revenues				
Taxes and assessments	\$ 1,545,383	\$ 12,588	\$ 151,886	\$ 1,709,857
Licenses and permits	11,300	-	-	11,300
Fines and forfeits	43,262	-	-	43,262
Interest	4,816	606	88	5,510
Intergovernmental revenues	55,331	192,685	17,700	265,716
Charges for services	339,870	-	-	339,870
Tax Anticipation Loan	200,000	-	-	200,000
Proceeds from Long Term Financing	-	-	46,876	46,876
Miscellaneous Income	12,283	464	-	12,747
Operating transfers in	16,172	47,750	103,017	166,939
Total revenues	\$ 2,228,417	\$ 254,093	\$ 319,567	\$ 2,802,077
Expenditures				
General government	\$ 186,949	\$ -	\$ -	\$ 186,949
Public safety	865,809	-	-	865,809
Public Works	324,200	270,762	64,660	659,622
Culture - recreation	71,956	-	-	71,956
Debt Service - Principal	215,198	-	128,764	343,962
Debt Service - Interest	2,463	-	7,821	10,284
Pension, Insurance and Miscellaneous	513,082	155,893	-	668,975
Operating transfers out	69,689	-	97,250	166,939
Total Expenditures	\$ 2,249,346	\$ 426,655	\$ 298,495	\$ 2,974,496
Net Change In Fund Balance	\$ (20,929)	\$ (172,562)	\$ 21,072	\$ (172,419)
Fund balance - January 1, 2014	<u>132,162</u>	<u>301,033</u>	<u>34,321</u>	<u>467,516</u>
Fund balance - December 31, 2014	<u><u>\$ 111,233</u></u>	<u><u>\$ 128,471</u></u>	<u><u>\$ 55,393</u></u>	<u><u>\$ 295,097</u></u>

Borough of Honesdale
Statement of Revenues, Expenditures and Changes in Fund
Balance - General Fund - Budget vs Actual
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes and assessments	\$ 1,418,306	\$ 1,418,306	\$ 1,545,383	\$ 127,077
Licenses and permits	9,000	9,000	11,300	2,300
Fines and forfeits	24,000	24,000	43,262	19,262
Interest	145	145	4,816	4,671
Intergovernmental revenues	18,088	18,088	55,331	37,243
Charges for services	306,226	306,226	339,870	33,644
Tax Anticipation Loan	200,000	200,000	200,000	-
Miscellaneous Income	21,720	21,720	12,283	(9,437)
Operating transfers in	-	-	16,172	16,172
Total revenues	\$ 1,997,485	\$ 1,997,485	\$ 2,228,417	\$ 230,932
Expenditures				
General government	\$ 165,369	\$ 165,369	\$ 186,949	\$ (21,580)
Public safety	762,803	762,803	865,809	(103,006)
Public Works	283,969	283,969	324,200	(40,231)
Culture - recreation	80,548	80,548	71,956	8,592
Debt Service - Principal	200,000	200,000	215,198	(15,198)
Debt Service - Interest	2,500	2,500	2,463	37
Pension, Insurance and Miscellaneous	514,224	514,224	513,082	1,142
Operating transfers out	26,200	26,200	69,689	(43,489)
Total expenditures	\$ 2,035,613	\$ 2,035,613	\$ 2,249,346	\$ (213,733)
 Change in Fund Balance	 <u>\$ (38,128)</u>	 <u>\$ (38,128)</u>	 \$ (20,929)	 <u>\$ 17,199</u>
 Fund balance - January 1, 2014			 <u>132,162</u>	
 Fund balance - December 31, 2014			 <u>\$ 111,233</u>	

Borough of Honesdale
Statement of Fiduciary Net Assets - Fiduciary Funds
As of December 31, 2014

	<u>Private-Purpose Trust Fund</u>	<u>Pension Trust Funds</u>		<u>Agency Fund</u>
	<u>Rev. Doherty Fuel Fund</u>	<u>Non Uniform Pension</u>	<u>Uniform Pension</u>	<u>Fire Loss Escrow Fund</u>
<u>Assets</u>				
Current Assets				
Cash and Cash Equivalents	\$ 27,596	\$ -	\$ -	\$ 13,325
Investments	<u>446,040</u>	<u>319,164</u>	<u>2,904,018</u>	<u>-</u>
Total Assets	<u>\$ 473,636</u>	<u>\$ 319,164</u>	<u>\$ 2,904,018</u>	<u>\$ 13,325</u>
<u>Liabilities and Net Assets</u>				
Liabilities				
Other Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,325</u>
Total Liabilities	\$ -	\$ -	\$ -	\$ 13,325
Net Assets				
Held in accordance with trust agreement	\$ 473,636	\$ -	\$ -	\$ -
Held in trust for pension benefits	<u>-</u>	<u>319,164</u>	<u>2,904,018</u>	<u>-</u>
Total Net Assets	<u>\$ 473,636</u>	<u>\$ 319,164</u>	<u>\$ 2,904,018</u>	<u>\$ -</u>
Total Liabilities and Net Assets	<u>\$ 473,636</u>	<u>\$ 319,164</u>	<u>\$ 2,904,018</u>	<u>\$ 13,325</u>

Borough of Honesdale
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
For the Year Ended December 31, 2014

	Private-Purpose		
	Trust Fund	Pension Trust Funds	
	Rev. Doherty Fuel Fund	Non Uniform Pension	Uniform Pension
Additions			
State Aid	\$ -	\$ -	\$ -
Contributions - Employee	-	-	14,388
Contributions - Employer	-	28,350	126,488
Interest / Dividend Income	9,568	4,655	58,609
Realized Gain(Loss) on Sale of Investments	-	17,261	93,170
Net Appreciation/Depreciation in Fair Values of Investments	-	-	-
	<u>(84,960)</u>	<u>(4,943)</u>	<u>36,960</u>
Total Additions	\$ (75,392)	\$ 45,324	\$ 329,615
Deductions			
Expenditures in Accordance with Trust Instrument	\$ 9,975	\$ 3,278	\$ 34,632
Pension Benefits	-	-	248,803
Administrative Expenses	-	-	-
	<u>9,975</u>	<u>3,278</u>	<u>283,435</u>
Total Deductions	\$ 9,975	\$ 3,278	\$ 283,435
Change in Net Assets	\$ (85,367)	\$ 42,046	\$ 46,181
Net Assets - January 1, 2014	\$ 559,003	\$ 277,118	\$ 2,857,837
Net Assets - December 31, 2014	<u>\$ 473,636</u>	<u>\$ 319,164</u>	<u>\$ 2,904,018</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

The Borough provides municipal services to its residents. A seven-member Borough Council elected by residents governs the Borough. The Borough's main sources of funding are property taxes and grants.

Financial Reporting Entity

In evaluating how to define the Borough for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The manifestation of the ability to exercise oversight responsibilities includes (but is not limited to): financial interdependency; selection of the governing members; designation of management; and the ability to significantly influence operations and accountability. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless if the Municipality is able to exercise oversight responsibilities.

As defined above, there are no other related organizations that should be included in the Borough's financial statement presentation.

Basis of Presentation - Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent. There are three fund types presented in this report. A brief description of each is presented below.

A. Governmental Fund Types

General Fund - The General Fund is used to account for all Borough resources and expenditures except for those required to be accounted for in another fund.

Special Revenue Fund - Restricted Funds are used to account for specific projects or activities.

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

B. Fiduciary Fund Types

Trust and Agency Funds - Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity. The Borough maintains Pension Trust Funds, a Private-Purpose Trust Fund and an Agency Fund. Included in this category are:

- Pension Trust Fund - funds held for Borough Police and Non-Uniformed Employees.
- Private-Purpose Trust Fund - funds held by the Borough in a trustee capacity for others. Principal is restricted and only the income earned may be used for the specified purpose. The Rev. Doherty Fuel Fund is accounted for as a private-purpose trust fund.

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

- Agency Fund – used to account for funds placed with the Borough acting as agent or custodian. These funds are only custodial (assets equal liabilities) and do not require measurement of results of operations assets held for other funds, governments or individuals. The Borough maintains a Fire Loss Escrow Account as an agency fund.

Fund Financial Statements

All governmental funds are accounted for using the modified-accrual method of accounting. This basis of accounting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included in the balance sheet.

Revenues are recognized as soon as they are measurable and available. “Measurable” means the amount of the transaction can be readily determined. Revenues are considered “available” if they are collected within 60 days after year-end to pay liabilities to the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long term debt which are recorded when due. The fund liability is incurred when the goods or services have been received.

Budgets and Budgetary Accounting

An operating budget is adopted each year by Borough Council for the General Fund, Special Revenue, and Debt Service Fund on the modified cash basis of accounting.

The Borough, before levying annual taxes, is required to prepare an operating budget for the succeeding fiscal year. The Borough is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office of the Borough. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Borough Council.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and investments with original maturities of three months or less.

Fixed Assets and Depreciation

Under the modified-accrual method of accounting, capital assets and the related depreciation are not recognized in the balance sheet. This differs from GAAP which requires that capital assets are recorded and depreciated over their estimated useful lives. Capital expenditures are recorded as expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

Interfund Transactions

Advances between funds are accounted for in the appropriate inter-fund receivable and payable accounts. These advances, reported in the asset accounts, are considered “available spendable resources.”

Fund Balances

In the year ending December 31, 2014, the Borough implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund’s net resources.

Constraints are broken into five classifications: non-spendable, restricted, committed, assigned and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Restricted - Consists of amounts constrained to be used for a specific purpose as per: external parties, contributors or enabling legislation.
- Unassigned - Represents the residual classification of the government’s General Fund, and could report a surplus or deficit.
- Assigned – Consists of amounts intended to be used for a certain purpose as per committee or individual authorized by the governing body

NOTE 2 – REAL ESTATE TAXES:

The Borough Tax Collector, an official elected by the voters, collects and remits to the Borough the real estate taxes collected during the year. The tax rate for the year ended December 31, 2014 was 5.35 mills on an assessed valuation of \$269,827,440. During the year, the Borough collected \$1,351,244 after various adjustments for discounts, penalties and credits on a total tax levied in the amount of \$1,443,577. The Borough's rate of collection approximated 94% of total taxes due during the year.

The 2014 tax duplicates were issued April 1, 2014 and were due within 120 days of issue. A 2% rebate is granted to those who pay their tax within 60 days of issue. For those who pay after 120 days of issue, a 5% penalty is added. At December 31 of each year any current year unpaid real estate taxes are returned to the County for collection.

A breakdown of the millage is as follows:

Borough Tax	4.08 Mills
Recreation/Fire Tax	0.62 Mills
Borough Special Tax	0.05 Mills
Borough Debt	<u>0.60 Mills</u>
	<u>5.35 Mills</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

NOTE 3 – DEPOSITS & INVESTMENTS:

The Borough's investment policy is to invest in: (1) United States Treasury Bills, (2) short-term obligations of the United States Government or its agencies or instrumentalities, (3) deposits in savings or time accounts or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by the law therefore shall be pledged by the depository, (4) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and (5) shares of certain investment companies registered under the Investment Companies in (1) – (4) listed above, maintain a constant per share net asset value and are related in the highest category by a nationally recognized rating agency.

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. As of December 31, 2014, none of the Borough's bank balance of \$353,493 was exposed to custodial credit risk. During the year any amount that is uninsured is collateralized by securities pledged by the financial institutions for such funds but not in the Borough's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

NOTE 4 – LONG TERM DEBT:

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2014.

<u>Type of Debt</u>	<u>Rate of Interest</u>	<u>Monthly Payment</u>	<u>Balance 1/01/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>							
2014 Tax Anticip Note			-	200,000	200,000	-	-
General Obligation Note	3.97%	\$ 2,635	33,470	-	33,470	-	-
General Obligation Note	2.15%	\$ 1,341	45,594	-	15,198	30,396	15,198
General Obligation Note	1.49%	\$ 8,598	203,153	-	83,904	119,250	102,085
General Obligation Note	1.13%	\$ 943	11,213	-	11,213	-	-
General Obligation Note	1.13%	\$10,119	-	46,960	-	46,960	9,392
Total Governmental			<u>\$ 293,430</u>	<u>\$ 246,960</u>	<u>\$ 343,785</u>	<u>\$ 196,606</u>	<u>\$ 126,675</u>

Annual Debt Service Requirements

Annual requirements to amortize principal and interest on debt outstanding as of December 31, 2014, are:

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	126,675	2,927
2016	41,755	973
2017	9,392	518
2018	9,392	310
2019	9,392	103
	<u>\$ 196,606</u>	<u>\$ 4,831</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

NOTE 5 - PENSION PLAN:

Police Pension

The Borough of Honesdale Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The Plan is controlled by the provisions of an Ordinance enacted September 1, 1960, as amended, adopted pursuant to Act 600. The plan provides vesting, retirement, survivor, and disability benefits to plan members and their beneficiaries. All full-time police officers are eligible to participate in the plans. Members are eligible for benefits upon reaching the age of 50 and completing 25 years of service.

At January 1, 2013, the date of the most recent valuation, participants in the plan were as follows:

	Police
Participants	
Active employees	7
Retirees & beneficiaries currently Receiving benefits	<u>8</u>
Total	<u>15</u>

As a condition of participation, full-time officers are required to contribute 5% to the plan. Furthermore, the Borough allocates State Aid received from the Commonwealth of Pennsylvania to the plan. To the extent that this funding is not adequate, the Borough would then be required to contribute.

The Plan is governed by the Borough Council which is responsible for the management of plan assets. The actuarially determined minimum municipal obligation for the year ended December 31, 2014 was \$126,488. After applying the State Aid allocation, the Borough was required to contribute \$52,907 to the plan for the year 2014.

The annual pension cost was based on actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included 1) 7.5% invest rate of return, net of investment expenses, 2) projected salary increases of 5% per year, and 3) cost-of-living of 3% per year. The actuarial value of retirement assets was determined using the techniques that smooth the effects of short-term market volatility in market value of investments over a five-year period.

The following represents information related to the Borough's pension plan participation. All contributions are based on annual covered payroll.

Fiscal <u>Year</u>	Annual Pension <u>Cost (APC)</u>	Percent <u>Contributed</u>	Net Pension <u>Obligation</u>
2014	\$ 126,488	100 %	\$ 0
2013	146,224	100 %	0
2012	113,155	100 %	0

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

The funded status of the plan as of January 1, 2013, 2011, and 2009, the most recent actuarial valuation dates are as follows:

	Actuarial	Actuarial	Unfunded	Funded	UAAL as a	UAAL as a
	Value of	Liability (AAL)	(Overfunded)	Assets	Covered	Of Covered
	Assets	-Entry Age	AAL (UAAL)	Ratios	Payroll	Payroll
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/(c))
1/1/2013	\$2,475,376	\$ 3,663,958	\$ 1,188,582	67.6%	\$352,939	336.7%
1/1/2011	2,364,011	3,195,328	831,317	74.0%	441,581	188.3%
1/1/2009	2,321,128	2,534,137	213,009	91.5%	421,723	50.5%

The entry age normal cost method is used to determine the annual required contribution (“ARC”) for the plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Information regarding the plan can be obtained from the Borough. The plans do not issue separate financial statements but are contained in the Borough’s financial statement as a Pension Trust Fund.

Non-Uniformed Plan

The Borough has a defined contribution pension plan, which covers all full-time non-uniformed employees who are at least 20 years of age and have completed 12 months of service. The Plan is administered by the Pennsylvania State Association of Borough Municipal Retirement Trust. The Borough is required to contribute \$3,000 per year for each employee and any related costs, the employees have no requirement to contribute. The Plan provides for normal retirement at age 65 with 100% vesting after seven years of service. The Borough Council may establish and amend plan provisions. The Minimum Municipal Obligation for 2014 is calculated to be \$28,350.

According to the actuary, the financial reporting and the actuarial and historical data for this plan satisfies the reporting requirements of Government Accounting Standards Board (GASB), 5, 25 and 27.

NOTE 6 – COLLECTIVE BARGAINING AGREEMENT:

The following collective bargaining agreements were in effect during the year ended December 31, 2014:

	Contract	Contract
	<u>Inception</u>	<u>Expiration</u>
Police	January 1, 2014	December 31, 2020

All non-uniform employees are covered by policies and procedures as set forth in the employee handbook dated March 1, 2008.

Borough of Honesdale
Notes to Financial Statements
December 31, 2014

NOTE 7 - COMMITMENTS AND CONTINGENCIES:

From time to time, the Borough is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses that may result from these lawsuits. It is the opinion of management and supported by legal counsel, that the impact of these lawsuits will not have a material adverse effect on the financial position of the Borough.

NOTE 8 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

Governmental Accounting Standards Board (“GASB”) Statement No. 34 Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments (“Statement 34”) was issued in 1999. Statement 34 establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments as well as specific standards for basic financial statements, management’s discussion and analysis, and certain other required supplementary information. The borough has not implemented this pronouncement.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to the balance sheet date of December 31, 2014 through May 15, 2015, which is the date these financial statements were available and issued, and has determined the following to require disclosure under FASB Accounting Standards Codification Topic – Subsequent Events.