

Borough of Honesdale

Audit Report

December 31, 2015

Rainey & Rainey
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Borough Council
Borough of Honesdale, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Borough of Honesdale, Pennsylvania, as of and for the year ended December 31, 2015, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Honesdale, Pennsylvania as of December 31, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Honesdale's basic financial statements. The budgetary comparison information on page 9 is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by the missing information.

Rainey & Rainey



Scranton, PA
June 16, 2016

Borough of Honesdale
Statement of Net Position
As of December 31, 2015

	Governmental Activities
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 252,670
Investments	29,928
Taxes Receivable - Net	89,822
Other Receivables	1,847
Total Current Assets	\$ 374,267
 Fixed Assets, Net	 \$ 193,358
Total Assets	\$ 567,625
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 8,157
Accrued Wages	26,082
Debt Service-Due Within One Year	75,806
<u>Non Current Liabilities</u>	
Debt Service-Due After One Year	226,920
Total Liabilities	\$ 336,965
<u>Net Position</u>	
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ (109,368)
Debt Services	68,851
Liquied Fuels	68,941
Unrestricted Net Position	202,236
Total Net Positon	\$ 230,660

Borough of Honesdale
Statement of Activities
For The Year Ended December 31, 2015

	Expenditures	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charge For Services	Operating Grants	Capital Grants	
Governmental Activities					
Depreciation	\$ 71,454	\$ -	\$ -	\$ -	(71,454)
General Government	239,557	-	-	-	(239,557)
Public Safety	1,060,732	268,330	43,489	-	(748,913)
Public Works	743,952	12,266	197,097	-	(534,589)
Culture & Recreation	62,884	76,827	-	-	13,943
Community Development	-	-	-	-	-
Pension, Taxes and Insurance	435,680	-	86,114	-	(349,566)
Interest on Long-Term Debt	10,244	-	-	-	(10,244)
Total Governmental Activities	\$ 2,624,503	\$ 357,423	\$ 326,700	\$ -	(1,940,380)
Total Primary Government	\$ 2,624,503	\$ 357,423	\$ 326,700	\$ -	(1,940,380)
General Revenues:					
Taxes Levied for General Purposes				\$ 1,795,074	
Grants, Subsidies, Contributions Not Restricted				3,784	
License and Permits				13,320	
Fines and Forfeits				32,925	
Investment Earnings				7,776	
Miscellaneous Income				29,821	
Transfers Between Governmental & Business-Type Activities				-	
Total General Revenues				\$ 1,882,700	
Change In Net Position				\$ (57,680)	
Net Position - January 1, 2015				288,340	
Net Position - December 31, 2015				\$ 230,660	

See Independent Auditor's Report And Notes To Financial Statements

Borough of Honesdale
Balance Sheet - Governmental Funds
As of December 31, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Fund Types</u>
Assets				
Cash - Checking	\$ 144,806	\$ 39,013	\$ 68,851	\$ 252,670
Certificates of Deposit	-	29,928	-	29,928
Taxes Receivables	89,822	-	-	89,822
Other Receivables	1,847	-	-	1,847
Total Assets	<u>\$ 236,475</u>	<u>\$ 68,941</u>	<u>\$ 68,851</u>	<u>\$ 374,267</u>
Liabilities				
Accounts Payable	\$ 8,157	\$ -	\$ -	\$ 8,157
Accrued Wages	26,082	-	-	26,082
Total Liabilities	<u>\$ 34,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,239</u>
Fund Balance				
Unreserved	\$ 202,236	\$ -	\$ -	\$ 202,236
Reserved For Debt Retirement	-	-	68,851	68,851
Designated For Specific Fund Purpose	-	68,941	-	68,941
Total Fund Balance	<u>\$ 202,236</u>	<u>\$ 68,941</u>	<u>\$ 68,851</u>	<u>\$ 340,028</u>
Total Liabilities and Fund Balance	<u>\$ 236,475</u>	<u>\$ 68,941</u>	<u>\$ 68,851</u>	<u>\$ 374,267</u>

Borough of Olyphant
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2015

Total fund balance – total governmental funds	\$ 340,028
Capital assets (net) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	193,358
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(302,726)
Net position governmental activities	<u>\$ 230,660</u>

Borough of Honesdale
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Special Revenue	Debt Service	Total Governmental Fund Types
Revenues				
Taxes and assessments	\$ 1,625,362	\$ 69,538	\$ 100,174	\$ 1,795,074
Licenses and permits	13,320	-	-	13,320
Fines and forfeits	32,925	-	-	32,925
Interest	4,806	2,926	44	7,776
Intergovernmental revenues	135,049	195,435	-	330,484
Charges for services	357,423	-	-	357,423
Tax Anticipation Loan	200,000	-	-	200,000
Proceeds from Long Term Financing	-	-	249,960	249,960
Miscellaneous Income	18,604	-	11,217	29,821
Operating transfers in	-	84,693	22,386	107,079
Total revenues	\$ 2,387,489	\$ 352,592	\$ 383,781	\$ 3,123,862
Expenditures				
General government	\$ 208,891	\$ 30,666	\$ -	\$ 239,557
Public safety	1,135,692	-	-	1,135,692
Public Works	365,780	161,087	217,085	743,952
Culture - recreation	62,884	-	-	62,884
Debt Service - Principal	200,000	-	143,840	343,840
Debt Service - Interest	846	-	9,398	10,244
Pension, Insurance and Miscellaneous	215,311	220,369	-	435,680
Operating transfers out	107,079	-	-	107,079
Total Expenditures	\$ 2,296,483	\$ 412,122	\$ 370,323	\$ 3,078,928
Net Change In Fund Balance	\$ 91,006	\$ (59,530)	\$ 13,458	\$ 44,934
Fund balance - January 1, 2015	111,230	128,471	55,393	295,094
Fund balance - December 31, 2015	<u>\$ 202,236</u>	<u>\$ 68,941</u>	<u>\$ 68,851</u>	<u>\$ 340,028</u>

Borough of Honesdale
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Activities to the Statement of Net Position
As of December 31, 2015

Net change in fund balances – total governmental funds	\$	44,934
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Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period:

Depreciation expense	\$ (71,454)	
Capital Outlays	74,960	3,506

Repayment (Borrowing) of the debt principal is an expenditure (income) in the governmental funds, but the repayment reduces, (borrowing) increases long-term liabilities		(106,120)
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Change in net position of governmental activities	\$	(57,680)
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Borough of Honesdale
Statement of Revenues, Expenditures and Changes in Fund
Balance - General Fund - Budget vs Actual
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes and assessments	\$ 1,579,252	\$ 1,579,252	\$ 1,625,362	\$ 46,110
Licenses and permits	7,610	7,610	13,320	5,710
Fines and forfeits	27,000	27,000	32,925	5,925
Interest	19	19	4,806	4,787
Intergovernmental revenues	17,200	17,200	135,049	117,849
Charges for services	299,350	299,350	357,423	58,073
Tax Anticipation Loan	200,000	200,000	200,000	-
Miscellaneous Income	17,416	17,416	18,604	1,188
Operating transfers in	-	-	-	-
Total revenues	<u>\$ 2,147,847</u>	<u>\$ 2,147,847</u>	<u>\$ 2,387,489</u>	<u>\$ 239,642</u>
Expenditures				
General government	\$ 224,418	\$ 224,418	\$ 208,891	\$ 15,527
Public safety	1,069,190	1,069,190	1,135,692	(66,502)
Public Works	393,423	393,423	365,780	27,643
Culture - recreation	84,053	84,053	62,884	21,169
Debt Service - Principal	200,000	200,000	200,000	0
Debt Service - Interest	2,000	2,000	846	1,154
Pension, Insurance and Miscellaneous	187,380	187,380	215,311	(27,931)
Operating transfers out	27,332	27,332	107,079	(79,747)
Total expenditures	<u>\$ 2,187,796</u>	<u>\$ 2,187,796</u>	<u>\$ 2,296,483</u>	<u>\$ (108,687)</u>
 Change in Fund Balance	 <u>\$ (39,949)</u>	 <u>\$ (39,949)</u>	 \$ 91,006	 <u>\$ 130,955</u>
 Fund balance - January 1, 2015			 <u>111,230</u>	
 Fund balance - December 31, 2015			 <u>\$ 202,236</u>	

Borough of Honesdale
Statement of Fiduciary Net Position - Fiduciary Funds
As of December 31, 2015

	Private-Purpose Trust Fund		Pension Trust Funds		Agency Fund
	Rev. Doherty Fuel Fund	Non Uniform Pension	Uniform Pension	Fire Loss Escrow Fund	
<u>Assets</u>					
Current Assets					
Cash and Cash Equivalents	\$ 28,587	\$ -	\$ -	\$ 13,325	
Investments	488,520	338,048	2,834,361	-	
Total Assets	<u>\$ 517,107</u>	<u>\$ 338,048</u>	<u>\$ 2,834,361</u>	<u>\$ 13,325</u>	
<u>Liabilities and Net Position</u>					
Liabilities					
Other Liabilities	\$ -	\$ -	\$ -	\$ 13,325	
Total Liabilities	\$ -	\$ -	\$ -	\$ 13,325	
Net Position					
Held in accordance with trust agreement	\$ 517,107	\$ -	\$ -	\$ -	
Held in trust for pension benefits	-	338,048	2,834,361	-	
Total Net Position	<u>\$ 517,107</u>	<u>\$ 338,048</u>	<u>\$ 2,834,361</u>	<u>\$ -</u>	
Total Liabilities and Net Position	<u>\$ 517,107</u>	<u>\$ 338,048</u>	<u>\$ 2,834,361</u>	<u>\$ 13,325</u>	

Borough of Honesdale
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2015

	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	(84,960)	(4,943)	36,960
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	-	-	-
Total Deductions	\$ 9,975	\$ 3,278	\$ 283,435
Change in Net Position	\$ (85,367)	\$ 42,046	\$ 46,181
Net Position - January 1, 2015	\$ 559,003	\$ 277,118	\$ 2,857,837
Net Position - December 31, 2015	\$ 473,636	\$ 319,164	\$ 2,904,018

Borough of Honesdale
Notes to Financial Statements
December 31, 2015

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 sewer user fees.

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

Borough of Honesdale
Notes to Financial Statements
December 31, 2015

is accounted for as a private-purpose trust fund.

- 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.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are prepared using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for the Borough. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which the Borough is self-financing.

Fund Financial Statements

All governmental funds are accounted for using the modified-accrual method of accounting. Under this method of accounting, revenues are recognized in the period that they are available and expenditures are recognized in the accounting period in which the fund liability is incurred.

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

Borough of Honesdale
Notes to Financial Statements
December 31, 2015

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.

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, 2015, 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

On the Borough's financial statements, the fund balance of the general fund is classified as unassigned which includes amounts available for any purpose. The fund balance of the special revenue is restricted for a specific purpose. The fund balance of the debt service fund is assigned.

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, 2015 was 5.85 mills on an assessed valuation of \$271,294,872. During the year, the Borough collected \$1,500,222 after various adjustments for discounts, penalties and credits on a total tax levied in the amount of \$1,587,075. The Borough's rate of collection approximated 94% of total taxes due during the year.

**Borough of Honesdale
Notes to Financial Statements
December 31, 2015**

The 2015 tax duplicates were issued April 1, 2015 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	4.58 Mills
Recreation/Fire Tax	0.62 Mills
Borough Special Tax	0.25 Mills
Borough Debt	<u>0.40 Mills</u>
	<u>5.85 Mills</u>

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made

Interfund transfers are summarized as follows:

	Interfund Transfers – In	Interfund Transfers - Out
General Fund	\$ -0-	\$ 107,079
Special Revenue	84,693	-0-
Debt Service Fund	<u>22,386</u>	<u>-0-</u>
	<u>\$ 107,079</u>	<u>\$ 107,079</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 – 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,

Borough of Honesdale
Notes to Financial Statements
December 31, 2015

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, 2015, \$0 of the Borough's bank balance of \$278,987 was exposed to custodial credit risk. Of that amount, \$0 was uninsured but was 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 5 – LONG TERM DEBT:

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2015.

<u>Type of Debt</u>	<u>Rate of Interest</u>	<u>Monthly Payment</u>	<u>Balance 1/01/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>							
2015 Tax Anticip Note			-	200,000	200,000	-	-
General Obligation Note	2.15%	\$ 1,526	30,396	-	15,198	15,198	15,198
General Obligation Note	1.49%	\$ 8,593	119,250	-	119,250	-	-
General Obligation Note	1.13%	\$ 943	46,960	-	9,392	37,568	9,392
General Obligation Note	1.79%	\$ 2,554	-	170,000	-	170,000	28,333
General Obligation Note	1.79%	\$ 1,007	-	45,252	-	45,252	11,314
General Obligation Note	1.83%	\$ 1,018	-	34,708	-	34,708	11,569
Total Governmental			<u>\$ 196,606</u>	<u>\$ 449,960</u>	<u>\$ 343,840</u>	<u>\$ 302,726</u>	<u>\$ 75,806</u>

Annual Debt Service Requirements

Annual requirements to amortize principal and interest on debt outstanding as of December 31, 2015, are:

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	75,806	4,555
2017	60,608	3,923
2018	60,608	2,786
2019	49,038	1,800
2020	28,333	1,028
2021	28,333	514
	<u>\$ 302,726</u>	<u>\$ 14,606</u>

NOTE 6 - PENSION PLAN:

Police Pension

The Borough received 85,827 as its annual allocation from the Commonwealth of Pennsylvania and remitted \$134,155 to the pension plans. Pension plan expense for 2015 was as follows:

**Borough of Honesdale
Notes to Financial Statements
December 31, 2015**

Benefits	longevity pay during the last 36-months prior to disablement. First day of calendar month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Benefit Commencement.....	thereafter.
6. <u>Vesting</u>	
Schedule.....	100 percent after the completion of 12 years of Service.
Amount of Benefit.....	Accrued Benefit at date of termination payable at Normal Retirement.
After Retirement Eligibility..	A monthly benefit equal to 50 percent of the pension the participant was receiving or entitled to receive on the day of the participant's death is payable to the participant's spouse.
7. <u>Cost-of-Living Adjustment</u>	
Effective each January 1, a retiree will receive an increase in the monthly benefit equal to the percentage change in the CPI during the last year times the pension benefit. The total of all increases may not exceed 30 percent of the retiree's original benefit.	
8. <u>Employee Contributions</u>	
Mandatory.....	Participants will contribute 5.0 percent of salary.
Refund.....	Accumulated contributions and 2.5 percent compound interest credited from the mid-point of the year or part of a year when made through the first day of the month in which distribution occurs.

Non-Uniformed Plan

The Borough has a 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 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 2015 is calculated to be \$25,000.

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 7 – COLLECTIVE BARGAINING AGREEMENT:

The following collective bargaining agreements were in effect during the year ended December 31, 2013:

	<u>Contract</u>	<u>Contract</u>
	<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.

NOTE 8 - 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.

Borough of Honesdale
Notes to Financial Statements
December 31, 2015

NOTE 9 – 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 fully implemented this pronouncement.

Governmental Accounting Standards Board (“GASB”) Statement No. 68 Accounting and Financial Reporting for Pensions – for State and Local Governments (“Statement 68”) was issue. Statement 68 changes the accounting for pensions by recording the Borough’s portion of the net pension liability and deferred inflows and outflows related to pensions. The Borough has not implemented this pronouncement.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to the balance sheet date of December 31, 2015 through May 28, 2016, which is the date these financial statements where available and issued, and has determined the following to require disclosure under FASB Accounting Standards Codification Topic – Subsequent Events.