

BOROUGH OF HONESDALE
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT

For The Year Ended December 31, 1993

BOROUGH OF HONESDALE
Financial Statements
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INDEPENDENT AUDITOR'S REPORT

Borough of Honesdale
Councilmen
Honesdale, Pennsylvania 18431

We have audited the accompanying financial statements of the Borough of Honesdale as of and for the year ended December 31, 1993 as listed in the foregoing table of contents. The financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note #1, the Borough's policy is to prepare its financial statements on the basis of cash receipts and cash disbursements; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when an obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the assets and liabilities arising from cash transactions of the Borough of Honesdale, Pennsylvania at December 31, 1993 and its cash receipts and disbursements for the year then ended, on a basis of accounting described in Note #1, which basis has been applied in a manner consistent with that of the preceding year.



Winkelblech and Foster
Certified Public Accountants

March 18, 1994

BOROUGH OF HONESDALE
 Combined Statement of Assets & Liabilities Arising
 From Cash Transactions - All Fund Types
 December 31, 1993

	----- Governmental Fund Types -----				-- Fiduciary --		General	Totals
	Special Revenue	Capital Project	Debt Service	Proprietary Fund	Trust & Agency Funds	Fixed Assets	Long-Term Debt	(Memorandum Only)
<u>ASSETS</u>								
Cash	\$ 22 031	\$ 1 436	\$ 26 869	\$ 326 345	\$ 138 759	\$	\$	\$ 620 288
Investments				60 000	895 337			895 337
Due From Other Funds	3 269							63 269
Amount Prov'd/Retirement LT Debt							1 974 552	1 974 552
Land & Site Improvements						66 700		66 700
Bldgs. & Bldgs. Improvements						1 472 311		1 472 311
Machinery & Equipment						284 751		284 751
<u>TOTAL ASSETS</u>	<u>\$ 25 300</u>	<u>\$ 1 436</u>	<u>\$ 26 869</u>	<u>\$ 386 345</u>	<u>\$ 1 034 096</u>	<u>\$ 1 823 762</u>	<u>\$ 1 974 552</u>	<u>\$ 5 377 208</u>
								=====
<u>LIABILITIES & FUND BALANCE</u>								
<u>LIABILITIES:</u>								
Due To Other Funds	\$ 60 000		\$ 3 140		\$ 129			\$ 63 269
G. O. Notes & Pennvest Loan							1 974 552	1 974 552
Payroll Taxes Payable	269				206			475
<u>TOTAL LIABILITIES</u>	<u>\$ 60 000</u>	<u>\$ -0-</u>	<u>\$ 3 140</u>	<u>\$ -0-</u>	<u>\$ 335</u>	<u>\$ -0-</u>	<u>\$ 1 974 552</u>	<u>\$ 2 038 296</u>
								=====
<u>FUND BALANCE:</u>								
Invested In Gen. Fixed Assets						\$ 1 823 762		\$ 1 823 762
Reserved for Special Revenues	104 579							104 579
Reserved for Capital Projects		1 436						1 436
Reserved for Debt Service			23 729					23 729
Unreserved Retained Earnings				386 345				386 345
Reserved for Police Pension Fnd					1 032 832			1 032 832
Reserved for Rev. Doh. Fuel Fund					929			929
Unreserved	(34 700)							(34 700)
<u>TOTAL FUND BALANCE</u>	<u>\$ (34 700)</u>	<u>\$ 1 436</u>	<u>\$ 23 729</u>	<u>\$ 386 345</u>	<u>\$ 1 033 761</u>	<u>\$ 1 823 762</u>	<u>\$ -0-</u>	<u>\$ 3 338 912</u>
								=====
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 25 300</u>	<u>\$ 1 436</u>	<u>\$ 26 869</u>	<u>\$ 386 345</u>	<u>\$ 1 034 096</u>	<u>\$ 1 823 762</u>	<u>\$ 1 974 552</u>	<u>\$ 5 377 208</u>
								=====

The accompanying notes are an integral part of these financial statements.

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts and Disbursements
 - All Governmental Funds and Fiduciary Fund Types
 For The Fiscal Year Ended December 31, 1993

----- Governmental Fund Types ----- -- Fiduciary - -- Totals -
 Special Capital Debt Proprietary Trust & Agency (Memorandum
 Revenue Project Service Funds Funds Only)

RECEIPTS

General	Special	Capital	Debt	Service	Funds	Funds		
\$ 642 105	\$	\$	\$ 49 445	\$			\$	\$ 691 550
Taxes								800
Licenses & Permits	800							87 718
Fines and Forfeits	87 718							83 192
Interest and Rent	4 108	955	579	10 500	65 080			187 003
Intergovernmental	26 558			25 743	24 259			584 954
Charges for Services	81 688			503 266				69 775
Miscellaneous	12 448				2 979			
TOTAL RECEIPTS	\$ 855 425	\$ 166 761	\$ 50 024	\$ 539 509	\$ 92 318			\$ 1 704 992

DISBURSEMENTS

General	Special	Capital	Debt	Service	Funds	Funds		
\$ 139 798	\$	\$	\$	\$			\$	\$ 139 798
Public Safety	416 032							416 032
Public Works - Sanitation	17 448	124 709		293 914				436 071
- Highways, Roads and Streets	278 243							320 293
- Other Public Works/Enterprises	25 159							101 818
Culture - Recreation	69 474							69 474
Debt Service	2 064		125 080	144 969				272 113
Miscellaneous	6 603						3 284	9 887
TOTAL EXPENDITURES	\$ 954 821	\$ 118 709	\$ 124 709	\$ 125 080	\$ 438 883		\$ 3 284	\$ 1 765 486

EXCESS OF RECEIPTS OVER

(UNDER) DISBURSEMENTS	\$ (99 396)	\$ 48 052	\$(123 754)	\$ (75 056)	\$ 100 626	\$ 89 034		\$ (60 494)
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BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts and Disbursements
 - All Governmental Funds and Fiduciary Fund Types (continued)
 For The Fiscal Year Ended December 31, 1993

	----- Governmental Fund Types -----				-- Fiduciary --	-- Totals --
	Special	Capital	Debt	Proprietary Trust & Agency	Funds	(Memorandum
	Revenue	Project	Service	Funds	Only)	OnLy)
-----	General	Special	Capital	Debt	Proprietary Trust & Agency	(Memorandum
Proceeds - Gen. Obligation Note	\$	\$	\$	\$	\$	\$
Proceeds - Disp. of Fixed Assets	1 312					1 312
Operating Transfers In	108 508	121 000				229 508
Operating Transfers Out			(108 508)	(121 000)		(229 508)
Police Pension Benefits Paid					(38 969)	(38 969)
Refund Prior Yrs. Expenditures	5 651					5 651
<u>TOTAL OTHER FINANCING SRCS (USES)</u>	<u>\$ 115 471</u>	<u>\$ 121 000</u>	<u>\$ 91 492</u>	<u>\$ (121 000)</u>	<u>\$ (38 969)</u>	<u>\$ 167 994</u>
<u>EXCESS OF RCPTS & OTHER SRCS OVER</u>						
<u>(UNDER) EXPENDITURES & OTHER USES</u>	<u>\$ 16 075</u>	<u>\$ (2 754)</u>	<u>\$ 16 436</u>	<u>\$ (20 374)</u>	<u>\$ 50 065</u>	<u>\$ 107 500</u>

FUND BALANCES

BEGINNING	\$ (50 775)	\$ 4 190	\$ 7 293	\$ 406 719	\$ 983 696	\$ 1 407 650
ENDING	\$ (34 700)	\$ 1 436	\$ 23 729	\$ 386 345	\$ 1 033 761	\$ 1 515 150

The accompanying notes are an integral part of these financial statements

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental & Fiduciary Fund Types
 For The Fiscal Year Ended December 31, 1993

	General Fund			Special Revenue			Debt Service Fund			Proprietary Fund			Totals (Memorandum Only)		
	Budget	Actual (Unfrb)	Variance (Unfrb)	Budget	Actual (Unfrb)	Variance (Unfrb)	Budget	Actual	Variance (Unfrb)	Budget	Actual	Variance (Unfrb)	Budget	Actual	Variance (Unfrb)
RECEIPTS															
Taxes	\$ 656,444	\$ 642,105	\$ (14,339)	\$ -	\$ -	\$ (5,361)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	250	800	550												
Fines and Forfeits	84,300	87,718	3,418												
Interest & Rent	2,200	4,108	1,908	200	1,970	1,770	579	579							
Intergovernmental	51,750	26,558	(25,192)	65,860	110,443	44,583									
Charge for Services	66,600	81,668	15,068												
Miscellaneous	7,700	12,448	4,748	-0-	54,348	54,348									
TOTAL RECEIPTS	\$ 889,244	\$ 855,425	\$ (33,819)	\$ 66,060	\$ 166,761	\$ 100,701	\$ 54,806	\$ 50,024	\$ (4,782)	\$ 496,950	\$ 539,509	\$ 42,559	\$ 1,487,060	\$ 1,611,719	\$ 124,659
EXPENDITURES															
Gen'l Govt - Admin.	\$ 151,526	\$ 139,798	\$ 11,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	388,000	416,032	(28,032)												
Public Works-Sanitation	3,500	17,448	(13,948)												
-Highway, Roads, Streets	252,114	278,263	(26,129)	56,000	42,050	13,950									
-Other Public Works	41,580	25,159	16,421	-0-	78,659	(78,659)									
Culture - Recreation	73,000	69,474	3,526												
Debt Service	1,045	2,064	(1,019)				37,685	125,080	(87,395)						
Miscellaneous	-0-	6,603	(6,603)												
TOTAL EXPENDITURES	\$ 910,765	\$ 954,821	\$ (44,056)	\$ 56,000	\$ 118,709	\$ (62,702)	\$ 37,685	\$ 125,080	\$ (87,395)	\$ 516,675	\$ 438,883	\$ 77,792	\$ 1,521,125	\$ 1,637,493	\$ (116,368)
EXCESS OF RECEIPTS OVER (UNDER) EXPENDITURES	\$ (41,521)	\$ (99,396)	\$ (57,875)	\$ 10,060	\$ 48,052	\$ 37,992	\$ 17,121	\$ (75,056)	\$ (92,177)	\$ (19,725)	\$ 100,626	\$ 120,351	\$ (34,065)	\$ (25,774)	\$ 8,291
OTHER															
FINANCING SOURCES (USES)															
Proceeds-Gen. Oblig. Note	-0-	-0-	-0-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds-Dsp. Fixed Asset	-0-	1,312	1,312												
Rfde-Pr. Years Expd.	-0-	5,651	5,651												
Oper Transfers In	-0-	108,508	108,508												
Oper Transfers (Out)	-0-	-0-	-0-												
Police Pens. Benefits Pd	-0-	-0-	-0-												
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 115,471	\$ 115,471	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 91,492	\$ 91,492	\$ (125,000)	\$ (121,000)	\$ 4,000	\$ (125,000)	\$ (121,000)	\$ 4,000
RECEIPTS & OTHER SRC'S OVER (UNDER) DISB. AND OTHER (USES)	\$ (41,521)	\$ 16,075	\$ 57,596	\$ 10,060	\$ 48,052	\$ 37,992	\$ 17,121	\$ 16,436	\$ (685)	\$ (144,725)	\$ (20,374)	\$ 124,351	\$ (159,065)	\$ 60,189	\$ 219,254
FUND BALANCES															
BEGINNING	\$ 20,400	\$ (50,773)	\$ (71,173)	\$ 10,000	\$ 56,527	\$ 46,527	\$ 6,000	\$ 7,293	\$ 1,293	\$ 307,000	\$ 406,719	\$ 99,719	\$ 343,400	\$ 419,764	\$ 76,364
ENDING	\$ (21,121)	\$ (34,700)	\$ (13,579)	\$ 20,060	\$ 104,579	\$ 84,519	\$ 23,121	\$ 23,729	\$ 608	\$ 162,275	\$ 386,345	\$ 224,070	\$ 184,335	\$ 479,953	\$ 295,618

The accompanying notes are an integral part of these financial statements.

BOROUGH OF HONSDALE
Notes to Financial Statements
For The Year Ended December 31, 1993

Note 1 - Summary of Significant Accounting Policies

a. Basis of Presentation

The accounts of the borough are organized on the basis of funds and account groups. 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 as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are spent and the means by which spending activities are controlled. The following fund types are maintained by the borough:

Governmental Funds

General Fund - The general fund is the general operating fund of the borough. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. The special revenue funds maintained by the borough are as follows:

Liquid Fuels Fund - The liquid fuels fund accounts for state revenues used primarily for building, improving and maintaining borough roads and bridges.

Downtown Honesdale - This special revenue fund is to account for the transactions associated with the Downtown Honesdale Revitalization Program.

Capital Project Funds - Capital project funds are used to account for funds used specifically for construction or renovation of borough facilities. The capital project fund included in this report is being used to account for transactions for the sewer plant expansion project.

Debt Service Fund - The debt service fund is used to account for tax and other revenues specifically appropriated for debt service and also to pay certain debt service requirements.

Proprietary Fund Types - These are funds that account for the operations of the borough that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is:

Enterprise Fund - This fund is used to account for the operations of the sewerage treatment operation.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1993

Fiduciary Fund

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the borough in a trustee capacity or as an agency for individual, private organizations, other governments, and/or other funds. Trust and agency funds maintained by the borough are as follows:

Police Pension Fund - The police pension fund is a pension trust fund which accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by the borough at amounts determined by an annual actuarial study.

Payroll Fund - The payroll fund is a non-expendable trust fund used to disburse employee payroll.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All funds are accounted for using the cash basis of accounting, whereby revenues are recognized when received and expenditures are recognized when cash is disbursed. The financial statements do not give effect to accounts receivable, accounts payable, and accrued items which would be recognized under the modified accrual basis of accounting.

c. Encumbrances

No provisions are made for the recording of encumbrances.

d. Compensated Absences

Employees of the Borough are entitled to paid vacation and sick days depending on their length of service. It is not the Borough's policy to allow unused vacation days to be carried over from one year to the next and policy does not provide for the payment for unused sick days at termination of employment. Consequently, there is no liability included on the balance sheet for compensated absences.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1993

Note 2 - Reporting Entity

Statement No. 14 of the Government Accounting Standards Board, entitled "The Financial Reporting Entity" establishes the criteria and standards for defining and reporting on the financial reporting entity. The requirements of this statement apply to financial reporting by primary governments and also to the separately issued financial statements of governmental component units.

Based on the criteria of Statement No. 14, we have determined that the Borough of Honesdale is a stand alone primary governmental entity with no component units.

Note 3 - Cash in Bank

Cash in bank includes the amounts on deposit at the following institutions as of December 31, 1993. All institutions listed are insured or collateralized either by FDIC insurance or in accordance with provisions of Pennsylvania P.L. 281, No. 72 PS-3836-1.

<u>Fund and Bank Title / Account</u>	<u>Amount</u>
<u>General Fund</u>	
Honesdale National Bank - Checking - General	\$ 11 486
Honesdale National Bank - Money Market - Recycling	4 942
Honesdale National Bank - Savings - General	944
Honesdale National Bank - Checking - Park & Shop	4 330
Farmers & Merchants Bank - Checking - Park & Rec.	203
Farmers & Merchants Bank - Checking - OPT	<u>126</u>
Total General Fund	\$ 22 031
<u>Special Revenue Fund</u>	
The Dime Bank - Checking - Liquid Fuels	\$ 1 286
The Dime Bank - Savings - Liquid Fuels	47 792
Wayne Bank - Checking - Downtown Honesdale	380
Wayne Bank - Grant Fund	15 868
Wayne Bank - Revitalization	<u>39 522</u>
Total Special Revenue Fund	\$ 104 848
<u>Capital Project Fund</u>	
Honesdale National Bank - Checking	\$ 619
Honesdale National Bank - Money Market	<u>817</u>
Total Capital Project Fund	\$ 1 436
<u>Debt Service Fund</u>	
Honesdale National Bank - Money Market	\$ 26 869

BOROUGH OF HONSDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1993

Note 3 - Cash in Bank (continued)

<u>Fund and Bank Title / Account</u>	<u>Amount</u>
 <u>Proprietary Fund</u>	
Honesdale National Bank - Checking - Sewerage Treat.	\$ 27 860
Honesdale National Bank - Savings - Sewerage Treat.	23 485
Honesdale National Bank - Certificate of Deposit	30 000
Honesdale National Bank - Certificate of Deposit	50 000
Honesdale National Bank - Certificate of Deposit	60 000
Wayne Bank - Certificate of Deposit	75 000
Farmers & Merchants - Certificate of Deposit	35 000
Dime Bank - Certificate of Deposit	<u>25 000</u>
Total Proprietary Fund	\$ 326 345
 <u>Fiduciary Fund - Trust & Agency</u>	
Honesdale National Bank - Checking - Payroll	\$ 335
Honesdale National Bank - Money Market - Police Pension	22 495
Honesdale National Bank - CD's - Police Pension	115 000
Farmers & Merchants Bank - Savings - Doherty Fund	<u>929</u>
Total Fiduciary Fund	\$ 138 759
 Total Cash in Bank - All Fund Types	 \$ 620 288

Note 4 - Investments

All investments are stated at cost.

Fiduciary Fund - Trust & Agency

Police Pension Fund:	
Common Stocks	\$ 321 326
Federated Money Market Trust	15 000
Bonds	459 011
Federalized GNMA Trust Fund	<u>100 000</u>
Total Investments	\$ 895 337

Note 5 - Police Pension Fund

The Borough enacted a defined pension plan on September 1, 1960 for all full-time police officers. All years of service in the Borough are credited for eligibility, vesting and pension accruals. All wages, including bonuses and overtime pay are used to determine pensions or allocations.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1993

Note 5 - Police Pension Fund (continued)

Normal retirement is defined as:

Eligibility - the first of the month, coincident with or next, following the attainment of age 50 and the completion of 20 years of service.

Pension - Fifty percent (50%) of the final three year average compensation less and other pensions provided by the Borough.

Payment - Commences immediately upon eligibility and continues in monthly installments for the life of the pensioner and at fifty percent (50%) for the life of the spouse...

The plan also provides for deferred disability and vesting retirement and death benefits. There is no provision for early retirement.

Pension payments are increased annually based on a cost-of-living adjustment. Such increases are in accordance with the increases in the consumer price index, but shall not exceed five percent (5%) per year. The total of all increases shall not exceed thirty percent (30%) and the resulting pension shall not be greater than seventy-five percent (75%) of the average compensation used for pension purposes.

Based on the actuarial valuation for the fiscal year beginning January 1, 1993, performed by Roth & Roth, Incorporated, the total present value of benefits is \$1,354,510. The market value of the plan assets is \$1,109,928 leaving an unfunded value of future benefits of \$244,582.

Note 6 - Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Furthermore, interfund eliminations have not been made in the aggregation of this data.

Note 7 - Taxes

For 1993, real estate taxes were levied at 30 mills for general purposes, 6 mills for parks and recreation, and 3 mills for street lighting, 2 mills for fire protection and 4 mills for debt service. Other taxes included, Per Capita at \$5, Real Estate Transfer at 1/2 of 1% of selling price, and Occupational Privilege at \$10.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1993

Note 8 - Debt

a. On February 2, 1993, the Borough executed a general obligation note in the amount of \$200,000 for the purpose of paying off the principal of a G. O. Note dated 12-27-89 and meeting current expenses. The note expires in December, 1998, bears an interest rate of 4.125% and requires monthly payments of \$3,141. Principal outstanding at December 31, 1993 was \$175,061.

b. During the fiscal years ended December 31, 1991 and 1992, the Borough received a total of \$1,996,917 from the Commonwealth of Pennsylvania representing proceeds from a PENNVEST loan. This loan is with the Pennsylvania Infrastructure Investment Authority and the proceeds were used as financing for expansion of the sewage treatment plant.

The loan requires monthly payments of \$13,179 and the loan bears interest at an annual rate of 2.085% for the first five years and 4.171% for the remaining nine years and eight months.

During the year ended December 31, 1993, the Borough made interest payments of \$35,537 and principal payments of \$109,432. The principal outstanding as of December 31, 1993 is \$1,799,491.

BOROUGH OF HONESDALE
Independent Auditor's Report on Compliance with Laws and Regulations
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
For The Year Ended December 31, 1993

Borough of Honesdale
Councilmen
Honesdale, Pennsylvania 18431

We have audited the financial statements of the Borough of Honesdale, as of and for the year ended December 31, 1993, and have issued our report thereon dated March 18, 1994.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Borough of Honesdale is the responsibility of the Borough of Honesdale's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Borough's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Borough of Honesdale complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Borough had not complied, in all material respects, with those provisions.

This report is intended for the information of management, and the Borough Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Winkelblech and Foster
Certified Public Accountants

March 18, 1994

BOROUGH OF HONESDALE
Independent Auditor's Report on Internal Control Structure Related Matters
Noted in a Financial Statement Audit Conducted in Accordance
with Government Auditing Standards
For The Year Ended December 31, 1993

Borough of Honesdale
Councilmen
Honesdale, Pennsylvania 18431

We have audited the financial statements of the Borough of Honesdale, as of and for the year ended December 31, 1993, and have issued our report thereon dated March 18, 1994.

We conducted our audit in accordance with generally accepted auditing standards, and 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 of material misstatement.

In planning and performing our audit of the financial statements of the Borough of Honesdale, for the year ended December 31, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Borough of Honesdale is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitation in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies in the following categories:

Cycles of the Entity's Activity

Treasury/Financing
Revenue/Receipts
Expenditures/Disbursements
External Financial Reporting

BOROUGH OF HONESDALE
Independent Auditor's Report on Internal Control Structure Related Matters
Noted in a Financial Statement Audit Conducted in Accordance
with Government Auditing Standards (continued)
For The Year Ended December 31, 1993

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, and the Borough Council. This restriction is not intended to limit the distribution of this report which, is a matter of public record.



Winkelblech and Foster
Certified Public Accountants

March 18, 1994