

BOROUGH OF HONESDALE
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT

For The Year Ended December 31, 1994

BOROUGH OF HONESDALE
Financial Statements
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INDEPENDENT AUDITOR'S REPORT


Borough of Honesdale
Council
Honesdale, Pennsylvania 18431

I have audited the accompanying financial statements of the Borough of Honesdale as of and for the year ended December 31, 1994 as listed in the foregoing table of contents. The financial statements are the responsibility of the Borough's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my 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 my 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, 1994 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.



Brian Foster
Certified Public Accountant

February 7, 1995

BOROUGH OF HOMESDALE
 Combined Statement of Assets & Liabilities Arising
 From Cash Transactions - All Fund Types
December 31, 1994

| | ----- Governmental Fund Types ----- | | | -- Fiduciary -- | | General | |
|---|-------------------------------------|------------------------|---------------------|-------------------------|---------------------------------|---------------------|-----------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Proprietary Fund</u> | <u>Trust & Agency Funds</u> | <u>Fixed Assets</u> | <u>Long-Term Debt</u> |
| ASSETS | | | | | | | |
| Cash | \$ 53 743 | \$ 109 873 | \$ 18 163 | \$ 262 550 | \$ 50 091 | \$ -0- | \$ -0- |
| Investments | | | | 45 000 | 1 029 669 | | |
| Due From Other Funds | 105 | | | | | | |
| Amount Provid/Ret. Long Trm Dbt | | | | | 31 | | 1 846 724 |
| Other Receivables | | | | | | | |
| Land & Site Improvements | | | | | | 390 700 | |
| Bldgs. & Bldgs. Improvements | | | | | | 1 607 800 | |
| Machinery & Equipment | | | | | | <u>149 420</u> | |
| TOTAL ASSETS | <u>\$ 53 848</u> | <u>\$ 109 873</u> | <u>\$ 18 163</u> | <u>\$ 307 550</u> | <u>\$ 1 079 791</u> | <u>\$ 2 147 920</u> | <u>\$ 1 846 724</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES & FUND BALANCE | | | | | | | |
| LIABILITIES: | | | | | | | |
| Due To Other Funds | \$ 45 000 | | | | \$ 105 | | \$ |
| G. O. Note, Pennvest & Equip Ln. | | | | | | | \$ 1 846 724 |
| Payroll Taxes Payable | | <u>548</u> | | | <u>166</u> | | |
| TOTAL LIABILITIES | <u>\$ 45 000</u> | <u>\$ 548</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 271</u> | <u>\$ -0-</u> | <u>\$ 1 846 724</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| FUND BALANCE: | | | | | | | |
| Invested In Gen. Fixed Assets | \$ | | | | | \$ 2 147 920 | |
| Reserved for Special Revenues | \$ 109 325 | | | | | | |
| Reserved for Debt Service | | | 18 163 | | | | |
| Unreserved Retained Earnings | | | | 307 550 | | | |
| Rsvd. for Police & Employee Pen. | | | | | 1 078 422 | | |
| Reserved for Rev. Doh. Fuel Fund | | | | | 1 098 | | |
| Unreserved | <u>8 848</u> | | | | | | |
| TOTAL FUND BALANCE | <u>\$ 8 848</u> | <u>\$ 109 325</u> | <u>\$ 18 163</u> | <u>\$ 307 550</u> | <u>\$ 1 079 520</u> | <u>\$ 2 147 920</u> | <u>\$ -0-</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| TOTAL LIABILITIES & FUND BALANCE | <u>\$ 53 848</u> | <u>\$ 109 873</u> | <u>\$ 18 163</u> | <u>\$ 307 550</u> | <u>\$ 1 079 791</u> | <u>\$ 2 147 920</u> | <u>\$ 1 846 724</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, 1994

----- Governmental Fund Types ----- -- Fiduciary -
 Special Capital Debt Proprietary Trust & Agency
Revenue Project Service Funds Funds

RECEIPTS

| | | | | | | |
|-----------------------|-------------------|-------------------|--------------|------------------|-------------------|------------------|
| Taxes | \$ 657 592 | \$ -0- | \$ -0- | \$ 51 449 | \$ -0- | \$ 6 289 |
| Licenses & Permits | 580 | -0- | -0- | -0- | -0- | -0- |
| Fines and Forfeits | 78 842 | -0- | -0- | -0- | -0- | -0- |
| Interest and Rent | 4 580 | 2 595 | 21 | 670 | 9 855 | 51 729 |
| Intergovernmental | 12 706 | 100 962 | -0- | -0- | -0- | 25 591 |
| Charges for Services | 76 192 | -0- | -0- | -0- | 478 281 | 10 726 |
| Miscellaneous | <u>4 812</u> | <u>71 199</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL RECEIPTS | \$ 835 304 | \$ 174 756 | \$ 21 | \$ 52 119 | \$ 488 136 | \$ 94 335 |

DISBURSEMENTS

| | | | | | | |
|----------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-----------------|
| General Government | \$ 134 079 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Public Safety | 390 623 | -0- | -0- | -0- | -0- | -0- |
| Public Works - Sanitation | 20 686 | -0- | 24 899 | -0- | 300 341 | -0- |
| - Highways, Roads and Streets | 247 486 | 87 160 | -0- | -0- | -0- | -0- |
| - Other Public Works/Enterprises | 24 458 | -0- | -0- | -0- | -0- | -0- |
| Culture - Recreation | 70 956 | -0- | -0- | -0- | -0- | -0- |
| Debt Service | 1 998 | -0- | -0- | 37 685 | 158 148 | -0- |
| Miscellaneous | <u>15 129</u> | <u>82 850</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>7 602</u> |
| TOTAL EXPENDITURES | \$ 905 415 | \$ 170 010 | \$ 24 899 | \$ 37 685 | \$ 458 489 | \$ 7 602 |

EXCESS OF RECEIPTS OVER
(UNDER) DISBURSEMENTS

\$ (70 111) \$ 4 746 \$(24 878) \$ 14 434 \$ 29 647 \$ 86 733

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, 1994

| | ----- Governmental Fund Types ----- | | | | -- Fiduciary -- |
|--|-------------------------------------|------------------|--------------------|---------------------|---------------------------------------|
| | <u>General</u> | <u>Special</u> | <u>Capital</u> | <u>Debt</u> | <u>Proprietary Trust & Agency</u> |
| | <u>Revenue</u> | <u>Project</u> | <u>Service</u> | <u>Funds</u> | <u>Funds</u> |
| Proceeds - Disp. of Fixed Assets | \$ 8 659 | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Operating Transfers In | 105 000 | 25 078 | -0- | 1 636 | -0- |
| Operating Transfers Out | -0- | (1 636) | (20 000) | (110 078) | -0- |
| Police Pension Benefits Paid | -0- | -0- | -0- | -0- | (40 974) |
| <u>TOTAL OTHER FINANCING SRCS (USES)</u> | <u>\$ 113 659</u> | <u>\$ 23 442</u> | <u>\$ (20 000)</u> | <u>\$ (108 442)</u> | <u>\$ (40 974)</u> |

EXCESS OF RCPTS & OTHER SRCS OVER
(UNDER) EXPENDITURES & OTHER USES \$ 43 548 \$ 4 746 \$ (1 436) \$ (5 566) \$ (78 795) \$ 45 759

| <u>FUND BALANCES</u> | | | | | | |
|----------------------|-------------|------------|----------|-----------|------------|---------------------|
| BEGINNING | \$ (34 700) | \$ 104 579 | \$ 1 436 | \$ 23 729 | \$ 386 345 | <u>\$ 1 033 761</u> |
| ENDING | \$ 8 848 | \$ 109 325 | \$ -0- | \$ 18 163 | \$ 307 550 | <u>\$ 1 079 520</u> |

The accompanying notes are an integral part of these financial statements

BOROUGH OF HONEDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental & Fiduciary Fund Types
 For The Year Ended December 31, 1994

| | -----General Fund----- | | | -----Special Revenue Fund----- | | |
|--|------------------------|--------------------|---|--------------------------------|-------------------|---|
| | Budget | Actual | Variances Favorable (Unfavorable) | Budget | Actual | Variances Favorable (Unfavorable) |
| RECEIPTS | | | | | | |
| Taxes | \$ 663 579 | \$ 657 592 | \$ (5 987) | \$ | \$ | \$ |
| Licenses & Permits | 200 | 580 | 380 | | | |
| Fines and Forfeits | 92 375 | 78 842 | (13 533) | | | |
| Interest & Rent | 2 260 | 4 580 | 2 320 | 200 | 2 595 | 2 395 |
| Intergovernmental | 51 990 | 12 706 | (39 284) | 65 965 | 100 962 | 34 997 |
| Charge for Services | 84 475 | 76 192 | (8 283) | | | |
| Miscellaneous | <u>100</u> | <u>4 812</u> | <u>4 712</u> | <u>-0-</u> | <u>71 199</u> | <u>71 199</u> |
| TOTAL RECEIPTS | \$ 894 979 | \$ 835 304 | \$ (59 675) | \$ 66 165 | \$ 174 756 | \$ 108 591 |
| EXPENDITURES | | | | | | |
| Genrl Govmnt - Admin. | \$ 153 471 | \$ 134 079 | \$ 19 392 | \$ | \$ | \$ |
| Public Safety | 436 230 | 390 623 | 45 607 | | | |
| Public Works-Sanitation | 4 000 | 20 686 | (16 686) | | | |
| - Highway, Roads, Streets | 184 580 | 247 486 | (62 906) | 65 000 | 87 160 | (22 160) |
| - Other Public Works | 38 070 | 24 458 | 13 612 | | | |
| Culture - Recreation | 76 000 | 70 956 | 5 044 | | | |
| Debt Service | 2 500 | 1 998 | 502 | | | |
| Miscellaneous | <u>5 213</u> | <u>15 129</u> | <u>(9 916)</u> | <u>-0-</u> | <u>82 850</u> | <u>(82 850)</u> |
| TOTAL EXPENDITURES | \$ 900 064 | \$ 905 415 | \$ (5 351) | \$ 65 000 | \$ 170 010 | \$(105 010) |
| EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS | \$ (5 085) | \$ (70 111) | \$ (65 026) | \$ 1 165 | \$ 4 746 | \$ 3 581 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds - Dsp. Fxd. Asset | \$ -0- | \$ 8 659 | \$ 8 659 | \$ | \$ | \$ |
| Oper Transfers In | -0- | 105 000 | 105 000 | | | |
| Oper Transfers Out | | | | | | |
| Police Pens. Benefits Pd. | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ -0- | \$ 113 659 | \$ 113 659 | \$ -0- | \$ -0- | \$ -0- |
| RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES) | \$ (5 085) | \$ 43 548 | \$ 48 633 | \$ 1 165 | 4 746 | 3 581 |
| FUND BALANCES | | | | | | |
| BEGINNING | \$ 7 085 | \$ (34 700) | \$ (41 785) | \$ 44 000 | \$ 104 579 | \$ 60 579 |
| ENDING | \$ 2 000 | \$ 8 848 | \$ 6 848 | \$ 45 165 | \$ 109 325 | \$ 64 160 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

BOROUGH OF HONSDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental & Fiduciary Fund Types (Continued)
 For The Year Ended December 31, 1994

| | -----Debt Service Fund----- | | | -----Proprietary Fund----- | | |
|--|-----------------------------|--------------------|---|----------------------------|--------------------|---|
| | <u>Budget</u> | <u>Actual</u> | Variances Favorable (Unfavorable) | <u>Budget</u> | <u>Actual</u> | Variances Favorable (Unfavorable) |
| RECEIPTS | | | | | | |
| Taxes | \$ 47 935 | \$ 51 449 | \$ 3 514 | \$ | \$ | \$ |
| Licenses & Permits | | | | | | |
| Fines and Forfeits | | | | | | |
| Interest & Rent | -0- | 670 | 670 | 9 000 | 9 855 | 855 |
| Intergovernmental | | | | 12 750 | -0- | (12 750) |
| Charge for Services | | | | 475 700 | 478 281 | 2 581 |
| Miscellaneous | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL RECEIPTS | \$ 47 935 | \$ 52 119 | \$ 4 184 | \$ 497 450 | \$ 488 136 | \$ (9 314) |
| EXPENDITURES | | | | | | |
| Genrl Govmnt - Admin. | \$ | \$ | \$ | \$ | \$ | \$ |
| Public Safety | | | | | | |
| Public Works-Sanitation | | | | 422 255 | 300 341 | 121 914 |
| - Highway, Roads, Streets | | | | | | |
| - Other Public Works | | | | | | |
| Culture - Recreation | | | | | | |
| Debt Service | 37 685 | 37 685 | -0- | 158 000 | 158 148 | (148) |
| Miscellaneous | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL EXPENDITURES | \$ 37 685 | \$ 37 685 | \$ -0- | \$ 580 255 | \$ 458 489 | \$ 121 766 |
| EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS | \$ 10 250 | \$ 14 434 | \$ 4 184 | \$ (82 805) | \$ 29 647 | \$ 112 452 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds - Dsp. Fxd. Asset | \$ | \$ | \$ | \$ | \$ | \$ |
| Oper Transfers In | | | | -0- | 1 636 | 1 636 |
| Oper Transfers Out | | (20 000) | (20 000) | (200 195) | (110 078) | 90 117 |
| Police Pens. Benefits Pd. | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ -0- | \$ (20 000) | \$ (20 000) | \$(200 195) | \$(108 442) | \$ 91 753 |
| RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES) | \$ 10 250 | \$ (5 566) | \$ (15 816) | \$(283 000) | (78 795) | 204 205 |
| FUND BALANCES | | | | | | |
| BEGINNING | \$ 26 315 | \$ 23 729 | \$ (2 586) | \$ 323 000 | \$ 386 345 | \$ 63 345 |
| ENDING | \$ 36 565 | \$ 18 163 | \$ (18 402) | \$ 40 000 | \$ 307 550 | \$ 267 550 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1994

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 was 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, 1994

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.

Non-Uniformed Employees Pension Fund - The non-uniformed employee pension fund is used to account for the taxes received for the payments made to the Pennsylvania State Association of Borough Master Plan and Trust, which is a municipal pension fund.

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, 1994

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, 1994. 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 | \$ 12 412 |
| Honesdale National Bank - Savings - Park and Shop | 13 724 |
| Honesdale National Bank - Savings - General | 1 336 |
| Honesdale National Bank - Checking - Park & Shop | 1 114 |
| Farmers & Merchants Bank - Checking - Park & Rec. | 1 744 |
| Farmers & Merchants Bank - Checking - OPT | 1 797 |
| Farmers & Merchants Bank - Savings - Park & Rec. | <u>21 616</u> |
| Total General Fund | \$ 53 743 |
| <u>Special Revenue Fund</u> | |
| The Dime Bank - Checking - Liquid Fuels | \$ 181 |
| The Dime Bank - Savings - Liquid Fuels | 28 931 |
| Wayne Bank - Checking - Downtown Honesdale | 1 241 |
| Wayne Bank - Grant Fund | 18 606 |
| Wayne Bank - Revitalization | 35 877 |
| Honesdale National Bank - DPW Equip. Fund | <u>25 037</u> |
| Total Special Revenue Fund | \$ 109 873 |
| <u>Debt Service Fund</u> | |
| Honesdale National Bank - Sinking Fund 1992 G.O. | \$ <u>18 163</u> |
| Total Debt Service Fund | \$ 18 163 |

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1994

Note 3 - Cash in Bank (continued)

| <u>Fund and Bank Title / Account</u> | <u>Amount</u> |
|---|----------------|
| <u>Proprietary Fund</u> | |
| Honesdale National Bank - Checking - Sewer Revenue | \$ 17 964 |
| Honesdale National Bank - Savings - Sewer Fund | 59 586 |
| Honesdale National Bank - Certificate of Deposit | 50 000 |
| Honesdale National Bank - Certificate of Deposit | 30 000 |
| Honesdale National Bank - Certificate of Deposit | 30 000 |
| Wayne Bank - Certificate of Deposit | <u>75 000</u> |
| Total Proprietary Fund | \$ 262 550 |
| <u>Fiduciary Fund - Trust & Agency</u> | |
| Honesdale National Bank - Checking - Payroll | \$ 240 |
| Honesdale National Bank - Money Market - Police Pension | 6 265 |
| Honesdale National Bank - CD's - Police Pension | 40 000 |
| Honesdale National Bank - Savings - Pension Fund | 2 488 |
| Farmers & Merchants Bank - Savings - Doherty Fund | <u>1 098</u> |
| Total Fiduciary Fund | \$ 50 091 |

Note 4 - Investments

All investments are stated at cost.

Fiduciary Fund - Trust & Agency

Police Pension Fund:

| | |
|------------------------------|----------------|
| Common Stocks | \$ 345 484 |
| Federated Money Market Trust | 180 000 |
| Bonds | <u>504 185</u> |

Total Investments \$1 029 669

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, 1994

Note 5 - Police Pension Fund (continued)

Normal retirement is defined as 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, 1994, performed by Roth & Roth, Incorporated, the total present value of benefits is \$ 1 447 731. The market value of the plan assets is \$ 1 119 614 leaving an unfunded value of future benefits of \$ 17 011.

Note 6 - Non-Uniformed Employees Pension Plan

The Borough enacted a pension plan for all non-uniformed employees. Eligible participants includes all employees who have completed a year of continuous service during the plan year. The plan is part of the Pennsylvania State Association of Boroughs Master Plan and Trust and is administered by Mackenhaupt, Mackenhaupt, Camden and Parks, Inc.

The Borough is required to contribute three hundred dollars (\$300) per year for each eligible participant. Plan participants are not required or permitted to make contributions to the plan.

Normal retirement age is defined as the attainment of age 65. The plan provides for early retirement which is defined as the attainment of age 62. The plan also provides for disability and death benefits.

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1994

Note 6 - Non-Uniformed Employees Pension Plan (continued)

The following vesting schedule has been adopted:

| <u>Completed Years of Service</u> | <u>Vested Percentage</u> |
|-----------------------------------|--------------------------|
| 0-2 | 0% |
| 3 | 20% |
| 4 | 40% |
| 5 | 60% |
| 6 | 80% |
| 7 | 100% |

Note 7 - Taxes

For 1994, real estate taxes were levied at 30 mills for general purposes, 6 mills for parks and recreation, 3 mills for street lighting, 3 mills for fire protection, 4 mills for debt service, and .5 mills for pension and retirement. Other taxes included, Per Capita at \$5, Real Estate Transfer at 1/2 of 1% of selling price, and Occupational Privilege at \$10.

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 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, 1994 was \$144,021.

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, 1994, the Borough made interest payments of \$ 36,360 and principal payments of \$ 121,788. The principal outstanding as of December 31, 1994 is \$ 1,677,703.

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1994

Note 9 - Subsequent Event

On January 26, 1995 the Borough executed a general obligation note in the amount of \$ 325,000. The proceeds of the note were used as follows:

| | | |
|--------------------------------------|---|------------|
| Prepayment of note dated 12/98 | - | \$ 141 785 |
| Purchase of adjacent office building | - | 137 500 |
| Remodeling, legal and closing costs | - | 45 715 |

The note requires monthly payments of principal and interest in the amount of \$ 3,437.36 from January 26, 1995 to January 26, 2005.

BRIAN FOSTER
-CERTIFIED PUBLIC ACCOUNTANT-
HC 62 Box 340
Honesdale, PA 18431
(717) 253-6799

February 7, 1995

Borough of Honesdale
Borough Council
Honesdale, PA 18431

Dear Council Members:

I have recently concluded my audit of the Borough of Honesdale for the year ended December 31, 1994. As an integral part of my audit I performed various tests of the accounting records and evaluated compliance with accounting policies, program regulations and internal accounting controls. These procedures enabled me to make various observations relative to the Borough's financial management and operation. The purpose of this letter is to apprise you with respect to these observations disclosed during my audit.

Cash Received For Sewer Payments

When cash is received at the Borough office for sewer user fee payments a receipt is prepared in duplicate. One copy is given to the person remitting the cash and the other retained at the office.

The internal controls could be strengthened by utilizing pre-numbered receipts. The receipts should be used in numerical order and procedures established to account for all receipts and reconcile them to total cash deposits on a monthly basis. Voided or spoiled receipts should be kept on file. Receipts should be prepared for all cash payments, even if the person remitting the cash does not want one. Cash received at the Borough should be deposited by a Borough employee and the deposit slip prepared by a Borough employee.

Sewer Fee Deposit Verification Process

Each day, the deposit slip which was prepared by personnel at the Borough's depository for sewer receipts, is checked for mathematical accuracy by the bookkeeper in the Borough office.

The control process would be strengthened if the bookkeeper initialed and dated the adding machine tape and/or deposit slip after completing the verification process.

Borough of Honesdale
Borough Council
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Procedures for Sewer User Fees Receivable

My audit disclosed that there are no formal written procedures regarding unpaid sewer user fees. Also, I did not observe that Borough Council was periodically provided with a sewer user fee receivable listing.

Sound financial business practices require formal written policies and procedures for the collection of and also for the enforcement of the collection of sewer user fees.

I recommend that written policies and procedures be adopted that include the following:

- . A provision for Borough Council to be provided with an aged sewer user fee receivable listing, at least quarterly.
- . A statement that indicates the penalty assessed for past due accounts.
- . A chronological schedule of procedures from the time an account becomes past due to the placement of a lien against the property.

If you should have any questions regarding this letter or the audit report, do not hesitate to call.

Sincerely,



Brian Foster
Certified Public Accountant

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