

BOROUGH OF HONESDALE

AUDIT REPORT

For The Year Ended December 31, 1995

BOROUGH OF HONESDALE
Financial Statements
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BRIAN FOSTER
-CERTIFIED PUBLIC ACCOUNTANT-
HC 62 Box 340
Honesdale, PA 18431
(717) 253-6799

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, 1995 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, 1995 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

March 11, 1996

BOROUGH OF HONESDALE
Combined Statement of Assets & Liabilities Arising
From Cash Transactions - All Fund Types
December 31, 1995

	----- Governmental Fund Types -----			-- Fiduciary --	General		
	General	Special Revenue	Debt Service	Proprietary Fund	Trust & Agency Funds	Fixed Assets	General Long-Term Debt
ASSETS							
Cash	\$ 46 314	\$ 71 536	\$ 16 689	\$ 381 786	\$ 102 360	\$ -0-	\$ -0-
Investments	-0-	-0-	-0-	-0-	1 029 669	-0-	-0-
Due From Other Funds	105	-0-	-0-	-0-	-0-	-0-	-0-
Amount Prov'd/Ret. Long Trm Dbt	-0-	-0-	-0-	-0-	-0-	-0-	1 875 786
Land & Site Improvements	-0-	-0-	-0-	-0-	-0-	390 700	-0-
Bldgs. & Bldgs. Improvements	-0-	-0-	-0-	-0-	-0-	1 810 536	-0-
Machinery & Equipment	-0-	-0-	-0-	-0-	-0-	183 599	-0-
TOTAL ASSETS	\$ 46 419	\$ 71 536	\$ 16 689	\$ 381 786	\$ 1 132 029	\$ 2 384 835	\$ 1 875 786
	=====	=====	=====	=====	=====	=====	=====
LIABILITIES & FUND BALANCE							
LIABILITIES:							
Due To Other Funds	\$ -0-	\$ 91	\$ -0-	\$ -0-	\$ 105	\$ -0-	\$ -0-
G. O. Note, Pennvest & Equip Ln.	-0-	-0-	-0-	-0-	-0-	-0-	1 875 786
Payroll Taxes Payable	-0-	570	-0-	-0-	129	-0-	-0-
TOTAL LIABILITIES	\$ -0-	\$ 661	\$ -0-	\$ -0-	\$ 234	\$ -0-	\$ 1 875 786
	=====	=====	=====	=====	=====	=====	=====
FUND BALANCE:							
Invested In Gen. Fixed Assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2 384 835	\$ -0-
Reserved for Special Revenues	-0-	70 875	-0-	-0-	-0-	-0-	-0-
Reserved for Debt Service	-0-	-0-	16 689	-0-	-0-	-0-	-0-
Unreserved Retained Earnings	-0-	-0-	-0-	381 786	-0-	-0-	-0-
Rsvd. for Police & Employee Pen.	-0-	-0-	-0-	-0-	1 130 553	-0-	-0-
Reserved for Rev. Doh. Fuel Fund	-0-	-0-	-0-	-0-	1 242	-0-	-0-
Unreserved	46 419	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL FUND BALANCE	\$ 46 419	\$ 70 875	\$ 16 689	\$ 381 786	\$ 1 131 795	\$ 2 384 835	\$ -0-
	=====	=====	=====	=====	=====	=====	=====
TOTAL LIABILITIES & FUND BALANCE	\$ 46 419	\$ 71 536	\$ 16 689	\$ 381 786	\$ 1 132 029	\$ 2 384 835	\$ 1 875 786
	=====	=====	=====	=====	=====	=====	=====

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, 1995

----- Governmental Fund Types ----- -- Fiduciary -

	Special Revenue	Capital Project	Debt Service	Proprietary Funds	Fiduciary Trust & Agency Funds
<u>RECEIPTS</u>					
Taxes	\$ 660 735	\$ -0-	\$ 63 711	\$ -0-	\$ 6 436
Licenses & Permits	725	-0-	-0-	-0-	-0-
Fines and Forfeits	74 913	-0-	-0-	-0-	-0-
Interest and Rent	5 466	1 194	767	10 395	66 296
Intergovernmental	18 664	-0-	-0-	15 633	24 259
Charges for Services	88 170	-0-	-0-	692 615	-0-
Miscellaneous	<u>10 730</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8 089</u>
<u>TOTAL RECEIPTS</u>	<u>\$ 859 403</u>	<u>\$ 1 194</u>	<u>\$ 64 478</u>	<u>\$ 718 643</u>	<u>\$ 105 080</u>

DISBURSEMENTS

General Government	\$ 123 624	\$ -0-	\$ 1 368	\$ -0-	\$ -0-
Public Safety	410 332	26 859	-0-	-0-	-0-
Public Works - Sanitation	10 360	-0-	-0-	403 759	-0-
- Highways, Roads and Streets	264 872	96 941	-0-	-0-	-0-
- Other Public Works/Enterprises	30 674	69 995	-0-	-0-	-0-
Culture - Recreation	75 770	-0-	-0-	-0-	-0-
Debt Service	3 456	4 391	40 952	158 148	-0-
Miscellaneous	<u>7 374</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11 381</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 926 462</u>	<u>\$ 1 368</u>	<u>\$ 40 952</u>	<u>\$ 561 907</u>	<u>\$ 11 381</u>

EXCESS OF RECEIPTS OVER

<u>(UNDER) DISBURSEMENTS</u>	<u>\$ (67 059)</u>	<u>\$ (43 450)</u>	<u>\$ (174)</u>	<u>\$ 23 526</u>	<u>\$ 156 736</u>	<u>\$ 93 699</u>
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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, 1995

	----- Governmental Fund Types -----				-- Fiduciary --
General	Special Revenue	Capital Project	Debt Service	Proprietary Funds	Trust & Agency Funds
Proceeds - Gen. Long Term Debt	\$ -0-	\$ 42 490	\$ -0-	\$ -0-	\$ -0-
Operating Transfers In	109 630	-0-	-0-	-0-	-0-
Operating Transfers Out	(5 000)	-0-	(25 000)	(82 500)	-0-
Police Pension Benefits Paid	-0-	-0-	-0-	-0-	(41 424)
<u>TOTAL OTHER FINANCING SRCS (USES)</u>	<u>\$ 104 630</u>	<u>\$ 42 490</u>	<u>\$(25 000)</u>	<u>\$ (82 500)</u>	<u>\$ (41 424)</u>
<u>EXCESS OF RCPTS & OTHER SRCS OVER (UNDER) EXPENDITURES & OTHER USES</u>	<u>\$ 37 571</u>	<u>\$ 42 316</u>	<u>\$ (1 474)</u>	<u>\$ 74 236</u>	<u>\$ 52 275</u>
 <u>FUND BALANCES</u>					
BEGINNING	\$ 8 848	\$ 109 325	\$ -0-	\$ 18 163	\$ 307 550
ENDING	\$ 46 419	\$ 70 875	\$ 42 316	\$ 16 689	\$ 381 786
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental Fund Types -
 For The Year Ended December 31, 1995

	-----General Fund-----			-----Special Revenue Fund-----		
			Variances Favorable			Variances Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS						
Taxes	\$ 686 865	\$ 660 735	\$ (26 130)	\$ -0-	\$ -0-	\$ -0-
Licenses & Permits	300	725	425	-0-	-0-	-0-
Fines and Forfeits	86 750	74 913	(11 837)	-0-	-0-	-0-
Interest & Rent	3 050	5 466	2 416	200	1 592	1 392
Intergovernmental	45 550	18 664	(26 886)	66 000	67 183	1 183
Charge for Services	73 150	88 170	15 020	-0-	-0-	-0-
Miscellaneous	<u>-0-</u>	<u>10 730</u>	<u>10 730</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL RECEIPTS	\$ <u>895 665</u>	\$ <u>859 403</u>	\$ <u>(36 262)</u>	\$ <u>66 200</u>	\$ <u>68 775</u>	\$ <u>2 575</u>
EXPENDITURES						
Genrl Govmnt - Admin.	\$ 144 411	\$ 123 624	\$ 20 787	\$ -0-	\$ -0-	\$ -0-
Public Safety	405 478	410 332	(4 854)	-0-	-0-	-0-
Public Works-Sanitation	3 000	10 360	(7 360)	-0-	-0-	-0-
- Highway, Roads, Streets	260 375	264 872	(4 497)	78 695	71 941	6 754
- Other Public Works	49 025	30 674	18 351	-0-	-0-	-0-
Culture - Recreation	90 800	75 770	15 030	-0-	-0-	-0-
Debt Service	9 440	3 456	5 984	-0-	-0-	-0-
Miscellaneous	<u>-0-</u>	<u>7 374</u>	<u>(7 374)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$ <u>962 529</u>	\$ <u>926 462</u>	\$ <u>36 067</u>	\$ <u>78 695</u>	\$ <u>71 941</u>	\$ <u>6 754</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (66 864)	\$ (67 059)	\$ (195)	\$(12 495)	\$ (3 166)	\$ 9 329
OTHER FINANCING SOURCES (USES)						
Oper Transfers In	\$ 40 000	\$ 109 630	\$ 69 630	\$ -0-	\$ -0-	\$ -0-
Oper Transfers Out	<u>-0-</u>	<u>(5 000)</u>	<u>(5 000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>40 000</u>	\$ <u>104 630</u>	\$ <u>64 630</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES)	\$ (26 864)	\$ 37 571	\$ 64 435	\$(12 495)	\$ (3 166)	\$ 9 329
FUND BALANCES						
BEGINNING	\$ <u>28 864</u>	\$ <u>8 848</u>	\$ <u>(20 016)</u>	\$ <u>26 000</u>	\$ <u>29 112</u>	\$ <u>3 112</u>
ENDING	\$ 2 000	\$ 46 419	\$ 44 419	\$ 13 505	\$ 25 946	\$ 12 441
	=====	=====	=====	=====	=====	=====

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental Fund Types (Continued) -
 For The Year Ended December 31, 1995

	-----Debt Service Fund-----			-----Proprietary Fund-----		
			Variances Favorable (Unfavorable)			Variances Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>		<u>Budget</u>	<u>Actual</u>	
RECEIPTS						
Taxes	\$ 66 638	\$ 63 711	\$ (2 927)	\$ -0-	\$ -0-	\$ -0-
Licenses & Permits	-0-	-0-	-0-	-0-	-0-	-0-
Fines and Forfeits	-0-	-0-	-0-	-0-	-0-	-0-
Interest & Rent	-0-	767	767	7 500	10 395	2 895
Intergovernmental	-0-	-0-	-0-	12 750	15 633	2 883
Charge for Services	-0-	-0-	-0-	514 050	692 615	178 565
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL RECEIPTS	\$ 66 638	\$ 64 478	\$ (2 160)	\$ 534 300	\$ 718 643	\$ 184 343
EXPENDITURES						
Genrl Govmtn - Admin.	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public Safety	-0-	-0-	-0-	-0-	-0-	-0-
Public Works-Sanitation	-0-	-0-	-0-	521 380	403 759	117 621
- Highway, Roads, Streets	-0-	-0-	-0-	-0-	-0-	-0-
- Other Public Works	-0-	-0-	-0-	-0-	-0-	-0-
Culture - Recreation	-0-	-0-	-0-	-0-	-0-	-0-
Debt Service	41 000	40 952	48	159 000	158 148	852
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$ 41 000	\$ 40 952	\$ 48	\$ 680 380	\$ 561 907	\$ 118 473
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 25 638	\$ 23 526	\$ (2 112)	\$(146 080)	\$ 156 736	\$ 302 816
OTHER FINANCING SOURCES (USES)						
Oper Transfers Out	\$ -0-	\$(25 000)	\$ (25 000)	\$ (63 920)	\$ (82 500)	\$ (18 580)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$(25 000)	\$ (25 000)	\$ (63 920)	\$ (82 500)	\$ (18 580)
RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES)	\$ 25 638	\$ (1 474)	\$ (27 112)	\$(210 000)	\$ 74 236	\$ 284 236
FUND BALANCES						
BEGINNING	\$ 18 000	\$ 18 163	\$ 163	\$ 250 000	\$ 307 550	\$ 57 550
ENDING	\$ 43 638	\$ 16 689	\$ (26 949)	\$ 40 000	\$ 381 786	\$ 341 786
	=====	=====	=====	=====	=====	=====

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1995

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.

DPW Equipment - This fund was established to account for the purchase of a new truck with the proceeds from a DCA equipment loan and will be used to account for the payment of the interest and principal required for the loan.

Legislative Initiative Project - This fund is used to account for the proceeds of a DCA grant to be used for public safety equipment.

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 renovations to Borough buildings.

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.

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1995

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1995

Note 1 - Summary of Significant Accounting Policies (Continued)

c. Budget

The Borough Council adopts a budget each year for the general, debt service, proprietary and liquid fuels funds.

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.

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, 1995. 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	\$ 24 735
Honesdale National Bank - Savings - Park and Shop	1 624
Honesdale National Bank - Savings - General	1 081
Honesdale National Bank - Checking - Park & Shop	1 080
Honesdale National Bank - CD - Park & Shop	10 000
Honesdale National Bank - CD - Park & Rec.	10 000
Farmers & Merchants Bank - Checking - Park & Rec.	10 540
Farmers & Merchants Bank - Checking - OPT	3 065
Farmers & Merchants Bank - Savings - Park & Rec.	3 259

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1995

Note 3 - Cash in Bank (Continued)

Special Revenue Fund

The Dime Bank - Checking - Liquid Fuels	\$ 2 308
The Dime Bank - Savings - Liquid Fuels	11 897
Wayne Bank - Checking - Downtown Honesdale	317
Wayne Bank - Grant Fund - Downtown Honesdale	12 011
Wayne Bank - Revitalization - Downtown Honesdale	19 203
Honesdale National Bank - DPW Equip. Fund	931
Farmers and Merchants Bank - Legislative Init. Prog.	13 319
Honesdale National Bank - CD - Liquid Fuel	13 437

Debt Service Fund

Honesdale National Bank - Sinking Fund	\$ 16 689
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Capital Projects Fund

Dime Bank - Checking - Renovation Acct.	\$ 42 316
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Proprietary Fund

Honesdale National Bank - Checking - Sewer Revenue	\$ 88 100
Honesdale National Bank - Savings - Sewer Fund	35 716
Honesdale National Bank - Certificate of Deposit	75 000
Honesdale National Bank - Certificate of Deposit	30 000
Honesdale National Bank - Certificate of Deposit	30 000
Honesdale National Bank - Certificate of Dep.-Sewer	30 000
Dime Bank - Certificate of Deposit - Sewer	45 000
Wayne Bank - Certificate of Deposit	50 000

Fiduciary Fund - Trust & Agency

Honesdale National Bank - Checking - Payroll	\$ 1 015
Honesdale National Bank - Money Market - Police Pension	823
Honesdale National Bank - CD's - Police Pension	75 000
Honesdale National Bank - Savings - Pension Fund	841
Honesdale National Bank - CD - Pension Fund	2 000
Farmers & Merchants Bank - Savings - Doherty Fund	1 242

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1995

Note 4 - Investments

All investments are stated at cost on the balance sheet.

Fiduciary Fund - Trust & Agency

Police Pension Fund:	<u>COST</u>	<u>MARKET</u>
Common Stocks	\$ 373 575	\$ 606 699
U.S. Government and Federal Agency Obligations	<u>656 094</u>	<u>687 181</u>
Total Investments	\$ 1 029 669 =====	\$ 1 370 544 =====

The investments in the police pension fund are managed by the trust department of the Honesdale National Bank. Investments in common stocks are not insured or collateralized.

Note 5 - Police Pension Fund

The Borough enacted and is the administrator for a defined benefit pension plan for all full-time police officers. There are six (6) active participants as of December 31, 1994. As of December 31, 1994 there are no vested members not receiving benefits and three members receiving benefits.

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.

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 any 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.

Members are eligible for vested retirement the first of the month coincident with or next following the completion of twelve (12) years of service.

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 thirty percent (30%) and the resulting pension shall not be greater than seventy-five percent (75%) of the average compensation used for pension purposes.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1995

Note 5 - Police Pension Fund (continued)

The actuarial cost method used to determine contributions to the trust fund is known as the entry age normal accrued liability cost method. The method assumes that an annual contribution, or normal cost, is made each year and is determined from the age of plan entry on the assumption that the plan had always existed and is known as the entry age normal cost. The accumulation of these costs to the current date is known as the entry age accrued liability, which was \$1,108,914 as of January 1, 1995.

The annual plan costs are estimated by the Borough's contracted actuarial firm. The state contribution, is calculated and issued in accordance with the Municipal Pension Plan Funding Standard and Recovery Act, P.L. 1005, (Act 205 of 1984). The difference between the estimated plan costs and the state contributions is contributed by the Borough. There are no provisions for employee contributions. The Borough and State contributions for the year ended December 31, 1994 were \$6,871 and \$24,259, respectively.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee services to date. The present value of benefits at January 1, 1995 was \$1,329,937.

Further information regarding the Borough's police pension fund is contained in the annual actuarial valuation report, which can be obtained by contacting the Borough Secretary.

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, 1995

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 1995, real estate taxes were levied at 30 mills for general purposes, 6 mills for parks and recreation, 3.5 mills for street lighting, 3 mills for fire protection, 5 mills for debt service, and .5 mills for pension and retirement. Other taxes included, Per Capita at \$5.00, Real Estate Transfer at 1/2 of 1% of selling price, and Occupational Privilege at \$10.00.

Note 8 - Debt

a. 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, 1995, the Borough made interest payments of \$ 33,796 and principal payments of \$ 124,352. The principal outstanding as of December 31, 1995 is \$ 1,677,703.

b. 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. During the year ended December 31, 1995, the Borough made interest payments of \$14,208 and principal payments of \$23,603. The principal outstanding as of December 31, 1995 is \$301,397. Also, before the note dated 12/98 was paid, the Borough made a payment of \$3,140, which included \$904 of interest and \$2,236 of principal.