

BOROUGH OF HONESDALE

AUDIT REPORT

For The Year Ended December 31, 1999

BRIAN FOSTER

- CERTIFIED PUBLIC ACCOUNTANT -

HC 62 BOX 340

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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, 1999 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. Also, general fixed assets are valued at values other than cost. 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, except for the affects of not presenting fixed assets at cost, 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, 1999 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 15, 2000

BOROUGH OF HONESDALE
 Combined Statement of Assets & Liabilities Arising
 From Cash Transactions - All Fund Types
 December 31, 1999

	-----Governmental Fund Types -----	-Proprietary Fund-	-- Fiduciary --	General	
	Special	Debt	Trust & Agency	Fixed	Long-Term
	Revenue	Service	Funds	Assets	Debt
ASSETS					
Cash	\$ 46 599	\$ 11 579	\$ 613 010	\$ -0-	\$ -0-
Investments	-0-	-0-	745 657	-0-	-0-
Due From Other Funds	107	-0-	-0-	-0-	-0-
Amount Avail. in Debt Serv. Funds	-0-	-0-	-0-	-0-	11 579
Amount Prov'd/Ret. Long Trm Dbt	-0-	-0-	-0-	-0-	1 244 194
Land & Site Improvements	-0-	-0-	-0-	390 000	-0-
Bldgs. & Bldgs. Improvements	-0-	-0-	-0-	2 055 616	-0-
Machinery & Equipment	-0-	-0-	-0-	961 032	-0-
TOTAL ASSETS	\$ 46 706	\$ 11 579	\$ 1 358 667	\$ 3 406 648	\$ 1 255 773
	=====	=====	=====	=====	=====
LIABILITIES & FUND BALANCE					
LIABILITIES:					
Due To Other Funds	\$ -0-	\$ -0-	\$ 107	\$ -0-	\$ -0-
Escrow Liability	-0-	-0-	15 672	-0-	-0-
G. O. Note, Pennvest & Equip Ln.	-0-	-0-	-0-	-0-	1 255 773
TOTAL LIABILITIES	\$ -0-	\$ -0-	\$ 15 779	\$ -0-	\$ 1 255 773
	=====	=====	=====	=====	=====
FUND BALANCE:					
Invested In Gen. Fixed Assets	\$ -0-	\$ -0-	\$ -0-	\$ 3 406 648	\$ -0-
Reserved for Special Revenues	-0-	-0-	-0-	-0-	-0-
Reserved for Debt Service	-0-	11 579	-0-	-0-	-0-
Unreserved Retained Earnings	-0-	-0-	-0-	-0-	-0-
Rsvd. for Police & Employee Pen.	-0-	-0-	1 338 401	-0-	-0-
Reserved for Rev. Doh. Fuel Fund	-0-	-0-	4 487	-0-	-0-
Unreserved	46 706	-0-	-0-	-0-	-0-
TOTAL FUND BALANCE	\$ 46 706	\$ 11 579	\$ 1 342 888	\$ 3 406 648	\$ -0-
	=====	=====	=====	=====	=====
TOTAL LIABILITIES & FUND BALANCE	\$ 46 706	\$ 11 579	\$ 1 358 667	\$ 3 406 648	\$ 1 255 773
	=====	=====	=====	=====	=====

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, 1999

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

RECEIPTS

Taxes	\$ 696 899	\$ -0-	\$ 64 711	\$ -0-	\$ 6 507
Licenses & Permits	2 760	-0-	-0-	-0-	-0-
Fines and Forfeits	78 911	-0-	-0-	-0-	-0-
Interest	2 420	1 579	622	24 025	85 078
Intergovernmental	34 597	98 885	-0-	14 915	7 711
Charges for Services	86 699	-0-	-0-	624 106	-0-
Miscellaneous	<u>6 342</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3 021</u>
<u>TOTAL RECEIPTS</u>	\$ 908 628	\$ 100 464	\$ 65 333	\$ 663 046	\$ 102 317

DISBURSEMENTS

General Government	\$ 129 137	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public Safety	527 772	20 373	-0-	-0-	-0-
Public Works - Sanitation	14 204	-0-	-0-	616 694	-0-
- Highways, Roads and Streets	302 232	83,114	-0-	-0-	-0-
- Other Public Works	18 222	-0-	-0-	-0-	-0-
Culture - Recreation	76 692	-0-	-0-	-0-	-0-
Community Development	-0-	1 288	-0-	-0-	-0-
Debt Service	3 201	4,432	41 248	175 912	-0-
Miscellaneous	<u>33 304</u>	<u>16</u>	<u>22</u>	<u>-0-</u>	<u>23 289</u>
<u>TOTAL EXPENDITURES</u>	\$1 104 764	\$ 109 223	\$ 41 270	\$ 792 606	\$ 23 289

EXCESS OF RECEIPTS OVER
 (UNDER) DISBURSEMENTS

\$ (196 136) \$ (8 759) \$ 24 063 \$ (129 560) \$ 79 028

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, 1999

----- Governmental Fund Types ----- --Proprietary-- -- Fiduciary -
 Special Sewer Fund Trust & Agency
General Revenue Fund Fund Funds

OTHER FINANCING SOURCES (USES)

Refund Prior Yrs. Revenues	\$ (90)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Proceeds Sale Fixed Assets	17 909	-0-	-0-	-0-	-0-
Operating Transfers In	184 000	9 797	-0-	-0-	-0-
Operating Transfers Out	(9 797)	-0-	(22 000)	(162 000)	-0-
Police Pension Benefits Paid	-0-	-0-	-0-	-0-	(43 865)
<u>TOTAL OTHER FINANCING SRCS (USES)</u>	<u>\$ 192 022</u>	<u>\$ 9 797</u>	<u>\$ (22 000)</u>	<u>\$ (162 000)</u>	<u>\$ (43 865)</u>

EXCESS OF RCPTS & OTHER SRCS OVER

<u>(UNDER) EXPENDITURES & OTHER USES</u>	\$ (4 114)	\$ 1 038	\$ 2 063	\$ (291 560)	\$ 35 163
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FUND BALANCES

BEGINNING	\$ 50 820	\$ 27 694	\$ 9 516	\$ 624 379	\$ 1 307 725
ENDING	\$ 46 706	\$ 28 732	\$ 11 579	\$ 332 819	\$ 1 342 888

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, 1999

	-----General Fund-----		-----Liquid Fuels Fund-----		
	Budget	Actual	Budget	Actual	Variances Favorable (Unfavorable)
RECEIPTS					
Taxes	\$ 686 193	\$ 696 899	\$ -0-	\$ -0-	\$ -0-
Licenses & Permits	3 500	2 760	-0-	-0-	-0-
Fines and Forfeits	74 750	78 911	-0-	-0-	-0-
Interest	1 700	2 420	1 500	1 521	21
Intergovernmental	52 189	34 597	83 300	83 060	(240)
Charge for Services	149 850	86 699	-0-	-0-	-0-
Miscellaneous	<u>2 500</u>	<u>6 342</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL RECEIPTS	\$ 970 682	\$ 908 628	\$ 84 800	\$ 84 581	\$ (219)
EXPENDITURES					
General Government	\$ 165 292	\$ 129 137	\$ -0-	\$ -0-	\$ -0-
Public Safety	428 576	527 772	-0-	-0-	-0-
Public Works-Sanitation	3 700	14 204	-0-	-0-	-0-
- Highway, Roads, Streets	256 350	302 232	101 690	83 114	18 576
- Other Public Works	39 718	18 222	-0-	-0-	-0-
Culture - Recreation	93 365	76 692	-0-	-0-	-0-
Debt Service	2 500	3 201	-0-	-0-	-0-
Miscellaneous	<u>-0-</u>	<u>33 304</u>	<u>-0-</u>	<u>16</u>	<u>(16)</u>
TOTAL EXPENDITURES	\$ 989 501	\$ 1 104 764	\$ 101 690	\$ 83 130	\$ 18 560
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (18 819)	\$ (196 136)	\$ (16 890)	\$ 1 451	\$ 18 341

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental Fund Types - (continued)
 For The Year Ended December 31, 1999

	-----General Fund-----		-----Liquid Fuels Fund-----	
	Budget	Actual	Budget	Actual
		Variance Favorable (Unfavorable)		Variance Favorable (Unfavorable)
OTHER FINANCING				
<u>SOURCES (USES)</u>				
Proceeds Sale Fixed Assets	\$ -0-	\$ 17 909	\$ -0-	\$ -0-
Oper Transfers In	25 000	184 000	-0-	-0-
Oper Transfers Out	-0-	(9 797)	-0-	-0-
Refund Prior Yrs. Revs.	-0-	(90)	-0-	-0-
TOTAL OTHER FINANCING				
SOURCES (USES)	\$ 25 000	\$ 192 022	\$ -0-	\$ -0-
RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES)	\$ 6 181	\$ (4 114)	\$ (16 890)	\$ 18 341
<u>FUND BALANCES</u>				
BEGINNING	\$ 16 754	\$ 50 820	\$ 26 100	\$ 26 064
ENDING	\$ 22 935	\$ 46 706	\$ 9 210	\$ 27 515
	=====	=====	=====	=====

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 (Continued) -
 For The Year Ended December 31, 1999

	-----Debt Service Fund-----		-----Sewer Fund-----		Variances
	Budget	Actual	Budget	Actual	Favorable
					(Unfavorable)
<u>RECEIPTS</u>					
Taxes	\$ 66 923	\$ 64 711	\$ -0-	\$ -0-	\$ -0-
Interest	685	622	20 000	24 025	4 025
Intergovernmental	-0-	-0-	15 000	14 915	(85)
Charge for Services	-0-	-0-	576 500	624 106	47 606
<u>TOTAL RECEIPTS</u>	\$ 67 608	\$ 65 333	\$ 611 500	\$ 663 046	\$ 51 546
<u>EXPENDITURES</u>					
Public Works--Sanitation	\$ -0-	\$ -0-	\$ 917 235	\$ 616 694	\$ 300 541
Debt Service	45 682	41 248	175 900	175 912	(12)
Miscellaneous	-0-	22	-0-	-0-	-0-
<u>TOTAL EXPENDITURES</u>	\$ 45 682	\$ 41 270	\$ 1 093 135	\$ 792 606	\$ 300 529
<u>EXCESS OF RECEIPTS OVER</u>					
<u>(UNDER) DISBURSEMENTS</u>	\$ 21 926	\$ 24 063	\$ (481 635)	\$ (129 560)	\$ 352 075
<u>OTHER FINANCING</u>					
<u>SOURCES (USES)</u>					
Oper Transfers Out	\$(25 000)	\$(22 000)	\$ -0-	\$(162 000)	\$(162 000)
<u>RECEIPTS & OTHER SRCS</u>					
<u>OVER (UNDER) DISB.</u>					
<u>AND OTHER (USES)</u>	\$ (3 074)	\$ 2 063	\$ (481 635)	\$(291 560)	\$ 190 075
<u>FUND BALANCES</u>					
<u>BEGINNING</u>	\$ 11 245	\$ 9 516	\$ 579 300	\$ 624 379	\$ 45 079
<u>ENDING</u>	\$ 8 171	\$ 11 579	\$ 97 665	\$ 332 819	\$ 235 154

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

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1999

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 was used 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.

Sewer Fund - This fund is used to account for the transactions related to the sewer treatment plant.

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.

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:

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 1999

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Fund

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.

Reverend Doherty Fuel Fund - This fund is used to account for the transactions related to a trust fund set up for partial fuel payments for eligible individuals.

Fire Loss Escrow Fund - Used to hold funds received as the result of a fire in the borough, to be used for clean-up and other expenses if necessary.

Account Groups - Account groups are used to establish accounting control and accountability for the Borough's general fixed assets and general long-term obligations.

General Fixed Assets Account Group - Used to record the investment of the Borough in real and personal property. The general fixed assets are maintained and accounted for at appraised replacement values which is not in accordance with generally accepted accounting principles.

General Long-Term Debt Account Group - Used to record the outstanding principal balances of the Borough's long-term debt obligations.

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, 1999

Note 1 - Summary of Significant Accounting Policies (Continued)

c. Budget

The Borough Council adopts a budget each year for the general, debt service, sewer 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, 1999. 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 - CD - General	\$ 12 251
Honesdale National Bank - Checking - General	26 784
Honesdale National Bank - Savings - Park and Shop	285
Honesdale National Bank - Savings - General	239
Honesdale National Bank - Checking - Park & Shop	857
Honesdale National Bank - CD - Park & Rec.	10 000
Citizens National Bank - Checking - Park & Rec.	25 471
Citizens National Bank - Checking - OPT	322
Citizens National Bank - Savings - Park & Rec.	296

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

Note 3 - Cash in Bank (Continued)

Special Revenue Fund

The Dime Bank - Checking - Liquid Fuels	\$ 23 686
The Dime Bank - Savings - Liquid Fuels	3 828
Honesdale National Bank - DPW Equip. Fund	968
Honesdale National Bank - COPS More	249

Sewer Fund

Honesdale National Bank - Sewer - Savings	\$ 20 252
Honesdale National Bank - Checking - Sewer	46 265
Honesdale National Bank - Savings - Sewer Reserve	8 164
Honesdale National Bank - Certificate of Deposit	40 000
Honesdale National Bank - Certificate of Deposit	25 000
Honesdale National Bank - Certificate of Deposit	95 000
The Dime Bank - Certificate of Deposit	100 000

Debt Service Fund

Honesdale National Bank - Sinking Fund	\$ 11 579
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Fiduciary Fund - Trust & Agency

Honesdale National Bank - Checking - Payroll	\$ 9 623
Honesdale National Bank - Money Market - Police Pension	489
Honesdale National Bank - CD's - Police Pension	461 486
Honesdale National Bank - Savings - Pension Fund	268
Citizens National Bank - Savings - Doherty Fund	4 487
Honesdale National Bank - GNMA Trust Fund	100 000
Honesdale National Bank - Fed. Obligation Fund	30 500
Honesdale National Bank - Swiatek Road Escrow	1 553
Honesdale National Bank - Fire Loss Escrow	14 120

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1999

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>
Bonds	\$ 109 069	\$ 109 181
Common Stocks	453 234	1 367 104
Mutual Funds	<u>183 354</u>	<u>194 878</u>
 Total Investments	 \$ 745 657 =====	 \$1 671 163 =====

The investments in the police pension fund are managed by the trust department of the Honesdale National Bank. Investments in common stocks and mutual funds 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.

Principal Plan Provisions

1. Effective date and amendments:

The plan was originally effective on September 1, 1960 through the enactment of ordinance 324. It was amended to clarify certain provisions with ordinances 455, 468 and 479. It has been amended by Borough Contract dated September 22, 1987.

2. Eligibility for participation:

All full time police officers are eligible.

3. Service crediting:

All years of service in the same municipality shall be credited for eligibility, vesting and pension accruals.

4. Plan compensation:

All salary or wages, including bonuses and overtime pay, shall be used to determine pensions or allocations.

5. Normal retirement:

Eligibility - The first of the month coincident with or next following the attainment of age 50 and the completion of 25 years of service.

Pension - 50% of the final three year average compensation minus any other pensions provided by the Borough.

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

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1999

Note 5 - Police Pension Fund (continued)

6. **Deferred retirement:**

Eligibility - Any first of the month following the normal retirement date as selected by the participant.

Pension - The same pension as the normal retirement pension shall become payable.

Payment - commences as soon as it is administratively possible following eligibility and effective thereon.

7. **Early retirement:**

There is no early retirement provision in the plan.

8. **Disability retirement:**

Eligibility - The first of the month coincident with or next following the service connected permanent and total disability.

Pension - The normal retirement pension, based on the current compensation average, multiplied by the ratio of actual service at termination to twenty years.

Payment - Commences as soon as it is administratively possible following eligibility and effective thereon.

9. **Vested retirement:**

Eligibility - The first of the month coincident with or next following the completion of 12 years of service.

Pension - The normal retirement pension, based on the current compensation average, multiplied by the ratio of actual service at termination to the total service that would have been earned at normal retirement.

Payment - Commences upon the normal retirement date.

10. **Death benefits:**

Pre-retirement - Fifty percent of the accrued benefit shall be paid as a survivor annuity.

Post-retirement - Upon the attainment of the normal retirement date death benefits shall be payable in the form of a 50% survivor's annuity to the spouse.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1999

Note 5 - Police Pension Fund (continued)

11. Cost-of-Living Adjustments:

Pension payments shall be increased on an annual basis. Such increases shall be in accordance with the increases in the Consumer Price Index, but shall not exceed 5% per annum. The total of all increases shall not exceed 30% and the resulting pension shall not be greater than 75% of the average compensation used for pension purposes.

Actuarial Cost Method

The actuarial cost method employed 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.

Asset Valuation Method

The trust fund is valued using the assets at the current market value. The accrual method is used and accrued income due on bonds is considered. The investment policy is in accordance with the prudent Person Rule as stated in State and Federal Statutes. All investments are either insured by the Government or are registered with the Government and held through registered investment brokers.

Individual investments that equal 5% or more of the total fund are as follows:

Johnson & Johnson, Inc.	Stock	\$ 137, 020
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Actuarial Rate Assumptions

Retirement: Age retirements are assumed to occur at the normal retirement age.

Mortality: The 1984 Unisex Pension Mortality Table is used for both males and females.

Interest: 7% per annum, net of investment expenses, is used both before and after retirement.

Compensation: Salaries are assumed to increase at the rate of 5% per each year until retirement.

Withdrawal: Terminations are assumed to occur in accordance with the Crocker-Sarason T-1 Table.

Disability: Disablements are assumed to occur in accordance with the 1955 UAW Table.

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1999

Note 5 - Police Pension Fund (continued)

Expense: Paid directly by the municipality.

Active Participants

1.	Active participants as of January 1, 1998		6
2.	Additions:		
	Newly covered	0	
	Transferred in	<u>0</u>	
	Total additions		0
3.	Deletions:		
	Terminations	0	
	Deceased	0	
	Retired	0	
	Transferred out	<u>0</u>	
	Total deletions		<u>0</u>
4.	Active participants as of December 31, 1998		6

Terminated Participants with Vesting

1.	Vested participants as of January 1, 1998		0
2.	Plan year experience:		
	Newly covered (+)	0	
	Deceased (-)	0	
	Retired (-)	0	
	Rehired or settled (-)	<u>0</u>	
	Net increase		<u>0</u>
3.	Vested participants as of December 31, 1998		0

Rehired Plan Participants

1.	Retired participants as of January 1, 1998		3
2.	Plan year experience:		
	Newly retired (+)	0	
	Deceased (-)	0	
	Rehired or settled (-)	<u>0</u>	
	Net increase		<u>0</u>
3.	Retired participants as of December 31, 1998		3

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 1999

Note 5 - Police Pension Fund (continued)

Statement of Assets

1. Assets as of 12/31/97:	<u>Cost Value</u>	<u>Market Value</u>
Cash & equivalents	\$ 10 189	\$ 10 189
Government obligations	334 667	335 476
Corporate bonds	-0-	-0-
Corporate stocks	462 099	1 089 682
Certificates of deposit	292 000	292 000
Mutual funds	170 000	181 406
Loans receivable	-0-	-0-
Total fund value	<u>\$ 1 268 955</u>	<u>\$ 1 908 753</u>
2. Adjustment to assets:		
Contributions rec'ble (+)	\$ -0-	\$ 11 386
Accrued expenses (-)	-0-	-0-
Advance contributions (-)	-0-	-0-
Benefits due and unpd. (-)	-0-	-0-
Accrued income (+)	-0-	-0-
Total adjustments	<u>\$ -0-</u>	<u>\$ 11 386</u>
3. Adjusted trust fund values as of 12/31/97 (1)+(2)	\$ 1 268 955	\$ 1 920 139
4. Valuation assets as of 1/1/98		\$ 1 920 139

Unfunded Value of Future Benefits

1. Present value of future benefits	\$ 1 637 751
2. Valuation assets	<u>1 920 139</u>
3. Unfunded value of future benefits	\$ -0-

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.

Description of Plan
General

The Borough of Honesdale Non-Uniformed Employees Pension Plan is a single-employer defined contribution pension plan. The Plan was established December 24, 1996 by entering into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT).

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

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

The Plan was amended and restated by Resolution #12-11-95-03 effective January 1, 1995. The Plan is governed by the Borough Council of the borough of Honesdale which may amend plan provisions, and which is responsible for the management of Plan assets. The Borough Council has delegated the authority to manage certain Plan assets to the PSABMRT.

Plan Membership

Actuarial Valuation Report Form PC-203A, which was filed with the Public Employee Retirement Commission and dated January 1, 1998, disclosed pension plan membership information as of January 1, 1998.

	<u>January 1, 1998</u>
Active employees	11
Retirees and beneficiaries currently receiving benefits	-0-
Terminated employees entitled to benefits but not yet receiving them	<u>-0-</u>
Total	11

Benefit Provisions

Actuarial Valuation Report Form PC-203A, which was filed with the Public Employee Retirement Commission and dated January 1, 1997, discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements

Participation: The completion of one year of service.

Normal Retirement: Attainment of age 65.

Early Retirement: Attainment of age 62.

Vesting: Less than 3 years, 0%, 20% after completion of 3 years of service increasing by 20% each year thereafter, up to 100% after 7 years of service. A participant shall become 100% vested upon attainment or normal retirement age.

Retirement of Disability Benefit

The fair market value of the participant's account paid as a lump sum or applied to the purchase of a single premium annuity contract.

Survivor Benefit

If the participant dies while actively employed by the employer, the participant's account shall become 100% vested, and shall be payable to his/her beneficiary.

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

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

Funding Policy

Active members of the plan are not required to contribute to the plan. The municipality is required to contribute \$750 per year for each eligible participant.

The plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution.

Forfeitures due to nonvested terminations are used to reduce mandatory employer contributions and administrative expenses.

Summary of Significant Accounting Policies

Basis of Accounting

These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

Valuation of Investments

Plan investments are listed at fair value as reported by the PSABMRT.

Investments That Represent 5% or More of Net Assets Available for Benefits

At December 31, 1997, all of the Plan's investments were held by PSABMRT General Balanced Fund.

Deposits and Investments

1. Deposits

At December 31, 1998, the Plan held \$0 in deposits.

2. Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. It is the policy of the PSABMRT General Balanced Fund to invest approximately 60% of assets in equities and approximately 40% of assets in fixed income investments.

The Plan's investments are categorized below to give an indication of the level of custodial credit risk assumed by the Plan at December 31, 1998. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the Plan's name.

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

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

Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty or by its trust department or agent but not in the Plan's name.

	---Category---			Total Market Value
	1	2	3	
<u>Securities</u>				
None				
<u>Investments Other Than Securities</u>				
PSABMRT General Balanced Fund				\$ <u>32 729</u>
<u>Total Investments</u>				\$ <u>32 729</u> =====

Statement of Plan Net Assets as of 12/31/98

Assets

Receivables				
Employer contributions in transit				\$ -0-
Investments at fair value				
PSAB Municipal Retirement Trust - General Balanced Fund				<u>32 729</u>
Total Assets				32 729

Liabilities

Net Assets Held in Trust for Pension Benefits				\$ <u>32 729</u> =====
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BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

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

Statement of Changes in Plan Net Assets for the Year Ended 12/31/98

Additions

Contributions

State aid	\$ 3 444
Municipal contributions	11 456
Member contributions	<u>-0-</u>

Total Contributions	<u>14 900</u>
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Investment income

Interest income	896
Divident income	238
Net appreciation (depreciation) in fair value of investments	<u>2 609</u>

Less investment expense	<u>-0-</u>
Net investment income	<u>3 743</u>

Total Additions	<u>18 643</u>
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Deductions

Pension payments	2 984
Refund of member contributions	-0-
Administrative expenses	<u>3 091</u>

Total Deductions	<u>6 075</u>
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Net Increase (Decrease)	12 568
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Net Assets Held in Trust for Pension Benefits

Beginning of Year	<u>35 061</u>
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End of Year	\$ 47 629 =====
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Note 7 - Taxes

For 1999, 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.

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 1999

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, 1999, the Borough made interest payments of \$47,478 and principal payments of \$128,514. The principal outstanding as of December 31, 1999 is \$1,066,315.

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, 1999, the Borough made interest payments of \$9,985 and principal payments of \$31,264. The principal outstanding as of December 31, 1999 is \$185,081.

c. On April 19, 1994, the Borough executed an equipment loan in the amount of \$25,000 through the Commonwealth of Pennsylvania Local Government Capital Projects Loan Program. The loan bears interest computed at 2% and requires monthly payments of \$1,108. During the year ended December 31, 1999, the Borough made interest payments of \$141 and principal payments of \$4,291. The principal balance outstanding at December 31, 1999 was \$4,377.