

BOROUGH OF HONESDALE

AUDIT REPORT

For The Year Ended December 31, 2000

BOROUGH OF HONESDALE
Financial Statements
Table of Contents

Independent Auditor's Report	1
Combined Statement of Assets & Liabilities Arising From Cash Transaction - All Fund Types	2
Combined Statement of Cash Receipts & Disbursements - All Gov- ernmental Funds and Fiduciary Fund Types	3,4
Combined Statement of Cash Receipts & Disbursements - Budget & Actual - All Governmental Fund Types	5-8
Notes to Financial Statements	9-21

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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, 2000 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, 2000 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, 2001

BOROUGH OF HONESDALE
 Combined Statement of Assets & Liabilities Arising
 From Cash Transactions - All Fund Types
 December 31, 2000

	-----Governmental Fund Types -----	-- Proprietary Fund--	-- Fiduciary --	General
	Special	Sewer	Trust & Agency	Long-Term
	Revenue	Fund	Funds	Debt
	General	Debt	Fixed	Assets
	Service	Assets	Debt	Debt
ASSETS				
Cash	\$ 78 367	\$ 12 237	\$ 205 434	\$ -0-
Investments	-0-	-0-	-0-	-0-
Due From Other Funds	107	-0-	837 534	-0-
Amount Avail. in Debt Serv. Funds	-0-	-0-	-0-	-0-
Amount Prov'd/Ret. Long Trm Dbt	-0-	-0-	-0-	12 237
Land & Site Improvements	-0-	-0-	-0-	1 099 954
Bldgs. & Bldgs. Improvements	-0-	-0-	-0-	-0-
Machinery & Equipment	-0-	-0-	-0-	-0-
TOTAL ASSETS	\$ 78 474	\$ 12 237	\$ 205 434	\$ 1 112 191
	=====	=====	=====	=====
LIABILITIES & FUND BALANCE				
LIABILITIES:				
Due To Other Funds	\$ -0-	\$ -0-	\$ 107	\$ -0-
Escrow Liability	-0-	-0-	14 878	-0-
G. O. Note, Pennvest & Equip Ln.	-0-	-0-	-0-	-0-
TOTAL LIABILITIES	\$ -0-	\$ -0-	\$ 14 985	\$ 1 112 191
	=====	=====	=====	=====
FUND BALANCE:				
Invested In Gen. Fixed Assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Reserved for Special Revenues	-0-	37 869	-0-	-0-
Reserved for Debt Service	-0-	-0-	-0-	-0-
Unreserved Retained Earnings	-0-	12 237	-0-	-0-
Rsvd. for Police & Employee Pen.	-0-	-0-	-0-	-0-
Reserved for Rev. Doh. Fuel Fund	-0-	-0-	1 332 125	-0-
Reserved for Capital Projects	45 294	-0-	4 703	-0-
Unreserved	33 180	-0-	-0-	-0-
TOTAL FUND BALANCE	\$ 78 474	\$ 12 237	\$ 1 336 828	\$ -0-
	=====	=====	=====	=====
TOTAL LIABILITIES & FUND BALANCE	\$ 78 474	\$ 12 237	\$ 1 351 813	\$ 1 112 191
	=====	=====	=====	=====

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, 2000

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

RECEIPTS

Taxes	\$ 671 688	\$ -0-	\$ 63 277	\$ -0-	\$ 6 328
Licenses & Permits	2 224	-0-	-0-	-0-	-0-
Fines and Forfeits	93 109	-0-	-0-	-0-	-0-
Interest	3 931	2 158	630	15 525	81 501
Intergovernmental	61 386	106 440	-0-	-0-	16 959
Charges for Services	87 256	-0-	-0-	715 979	-0-
Miscellaneous	<u>973</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3 555</u>
<u>TOTAL RECEIPTS</u>	\$ 920 567	\$ 108 598	\$ 63 907	\$ 731 504	\$ 108 343

DISBURSEMENTS

General Government	\$ 128 883	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public Safety	533 814	-0-	-0-	-0-	-0-
Public Works - Sanitation	9 017	-0-	-0-	536 676	-0-
- Highways, Roads and Streets	286 487	73,754	-0-	-0-	-0-
- Other Public Works	16 753	-0-	-0-	-0-	-0-
Culture - Recreation	75 472	-0-	-0-	-0-	-0-
Debt Service	4 302	4 398	41 249	175 913	-0-
Miscellaneous	<u>19 916</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9 600</u>
<u>TOTAL EXPENDITURES</u>	\$1 074 644	\$ 103 191	\$ 41 249	\$ 712 589	\$ 9 600

EXCESS OF RECEIPTS OVER

(UNDER) DISBURSEMENTS

\$ (154 077)	\$ 5 407	\$ 22 658	\$ 18 915	\$ 98 743
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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, 2000

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

OTHER FINANCING SOURCES (USES)

Proceeds Sale Fixed Assets	\$ 21 275	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Operating Transfers In	168 000	3 730	-0-	-0-	-0-
Operating Transfers Out	(3 430)	-0-	(22 000)	(146 300)	-0-
Police Pension Benefits Paid	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(104 803)</u>

TOTAL OTHER FIN'G SRCES (USES) \$ 185 845 \$ 3 730 \$ (22 000) \$ (146 300) \$ (104 803)

EXCESS OF RCPTS & OTHER SRCES OVER

(UNDER) EXPENDITURES & OTHER USES \$ 31 768 \$ 9 137 \$ 658 \$ (127 385) \$ (6 060)

FUND BALANCES

BEGINNING	\$ <u>46 706</u>	\$ <u>28 732</u>	\$ <u>11 579</u>	\$ <u>332 819</u>	\$ <u>1 342 888</u>
ENDING	\$ 78 474	\$ 37 869	\$ 12 237	\$ 205 434	\$ 1 336 828
	=====	=====	=====	=====	=====

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, 2000

	-----General Fund-----		-----Liquid Fuels Fund-----		
	Budget	Actual	Budget	Actual	Variances Favorable (Unfavorable)
RECEIPTS					
Taxes	\$ 696 829	\$ 671 688	\$ -0-	\$ -0-	\$ -0-
Licenses & Permits	6 350	2 224	-0-	-0-	-0-
Fines and Forfeits	89 500	93 109	-0-	-0-	-0-
Interest	1 350	3 931	1 500	2 158	658
Intergovernmental	21 300	61 386	81 250	81 150	(100)
Charge for Services	101 970	87 256	-0-	-0-	-0-
Miscellaneous	<u>600</u>	<u>973</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL RECEIPTS	\$ 917 899	\$ 920 567	\$ 82 750	\$ 83 308	\$ 558
EXPENDITURES					
General Government	\$ 128 014	\$ 128 883	\$ -0-	\$ -0-	\$ -0-
Public Safety	484 724	533 814	-0-	-0-	-0-
Public Works-Sanitation	12 977	9 017	-0-	-0-	-0-
- Highway, Roads, Streets	260 899	286 487	88 557	73 754	14 803
- Other Public Works	19 630	16 753	-0-	-0-	-0-
Culture - Recreation	73 598	75 472	-0-	-0-	-0-
Debt Service	2 500	4 302	-0-	-0-	-0-
Miscellaneous	<u>33 850</u>	<u>19 916</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$ 1 016 192	\$ 1 074 644	\$ 88 557	\$ 73 754	\$ 14 803
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (98 293)	\$ (154 077)	\$ (5 807)	\$ 9 554	\$ 15 361

BOROUGH OF HONESDALE
 Combined Statement of Cash Receipts & Disbursements
 - Budget & Actual - All Governmental Fund Types - (continued)
 For The Year Ended December 31, 2000

	-----General Fund-----		-----Liquid Fuels Fund-----		
	Budget	Actual	Budget	Actual	Variances Favorable (Unfavorable)
OTHER FINANCING					
<u>SOURCES (USES)</u>					
Proceeds Sale Fixed Assets	\$ -0-	\$ 21 275	\$ -0-	\$ -0-	\$ -0-
Oper Transfers In	20 000	168 000	-0-	-0-	-0-
Oper Transfers Out	<u>-0-</u>	<u>(3 430)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING					
SOURCES (USES)	\$ 70 000	\$ 185 845	\$ -0-	\$ -0-	\$ -0-
RECEIPTS & OTHER SRCS OVER (UNDER) DISB. <u>AND OTHER (USES)</u>	\$(28 293)	\$ 31 768	\$ (5 807)	\$ 9 554	\$ 15 361
<u>FUND BALANCES</u>					
BEGINNING	\$ 28 293	\$ 46 706	\$ 5 807	\$ 27 515	\$ 21 708
ENDING	\$ -0-	\$ 78 474	\$ -0-	\$ 37 069	\$ 37 069

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, 2000

	-----Debt Service Fund-----		-----Sewer Fund-----		
	Budget	Actual	Budget	Actual	Variances Favorable (Unfavorable)
<u>RECEIPTS</u>					
Taxes	\$ 69 202	\$ 63 277	\$ -0-	\$ -0-	\$ -0-
Interest	650	630	20 000	15 525	(4 475)
Charge for Services	<u>-0-</u>	<u>-0-</u>	<u>745 500</u>	<u>715 979</u>	<u>(29 521)</u>
<u>TOTAL RECEIPTS</u>	\$ 69 852	\$ 63 907	\$ 765 500	\$ 731 504	\$ (33 996)
<u>EXPENDITURES</u>					
Public Works-Sanitation	\$ -0-	\$ -0-	\$ 866 885	\$ 536 676	\$ 330 209
Debt Service	<u>41 250</u>	<u>41 249</u>	<u>175 912</u>	<u>175 913</u>	<u>(1)</u>
<u>TOTAL EXPENDITURES</u>	\$ 41 250	\$ 41 249	\$ 1 042 797	\$ 712 589	\$ 330 208
<u>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</u>	\$ 28 602	\$ 22 658	\$ (277 297)	\$ 18 915	\$ 296 212
<u>OTHER FINANCING SOURCES (USES)</u>					
Oper Transfers Out	<u>\$(25 000)</u>	<u>\$ (22 000)</u>	<u>\$ (45 000)</u>	<u>\$(146 300)</u>	<u>\$(101 300)</u>
<u>RECEIPTS & OTHER SRCS OVER (UNDER) DISB. AND OTHER (USES)</u>	\$ 3 602	\$ 658	\$ (322 297)	\$(127 385)	\$ 194 912
<u>FUND BALANCES</u>					
BEGINNING	\$ -0-	\$ 11 579	\$ 322 297	\$ 332 819	\$ 10 522
ENDING	\$ 3 602	\$ 12 237	\$ -0-	\$ 205 434	\$ 205 434

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

BOROUGH OF HONESDALE
Notes to Financial Statements
For The Year Ended December 31, 2000

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.

COPSMORE Fund - The COPSMORE fund is used for transactions relating to a grant provided to offset costs associated with the police department.

EPA Grant Fund - Used to account for transactions relating to EPA matching grants.

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, 2000

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, 2000

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, 2000. 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	\$ 25 795
Honesdale National Bank - Savings - Park and Shop	6 830
Honesdale National Bank - Savings - General	286
Honesdale National Bank - Checking - Park & Shop	278
Honesdale National Bank - CD - Park & Rec.	10 000
Citizens National Bank - Checking - Park & Rec.	3 059
Citizens National Bank - Checking - OPT	445
Citizens National Bank - Savings - Park & Rec.	10 571
Honesdale National Bank - Renovations Acct.	45 294

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 2000

Note 3 - Cash in Bank (Continued)

Special Revenue Fund

The Dime Bank - Checking - Liquid Fuels	\$ 10 315
The Dime Bank - Savings - Liquid Fuels	28 238
Honesdale National Bank - EPA Grant	300
Honesdale National Bank - COPS More	500

Sewer Fund

Honesdale National Bank - Sewer - Savings	\$ 3 616
Honesdale National Bank - Checking - Sewer	44 142
Honesdale National Bank - Savings - Sewer Reserve	1 620
Honesdale National Bank - Certificate of Deposit	25 000
Honesdale National Bank - Certificate of Deposit	40 000
Honesdale National Bank - Certificate of Deposit	45 000
The Dime Bank - Certificate of Deposit	50 000

Debt Service Fund

Honesdale National Bank - Sinking Fund	\$ 12 237
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Fiduciary Fund - Trust & Agency

Honesdale National Bank - Checking + Payroll	\$ 21 547
Honesdale National Bank - Money Market - Police Pen.	1 184
Honesdale National Bank - CD's - Police Pension	440 500
Honesdale National Bank - Savings - Pension Fund	368
Citizens National Bank - Savings - Doherty Fund	4 703
Honesdale National Bank - Fed. Obligation Fund	52 500
Honesdale National Bank - Swiatek Road Escrow	1 592
Honesdale National Bank - Fire Loss Escrow	13 326

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 2000

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	\$ 194 628	\$ 185 937
Common Stocks	416 289	1 420 298
Mutual Funds	<u>226 617</u>	<u>227 985</u>
Total Investments	\$ 837 534 =====	\$ 1 834 220 =====

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, 2000

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, 2000

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:

General Electric	Stock	\$ 139 500
Johnson & Johnson, Inc.	Stock	\$ 137 020
Pfizer, Inc.	Stock	\$ 117 675

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, 2000

Note 5 - Police Pension Fund (continued)

Expense: Paid directly by the municipality.

Active Participants

1.	Active participants as of January 1, 1999		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, 1999		6

Terminated Participants with Vesting

1.	Vested participants as of January 1, 1999		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, 1999		0

Rehired Plan Participants

1.	Retired participants as of January 1, 1999		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, 1999		3

BOROUGH OF HONESDALE
Notes to Financial Statements (continued)
For The Year Ended December 31, 2000

Note 5 - Police Pension Fund (continued)

Statement of Assets

1. Assets as of 12/31/99:	<u>Cost Value</u>	<u>Market Value</u>
Cash & equivalents	\$ 30 989	\$ 30 989
Government obligations	209 069	201 763
Corporate bonds	-0-	-0-
Corporate stocks	418 202	1 340 086
Certificates of deposit	461 486	461 500
Mutual funds	218 386	221 895
Loans receivable	-0-	-0-
Total fund value	<u>\$ 1 338 132</u>	<u>\$ 2 256 233</u>
2. Adjustment to assets:		
Contributions rec'ble (+)	\$ -0-	\$ -0-
Accrued expenses (-)	-0-	-0-
Advance contributions (-)	-0-	-0-
Benefits due and unpd. (-)	-0-	-0-
Accrued income (+)	-0-	-0-
Total adjustments	<u>\$ -0-</u>	<u>\$ -0-</u>
3. Adjusted trust fund values as of 12/31/97 (1)+(2)	\$ 1 338 132	\$ 2 256 233
4. Valuation assets as of 1/1/00		\$ 2 256 233

Unfunded Value of Future Benefits

1. Present value of future benefits	\$ 1 960 512
2. Valuation assets	<u>2 256 233</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, 2000

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	-0-
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, 2000

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, 1999, all of the Plan's investments were held by PSABMRT General Balanced Fund.

Deposits and Investments

1. Deposits

At December 31, 1999, 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, 1999. 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, 2000

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>64 204</u>
<u>Total Investments</u>				\$ <u>64 204</u> =====

Statement of Plan Net Assets as of 12/31/99

Assets

Receivables		
Employer contributions in transit		\$ -0-
Investments at fair value		
PSAB Municipal Retirement Trust - General Balanced Fund		<u>64 204</u>
Total Assets		64 204

Liabilities

Total Liabilities		<u>-0-</u>
Net Assets Held in Trust for Pension Benefits		\$ <u>64 204</u> =====

BOROUGH OF HONESDALE
Notes to Financial Statements (Continued)
For The Year Ended December 31, 2000

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

Statement of Changes in Plan Net Assets for the Year Ended 12/31/99

Additions

Contributions

State aid	\$ 7 711
Municipal contributions	6 589
Member contributions	<u>-0-</u>

Total Contributions	<u>14 300</u>
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Investment income

Interest income	1 318
Divident income	380
Net appreciation (depreciation) in fair value of investments	<u>1 074</u>

Less investment expense	<u>-0-</u>
Net investment income	<u>2 772</u>

Total Additions	<u>17 072</u>
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Deductions

Pension payments	-0-
Refund of member contributions	-0-
Administrative expenses	<u>-0-</u>

Total Deductions	<u>-0-</u>
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Net Increase (Decrease)	17 072
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Net Assets Held in Trust for Pension Benefits

Beginning of Year	<u>46 301</u>
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End of Year	\$ 63 373 =====
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Note 7 - Taxes

For 2000, 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, 2000

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, 2000, the Borough made interest payments of \$133,978 and principal payments of \$41,934. The principal outstanding as of December 31, 2000 is \$932,236.

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, 2000, the Borough made interest payments of \$8,436 and principal payments of \$32,813. The principal outstanding as of December 31, 2000 is \$152,268.

c. In June, 2000, the Borough entered into a lease purchase agreement with the Ford Motor Credit for two (2) police cars in the amount of \$32,683. The agreement requires monthly payments of \$1,045.56 through May 19, 2003.

BOROUGH OF HONSDALE

AUDIT REPORT

For The Year Ended December 31, 2000

BRIAN FOSTER

- CERTIFIED PUBLIC ACCOUNTANT -

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