

**Borough of Honesdale**

**Audit Report**

**December 31, 2022**

***Rainey & Rainey***  
***Certified Public Accountants***

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## CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA  
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William Giovagnoli  
Randy Schmidt

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Borough Council  
Borough of Honesdale, Pennsylvania

#### **Qualified and Unmodified Opinions**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Honesdale, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough of Honesdale's basic financial statements as listed in the table of contents.

#### **Qualified Opinion on the Aggregate Remaining Fund Information**

In our opinion, except for the effects of the matter described in the Basis for Qualified section of our report, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the aggregate remaining fund information of the Borough of Honesdale as of December 31, 2022, and the respective changes in the modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### **Unmodified Opinions on Governmental Activities and Each Major Fund**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Honesdale Borough, as of December 31, 2022, and the respective changes in the modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### **Basis for Qualified and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Honesdale, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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## Matter Giving Rise to Qualified Opinion on the Aggregate Remaining Fund Information

As discussed in Note 8 to the financial statements, the Borough of Honesdale does not include all disclosures regarding its pension fund. In our opinion, disclosure of that information is required by the modified cash basis of accounting; however, management believes it is impractical to develop the information. The amount by which this departure would affect the assets, net position, and revenue has not been determined.

### **Emphasis of Matter—Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1: This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Honesdale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Honesdale's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

#### *Other Information*

Management has omitted the Management's Discussion and Analysis that the modified cash basis of accounting requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Honesdale's basic financial statements. The other information related to the budgetary comparison information on page 26 and 27, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Rainey & Rainey*

Scranton, Pennsylvania

July 26, 2023

**Borough of Honesdale**  
**Statement of Net Position - Modified Cash Basis**  
**As of December 31, 2022**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 2,917,313
Cash and Cash Equivalents - Restricted	80,768
Total Current Assets	2,998,081
Fixed Assets, Net	1,416,040
<b>Total Assets</b>	<b>\$ 4,414,121</b>
<b><u>LIABILITIES</u></b>	
Current Portion of Long-term Debt	\$ 21,057
Long-term Debt	123,322
<b>Total Liabilities</b>	<b>144,379</b>
<b><u>Net Position</u></b>	
Invested in Capital Assets, Net of Related Debt	\$ 1,271,661
Restricted for:	
Debt Services	1,828
Liquid Fuels	78,940
General Fund	101,970
Unrestricted Net Position	2,815,343
<b>Total Net Position</b>	<b>\$ 4,269,742</b>

**Borough of Honesdale**  
**Statement of Activities - Modified Cash Basis**  
**For The Year Ended December 31, 2022**

	Expenditures	Program Revenues			Net (Expense)
		Charge For Services	Operating Grants	Capital Grants	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 394,363	\$ -	\$ 236,022	\$ -	\$ (158,341)
Public Safety	772,169	233,696	29,327	-	(509,146)
Public Works	574,210	171,898	140,646	500,000	238,334
Culture & Recreation	90,264	25,159	-	-	(65,105)
Community Development	22,911	-	7,781	-	(15,130)
Pension, Taxes and Insurance	1,082,390	-	72,526	-	(1,009,864)
Interest on Long-Term Debt	5,121	-	-	-	(5,121)
Miscellaneous Expenditures	5,694	-	-	-	(5,694)
<b>Total Governmental Activities</b>	<b>\$ 2,947,122</b>	<b>\$ 430,753</b>	<b>\$ 486,302</b>	<b>\$ 500,000</b>	<b>\$ (1,530,067)</b>
<b>Total Primary Government</b>	<b>\$ 2,947,122</b>	<b>\$ 430,753</b>	<b>\$ 486,302</b>	<b>\$ 500,000</b>	<b>\$ (1,530,067)</b>
<b>General Revenues:</b>					
Taxes Levied for General Purposes				\$	2,629,406
License and Permits					61,232
Fines and Forfeits					15,961
Investment Earnings					11,252
Sale of Assets					8,191
Miscellaneous Income					4,687
<b>Total General Revenues</b>				<b>\$</b>	<b>2,730,729</b>
<b>Change In Net Position</b>				<b>\$</b>	<b>1,200,662</b>
<b>Net Position - January 1, 2022</b>					<b>3,069,080</b>
<b>Net Position - December 31, 2022</b>				<b>\$</b>	<b>4,269,742</b>

See Independent Auditor's Report And Notes To Financial Statements

**Borough of Honesdale**  
**Balance Sheet - Governmental Funds - Modified Cash Basis**  
**As of December 31, 2022**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Fund Types</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,815,343	\$ -	\$ -	\$ 2,815,343
Cash and Cash Equivalents - Restricted	<u>101,970</u>	<u>78,940</u>	<u>1,828</u>	<u>182,738</u>
<b>Total Assets</b>	<u>2,917,313</u>	<u>78,940</u>	<u>1,828</u>	<u>2,998,081</u>
<b>Fund Balance</b>				
Restricted				
Reserve for Liquid Fuels	-	78,940	-	78,940
Reserve for General Fund	101,970	-	-	101,970
Assigned				
Reserve for Debt Service Fund	-	-	1,828	1,828
Unassigned	<u>2,815,343</u>	<u>-</u>	<u>-</u>	<u>2,815,343</u>
Total Fund Balance	<u>2,917,313</u>	<u>78,940</u>	<u>1,828</u>	<u>2,998,081</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,917,313</u>	<u>\$ 78,940</u>	<u>\$ 1,828</u>	<u>\$ 2,998,081</u>

**Borough of Honesdale**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**Modified Cash Basis**  
**Year Ended December 31, 2022**

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Total fund balance – total governmental funds	\$ 2,998,081
Capital assets (net) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	1,416,040
Short and long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Short and long-term liabilities at year end consist of debt.	(144,379)
Net position governmental activities	<u>\$ 4,269,742</u>

**Borough of Honesdale**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ended December 31, 2022**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Fund Types</u>
<b>Revenues</b>				
Taxes and assessments	\$ 2,478,462	\$ 128,169	\$ 22,775	\$ 2,629,406
Licenses and permits	61,232	-	-	61,232
Fines and forfeits	15,961	-	-	15,961
Interest & rents	10,740	501	11	11,252
Intergovernmental revenues	846,146	140,156	-	986,302
Charges for services	430,753	-	-	430,753
Sale of Assets	8,191	-	-	8,191
Miscellaneous income	<u>4,687</u>	<u>-</u>	<u>-</u>	<u>4,687</u>
<b>Total revenues</b>	3,856,172	268,826	22,786	4,147,784
<b>Expenditures</b>				
General government	393,396	-	-	393,396
Public safety	777,871	-	-	777,871
Public Works	657,678	183,722	-	841,400
Culture - recreation	90,264	-	-	90,264
Community development	22,911	-	-	22,911
Debt service - principal	20,319	-	-	20,319
Debt service - interest	5,121	-	-	5,121
Pension, benefits, and insurance	802,049	280,341	-	1,082,390
Miscellaneous	<u>5,695</u>	<u>-</u>	<u>-</u>	<u>5,694</u>
<b>Total Expenditures</b>	<u>2,775,304</u>	<u>464,063</u>	<u>-</u>	<u>3,239,366</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,080,868</u>	<u>(195,237)</u>	<u>22,786</u>	<u>908,418</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	22,773	151,798	-	174,571
Operating transfers out	(151,798)	-	(22,773)	(174,571)
Debt proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	(129,025)	151,798	(22,773)	-
<b>Net Change In Fund Balance</b>	951,842	(43,439)	13	908,417
<b>Fund balance - January 1, 2022</b>	<u>1,965,471</u>	<u>122,379</u>	<u>1,815</u>	<u>2,089,665</u>
<b>Fund balance - December 31, 2022</b>	<u>\$ 2,917,313</u>	<u>\$ 78,940</u>	<u>\$ 1,828</u>	<u>\$ 2,998,081</u>

**Borough of Honesdale**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in Funds Balances of**  
**Governmental Activities - Modified Cash Basis to the Statement of Activities - Modified Cash Basis**  
**As of December 31, 2022**

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Net change in fund balances – total governmental funds	\$ 908,417
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period:</p>	
Depreciation expense      \$ (113,210)	
Capital Outlays                      385,136	271,926
<p>Proceeds of long-term debt provides current financial resources to governmental funds, while repayment (borrowing) of the debt principal is an expenditure (income) in the governmental funds, but the repayment reduces, (borrowing) increases long-term liabilities</p>	
	20,319
Change in net position of governmental activities	\$ 1,200,662

**Borough of Honesdale**  
**Combined Statement of Plan Net Position - Fiduciary Fund Types**  
**Modified Cash Basis**  
**As of December 31, 2022**

	<b>Private-Purpose</b>			<b>Total Fiduciary Fund Types</b>
	<b>Trust Fund</b>	<b>Pension Trust Funds</b>		
	<b>Rev. Doherty Fuel Fund</b>	<b>Non Uniform Pension</b>	<b>Uniform Pension</b>	
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 69,149	\$ -	\$ -	\$ 69,149
Investments	841,812	368,082	4,043,196	5,253,090
<b>Total Assets</b>	<b>\$ 910,961</b>	<b>\$ 368,082</b>	<b>\$ 4,043,196</b>	<b>\$ 5,322,239</b>
<b><u>Net Position</u></b>				
<b>Net Position</b>				
Held in accordance with trust agreement	\$ 910,961	\$ -	\$ -	\$ 910,961
Held in trust for pension benefits	-	368,082	4,043,196	4,411,278
<b>Total Net Position</b>	<b>\$ 910,961</b>	<b>\$ 368,082</b>	<b>\$ 4,043,196</b>	<b>\$ 5,322,239</b>
<b>Total Net Position</b>	<b>\$ 910,961</b>	<b>\$ 368,082</b>	<b>\$ 4,043,196</b>	<b>\$ 5,322,239</b>

**Borough of Honesdale**  
**Combined Statement of Changes in Fiduciary Net Position - Fiduciary Fund Types**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2022**

	Private-Purpose Trust Fund	Pension Trust Funds		Total Fiduciary
	Rev. Doherty Fuel Fund	Non Uniform Pension	Uniform Pension	Fund Types
<b>Additions</b>				
Contributions:				
State aid	\$ -	\$ -	\$ 72,526	\$ 72,526
Contributions - employee	-	-	33,182	\$ 33,182
Contributions - employer	-	18,000	189,815	207,815
Total contributions	<u>-</u>	<u>18,000</u>	<u>295,523</u>	<u>313,523</u>
Investment earnings:				
Interest / dividend income	17,835	5,033	69,496	92,364
Realized gain(loss) on sale of investments	-	-	(94,001)	(94,001)
Net appreciation(depreciation) in fair values of investments	(64,428)	(56,245)	(1,030,937)	(1,151,610)
Less: investment expense	(1,200)	-	(35,076)	(36,276)
Net investment earnings	<u>(47,793)</u>	<u>(51,212)</u>	<u>(1,090,518)</u>	<u>(1,189,523)</u>
<b>Total Additions</b>	<b>(47,793)</b>	<b>(33,212)</b>	<b>(794,995)</b>	<b>(876,000)</b>
<b>Deductions</b>				
Pension Benefits	-	-	266,538	266,538
Administrative Expense	-	4,086	7,743	11,829
<b>Total Deductions</b>	<u>-</u>	<u>4,086</u>	<u>274,281</u>	<u>278,367</u>
<b>Change in Net Position</b>	<b>(47,793)</b>	<b>(37,298)</b>	<b>(1,069,276)</b>	<b>(1,154,367)</b>
<b>Net Position - January 1, 2022</b>	<u>958,754</u>	<u>405,380</u>	<u>5,112,472</u>	<u>6,476,606</u>
<b>Net Position - December 31, 2022</b>	<u>\$ 910,961</u>	<u>\$ 368,082</u>	<u>\$ 4,043,196</u>	<u>\$ 5,322,239</u>

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Operations**

The Borough provides municipal services to its residents. A seven-member Borough Council elected by residents governs the Borough. The Borough's main sources of funding are property taxes, licenses, permits, intergovernmental revenues, and fines assessed

**Financial Reporting Entity**

In evaluating how to define the Borough for financial reporting purposes, management has considered all potential component units. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The manifestation of the ability to exercise oversight responsibilities includes (but is not limited to): financial interdependency; selection of the governing members; designation of management; and the ability to significantly influence operations and accountability. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless if the Municipality is able to exercise oversight responsibilities.

As defined above, there are no other related organizations that should be included in the Borough's financial statement presentation.

**Basis of Presentation - Fund Accounting**

The financial statements of the Borough are presented on the modified cash basis of accounting which is another comprehensive basis of accounting other than a basis accepted by accounting principles generally accepted in the United State of America. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America ("GAAP"). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board ("GASB") pronouncements as applied to governmental units. The Borough's most significant accounting policies to the financial statements are described in the following paragraphs.

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. 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 or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent. There are three fund types presented in this report. A brief description of each is presented below.

A. **Governmental Fund Types**

**General Fund** - The General Fund is the principal operating fund of the Borough, which is used to account for all Borough resources and expenditures except for those required to be accounted for in another fund.

**Special Revenue Fund** - The Boroughs Special Revenue Fund is used to account for highway aid received from the Commonwealth of Pennsylvania. Restricted Funds are used to account for specific projects or activities.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long term debt principal and interest.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**B. Fiduciary Fund Types**

**Pension Trust and Private-Purpose Trust Funds** – The Borough’s fiduciary funds are trust funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, and other governments. Therefore, these funds are not available to support the Borough’s own programs. Included in this category are:

- Pension Trust Fund – funds held for Borough Police and Non-Uniformed Employees.
- Private-Purpose Trust Fund – funds held by the Borough in a trustee capacity for others. Principal is restricted and only the income earned may be used for the specified purpose. The Rev. Doherty Fuel Fund is accounted for as a private-purpose trust fund.

**Basis of Accounting & Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements, which consist of the statement of net position – modified cash basis and the statement of activities – modified cash basis, report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are supported primarily through governmental subsidies and taxes, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services. The fiduciary funds are excluded from the governmental-wide financial statements.

The government-wide statement of activities – modified cash basis, presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the Borough’s governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a function. Indirect expenses are allocated among the programs, functions, and segments using a full cost allocation approach and are combined with direct expenses only.

Program revenues include (1) charges to users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes and other revenues not specifically identifiable with a particular program or function of the Borough.

**Fund Financial Statements**

All governmental funds are accounted for using the current financial resources method and the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

**Measurement Focus & Basis of Accounting**

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

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**Modified Cash Basis** – The government-wide, governmental fund statements, and fiduciary fund financial statements are reported using the economic resources measurement focus and modified cash basis of accounting. This basis recognizes assets, liabilities, and net assets, revenues, and expenditures/expenses, when they result from cash transactions, in the financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Reconciliations accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements.

**Budgets and Budgetary Accounting**

An operating budget is adopted each year by Borough Council for the General Fund on the modified cash basis of accounting.

The Borough, before levying annual taxes, is required to prepare an operating budget for the succeeding fiscal year. The Borough is required to publish notice by advertisement, in one newspaper of general circulation in the municipality in which it is located, and within ten days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office of the Borough. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Borough Council.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and investments with original maturities of three months or less.

**Investments – Pension Funds and Trust**

The Pension Trust Funds' deposits and investments are held separately from those of the Borough and are stated at fair value. The Doherty Trust Fund consists of stock held directly in the Boroughs name in Honat Bancorp, Inc. Investment income and changes in the fair value of investments are recorded as investments earnings/income in the statement of change in fiduciary net position – modified cash basis.

**Fixed Assets and Depreciation**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**Government-wide Statements**

In the government-wide financial statements- modified cash basis, fixed assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. All assets were considered for impairment and it was determined there was no need to record an impairment charge on the carrying value of any of the assets. Depreciation on all assets is provided on the straight-line method over the following useful lives:

	<b><u>Years</u></b>
Building and Improvements	50
Furniture and Fixtures	20
Equipment	5-10
Vehicles	5-10

**Compensated Absences**

The Borough allows full time police officers to accumulate and carryover unused vacation up to a maximum of 90 days and accumulate unused sick leave days up to a maximum of 120 days. Upon retirement, the officer will be paid for these accumulated days based upon his current rate of pay. If an Officer resigns or is fired, he will not be paid any compensatory time earned. These amounts are recorded as expenses when paid.

**Other Postemployment Benefits**

The Borough adheres to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as applicable to the modified cash basis of accounting. Under this method the Borough does not estimate and record long-term liabilities but records the benefit payments as expenses when they are paid.

**Use of Estimates**

The preparation of financial statements in conformity with modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**Net Position and Fund Balances**

**Government-wide Financial Statements** – Sometimes the borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

**Net Investment in Capital Assets** – The component of net position that reports the difference between capital assets, less both the accumulated depreciation, as well as the related debt. This amounted to \$1,271,661 for the primary government as of December 31, 2022.

**Restricted** - The component of net position that reports amounts restricted by external parties. Restricted net position amounted to \$182,738 for the primary government as of December 31, 2022.

**Unrestricted** – The difference between assets and liabilities that is not reported as restricted or net investment in capital assets. This amounted to \$2,815,343 for the primary government as of December 31, 2022.

**Governmental Fund Financial Statements** – In the governmental fund financial statements, the Borough reports fund balance classifications. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable Fund Balance** – Amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

**Restricted Fund Balance** – Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed Fund Balance** – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the Borough, the highest level of decision-making authority resides with the Borough Council.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Borough Council delegates the authority. For the purposes of the Borough, the Borough Council has delegated authority to management.

**Unassigned Fund Balance** – Amounts that are available for any purpose.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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For the classification of governmental fund balances, the Borough considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The borough establishes and modifies fund balance commitments by a passage of resolution in meetings of the Borough Council. The Borough's management is responsible for all the purchasing activities of the Borough and encumbrances at year end, which are considered assigned funds and therefore, management is designated as having the authority to assign amounts intended to be used for specific purposes. The Borough Council approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance. The borough does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

**Restricted:**

**Reserve for Liquid Fuels** – is used to account for the specific funds that are restricted for the liquid fuel funds. The balance at December 31, 2022 was \$78,940.

**Reserve for Debt Service Funds** – is used to account for the specific funds that are restricted for debt payment purposes. The balance at December 31, 2022 was \$1,828.

**Reserve for General Fund** – is used to account for the specific funds that are restricted for funds donated to the Borough for improvements to the Borough's parks. The balance at December 31, 2022 was \$101,970.

**Unassigned** – Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$2,815,343 for all governmental funds as of December 31, 2022.

**NOTE 2 – REAL ESTATE TAXES:**

The Borough Tax Collector, an official elected by the voters, collects and remits to the Borough the real estate taxes collected during the year. The tax rate for the year ended December 31, 2022 was 8.65 mills on an assessed valuation of \$270,839,620. During the year, the Borough collected \$2,219,837 after various adjustments for discounts, penalties and credits on a total tax levied in the amount of \$2,342,763. The Borough's rate of collection approximated 95% of total taxes due during the year.

The 2022 tax duplicates were issued April 1, 2022 (levy date) and were due within 120 days of issue (collection dates). A 2% rebate is granted to those who pay their tax within 60 days of issue. For those who pay after 120 days (penalty period) of issue, a 5% penalty is added. At December 31 (lien date) of each year any current year unpaid real estate taxes are returned to the County for collection.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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A breakdown of the millage is as follows:

Borough Tax	7.45 Mills
Fire Tax	0.40 Mills
Parks & Rec Fund Tax	0.30 Mills
Pension Fund Tax	<u>0.50 Mills</u>
	<u>8.65 Mills</u>

**NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers are summarized as follows:

	Interfund Transfers – In	Interfund Transfers - Out
General Fund	\$ 22,773	\$ 151,798
Special Revenue	151,798	-0-
Debt Service	<u>-0-</u>	<u>22,773</u>
	<u>\$ 174,571</u>	<u>\$ 174,571</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 4 – CASH, CASH EQUIVALENTS, and INVESTMENTS:**

The Borough’s investment policy, in accordance with Section 1316 of the Pennsylvania Borough Code, is to invest in:

- United States treasury bills
- Short-term obligations of the United States government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instruments backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940; whose shares are registered under the Securities Act of 1933 provided that only investments of that company are in the authorized investments for borough funds listed in the categories above.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation of the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation of the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. However, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
- Any investment authorized by 20 Pa.C.S. Ch.73 (relating to fiduciaries investments) shall be an authorized investment for any pension or retirement fund.

The deposit and investment policies of the Borough adhere to state statutes and prudent business practices. There were no deposit or investment transaction during the year that violated either state statutes, Borough policies or rules established under its Trust Agreement.

Custodial -Credit Risk: Cash and Cash Equivalents:

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The borough does not have a deposit policy for custodial credit risk. As of December 31, 2022, the reported amount of the Borough's carrying amount was \$3,067,229 and the bank balance was 3,114,562. The amount of \$2,739,299 of the Borough's bank balance of \$3,114,562 was exposed to custodial credit risk. Of that amount, \$2,739,299 was uninsured but was collateralized by securities pledged by the financial institutions for such funds but not in the Borough's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

Credit Risk: Cash and Cash Equivalents:

The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough utilizes investments allowable under the Pennsylvania Borough Code of which limits its investments choices based on credit ratings by nationally recognized statistical rating organizations.

Interest Rate Risk: Cash and Cash Equivalents:

The Borough utilizes investments allowable under Pennsylvania Borough Code of which limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**Investments**

Carrying amounts of investments as of December 31, 2022, appear in the financial statements as summarized below:

Investments – fiduciary fund, statement of net position	\$ 5,253,090
<u>Investment holdings by program:</u>	
Wilmington Trust – Police Pension Funds - Not Rated	4,043,196
Pennsylvania State Association of Boroughs Municipal Retirement Trust - Non-Uniformed Pension Plan – Not Rated	368,082
7,080 Shares of Honat Bancorp, Inc. – Rev. Doherty Fuel Fund – Not Rated	<u>841,812</u>
Total of Investments	<u>\$ 5,253,090</u>

Wilmington Trust – The Police Pension Plan assets are administered by Wilmington Trust Company. The fund has no policy regarding credit risk, but is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMR Trust) – The Non-Uniformed Pension Plan is administered through the PSABMP Trust. Investments in the Municipal Retirement Trust are reported at fair value. The assets with the Trust are pooled for investment purposes, and therefore, do not represent specific identifiable securities.

Rev. Doherty Fuel Fund is a Trust established using shares of the present day Honat Bancorp, Inc. The Trust was established through the Estate of John J. Doherty with his passing on April 7, 1896. The Borough holds 7,080 shares of Common Stock of Honat Bancorp, Inc. in certificate form. Pursuant to the Trust document only income generated from the shares could be used for the purpose of the Trust which is to subsidize utility payments for the underprivileged in Honesdale.

**Investments measured at fair value**

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB statement No. 72, the Borough discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets of liabilities the Borough has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

Fixed income funds, domestic equities and international equities classified in Level 1 of the fair value hierarchy are valued using quoted in active markets for those securities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments measured at fair value consisted of the following at December 31, 2022:

<b>Wilmington Trust Holdings:</b>	<b>TOTAL</b>	<b>FAIR VALUE (LEVEL 1)</b>
US Government back Money Market Fund	\$ 611,904	\$ 611,904
US Government Agency Bonds	22,100	22,100
Corporate Bonds	477,779	477,779
Common Equity Securities	2,561,921	2,561,921
Equity Mutual Funds	369,492	369,492
PSABMP Trust Pooled Investment Plan	368,082	368,082
Common Stock Held in Trust	<u>841,812</u>	<u>841,812</u>
Total	<u>\$ 5,253,090</u>	<u>\$ 5,253,090</u>

**Interest rate risk** – In accordance with its investment policy, the Borough manages its exposure by investing in short-term securities. The Borough will reinvest these funds at higher rates as the opportunity presents itself.

The following is a list of the Borough's fixed income investments and their related average maturities:

	<u>Fair Value</u>	<u>Maturities</u>		
		<u>Less than 1 Year</u>	<u>2 to 10 Years</u>	<u>10 to 20 Years</u>
US Government Agency Bonds – 7	\$ 22,100	\$ 22	\$ -0-	\$ 22,078
Corporate – 4 BBB Moody Rating	477,779	-0-	477,779	-0-

**Credit risk** – The Borough's investment policy states that the Borough is to only invest in authorized instruments that are backed by the "full faith and credit" of the federal or state government. For Pension funds which are held in the Trust department of Wilmington Trust and Pooled with the PSABMR Trust have no rating. Equity securities held are not rated.

**Concentration of credit risk** – The Borough's investment policy places no limit on the amount the Borough may invest in any one issuer. However, the Borough manages market risk through diversification by including several types of investments. Investments held through Wilmington Trust as Common Equity Securities and the PSABMP Trust Pooled Investment Plan and the Honat Bancorp, Inc. Stock held in trust are all greater than 5% and subject to risk.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 5 – FIXED ASSETS AND DEPRECIATION:**

Fixed asset activity for the year ended December 31, 2022, was as follows:

	Balance 01/01/2022	Additions	Disposals	Balance 12/31/2022
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Construction in Process	-0-	79,967	-0-	79,967
Total Capital Assets Not Being Depreciated:	-0-	79,967	-0-	79,967
Capital Assets Being Depreciated:				
Equipment	\$ 520,696	\$ 59,919	\$ -	\$ 580,615
Vehicles	1,036,817	50,966	38,848	1,048,935
Buildings & Improvements	541,855	6,400	-	548,255
Infrastructure	379,224	187,884	-	567,108
Total Capital Assets Being Depreciated at Historical Cost	\$ 2,478,592	\$ 305,169	\$ 38,848	\$ 2,744,913
 Total Fixed Assets	 \$ 2,478,592	 \$ 385,136	 \$ 38,848	 \$ 2,824,880
Less Accumulated Depreciation				
Equipment	\$ 471,358	\$ 14,219	\$ -	\$ 485,577
Vehicles	684,256	58,548	38,848	703,956
Buildings & Improvements	170,384	24,601	-	194,985
Infrastructure	8,480	15,842	-	24,322
Total Accumulated Depreciation	1,334,478	113,210	38,848	1,408,840
Net Governmental Fixed Assets	<u>\$ 1,144,114</u>	<u>\$ 271,926</u>	<u>\$ -</u>	<u>\$ 1,416,040</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 7,367
Public Safety	11,297
Public Works	94,546
Total Governmental Activities Depreciation	<u>\$ 113,210</u>

**NOTE 6 – LONG TERM DEBT:**

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2022.

2019 General Obligation Note

On July 1, 2019, the Borough entered into a ten-year loan agreement with Wayne Bank. The amount of the loan was \$200,000 and bears interest at a rate of 2.88%. The proceeds of this loan are being used for emergency road repairs. The loan is being repaid with monthly payments of interest and principal of \$1,924, for 120 months. The balance outstanding at December 31, 2022 was \$138,133.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

**Long-Term Debt Activity**

Long-term debt activity for the year ended December 31, 2022 was as follows:

<b><u>Type of Debt</u></b>	<b><u>Balance</u></b> <b><u>01/01/2022</u></b>	<b><u>2022 Activity</u></b>		<b><u>Balance</u></b> <b><u>12/31/2022</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
		<b><u>Proceeds</u></b>	<b><u>Payments</u></b>		
Long Term Debt					
2019 General Obligation Note	\$ 156,892	\$ -	\$ 18,759	\$ 138,133	\$ 19,314
Total Long Term Debt	<u>\$ 156,892</u>	<u>\$ -</u>	<u>\$ 18,759</u>	<u>\$ 138,133</u>	<u>\$ 19,314</u>

**Annual Debt Service Requirements**

Annual requirements to amortize principal and interest on debt outstanding as of December 31, 2022, are:

<b><u>Year Ending</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Total</u></b> <b><u>Payment</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2023	19,314	3,776	23,090
2024	19,875	3,215	23,090
2025	20,474	2,616	23,090
2026	21,080	2,010	23,090
2027	21,704	1,386	23,090
2028-2029	<u>35,686</u>	<u>874</u>	<u>36,560</u>
Total	<u>\$ 138,133</u>	<u>\$ 13,877</u>	<u>\$ 152,010</u>

**NOTE 7 – LEASES**

The borough has entered into a capital lease agreement under which the related equipment will become the property of the borough when all terms of the lease agreements are met.

	<b><u>Stated</u></b> <b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Present Value</u></b> <b><u>of Remaining</u></b> <b><u>Payments as of</u></b> <b><u>December 31, 2022</u></b>
<b>Governmental fund activities:</b>		
Konica Minolta Bizhub 227 MFP Copiers	.0218	\$ 6,246
Total Capital Lease Obligations		<u>\$ 6,246</u>

Equipment and related accumulated amortization under capital lease are as follows:

Equipment	<b><u>Governmental</u></b> <b><u>Activities</u></b> \$ 8,980
Less: accumulated amortization	<u>(3,442)</u>
Net value	<u>\$ 5,538</u>

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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As of December 31, 2022, capital lease annual amortization are as follows:

<u>Year ending December 31:</u>	<u>Governmental Activities</u>
2023	2,349
2024	2,349
2025	2,349
2026	<u>391</u>
Total requirements	<u>7,438</u>
Less interest	<u>(1,192)</u>

Present value of remaining payments	<u>\$ 6,246</u>
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Amortization of leased equipment under capital assets is included with depreciation expense.

**NOTE 8 – PENSION PLAN:**

The Borough maintains a defined benefit plan covering all full-time police and a defined contribution plan covering non-uniformed employees. An actuarial study is performed every two years by an independent actuary. The Borough has elected not to include the required disclosures under the modified cash basis of accounting.

**NOTE 9 – REVEREND DOHERTY FUEL FUND**

The Reverend Doherty Fuel Fund is a trust fund established to provide assistance for citizens in need as a means to help pay utility bills. For the year ended December 31, 2022 the net depreciation on investments of donor-restricted endowments was \$64,428. Under the terms of the endowment, and consistent with State statutes, the Borough is authorized to annually distribute for spending purposes the available cash balance plus any earnings in interest and dividends. Any amounts of cash on hand are available for spending in subsequent years.

**NOTE 10 – TAX ABATEMENTS**

Borough residents are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased assessment. All abatements are based on the increase of value of the improvement. There were no amounts recorded or receivable from other governments in association with forgone taxes. The Borough did not make other commitments other than to reduce taxes as part of the abatement agreements. The adoption of this pronouncement did not have a significant impact to the Borough's financial statements.

**NOTE 11 – COLLECTIVE BARGAINING AGREEMENT:**

The following collective bargaining agreements were in effect during the year ended December 31, 2022:

Contract	Contract
<u>Inception</u>	<u>Expiration</u>
Police	December 31, 2024
January 1, 2021	

All non-uniform employees are covered by policies and procedures as set forth in the employee handbook dated March 1, 2008.

**Borough of Honesdale**  
**Notes to Financial Statements**  
**December 31, 2022**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES:**

From time to time, the Borough is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses that may result from these lawsuits. It is the opinion of management and supported by legal counsel, that the impact of these lawsuits will not have a material adverse effect on the financial position of the Borough.

**NOTE 13 – RISK MANAGEMENT**

The Borough is exposed to various risks of losses related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance covers significant losses. There were no significant reductions in insurance coverages for the year ending December 31, 2022.

**NOTE 14 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

Governmental Accounting Standards Board (“GASB”) Statement No. 34 Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments (“Statement 34”) was issued in 1999. Statement 34 establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments as well as specific standards for basic financial statements, management’s discussion and analysis, and certain other required supplementary information. The borough has not fully implemented this pronouncement.

Governmental Accounting Standards Board (“GASB”) Statement No. 68 Accounting and Financial Reporting for Pensions – for State and Local Governments (“Statement 68”) was issued. Statement 68 changes the accounting for pensions by recording the Borough’s portion of the net pension liability and deferred inflows and outflows related to pensions. The Borough has not implemented this pronouncement.

**NOTE 15 – SUBSEQUENT EVENTS**

The Borough has evaluated events subsequent to the balance sheet date of December 31, 2022 through July 26, 2023 which is the date these financial statements were available and issued, and has determined that no material subsequent events exist that require disclosure.

**Borough of Honesdale**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget vs Actual - Modified Cash Basis**  
**For the Year Ended December 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Taxes and assessments	\$ 2,442,408	\$ 2,442,408	\$ 2,478,462	\$ 36,054
Licenses and permits	56,276	56,276	61,232	4,956
Fines and forfeits	13,500	13,500	15,961	2,461
Interest & rents	10,250	10,250	10,740	490
Intergovernmental revenues	91,657	91,657	846,146	754,489
Charges for services	310,350	310,350	430,753	120,403
Sale of Assets	-	-	8,191	-
Miscellaneous Income	20	20	4,687	4,667
<b>Total revenues</b>	<u>2,924,461</u>	<u>2,924,461</u>	<u>3,856,172</u>	<u>923,520</u>
<b>Expenditures</b>				
General government	510,545	510,545	393,396	(117,149)
Public safety	1,049,413	1,049,413	777,871	(271,542)
Public Works	1,095,704	1,095,704	657,678	(438,026)
Culture - recreation	176,230	176,230	90,264	(85,966)
Community Development	15,000	15,000	22,911	7,911
Debt Service - Principal	300,000	300,000	20,319	(279,681)
Debt Service - Interest	3,900	3,900	5,121	1,221
Pension, benefits, & insurance	1,219,161	1,219,161	802,049	(417,112)
Miscellaneous expenditures	680	680	5,695	5,015
<b>Total expenditures</b>	<u>4,370,633</u>	<u>4,370,633</u>	<u>2,775,304</u>	<u>(1,595,329)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,446,172)</u>	<u>(1,446,172)</u>	<u>1,080,868</u>	<u>2,518,849</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	22,773	(22,773)
Operating transfers out	(191,525)	(191,525)	(151,798)	(39,727)
Debt proceeds	300,000	300,000	-	300,000
<b>Total other financing sources (uses)</b>	<u>108,475</u>	<u>108,475</u>	<u>(129,025)</u>	<u>237,500</u>
Change in Fund Balance	(1,337,697)	(1,337,697)	951,842	\$ 2,756,349
Fund balance - January 1, 2022	<u>1,908,113</u>	<u>-</u>	<u>1,965,471</u>	
Fund balance - December 31, 2022	<u>\$ 570,416</u>	<u>\$ (1,337,697)</u>	<u>\$ 2,917,313</u>	

**BOROUGH OF HONESDALE  
NOTES TO THE OTHER INFORMATION  
DECEMBER 31, 2022**

**1. Budgetary Data**

Budgetary data is established by the Borough Council and is officially adopted via ordinance. The budgets are prepared using the modified cash basis of accounting which is method utilized for the Governmental Funds.

The Pennsylvania General Assembly dictates specific procedures relative to adoption of the Borough's budget and reporting of its financial statements, specifically:

Beginning at least 30 days prior to the adoption of the budget, a proposed budget or annual estimate of revenues and expenditures for the ensuing year shall be prepared in a manner designated by the council. The proposed budget shall be kept on file with the borough secretary and be made available for public inspection by the borough secretary for a period of ten days.

Notice that the proposed budget is available for inspection shall be published by the borough secretary in a newspaper of general circulation.

Upon completion of the budget containing the estimated receipts and expenditures, the council shall adopt the budget by motion of the council, which may not be later than December 31.

After council has adopted the budget, it is the duty of the council to enact an ordinance levying the taxes referred to in this part for the fiscal year subject to approval of the mayor or enactment over the mayor's veto.

Budgetary data and actual data are presented only for the General Fund.