

Borough of Honesdale

Audit Report

December 31, 2023

Rainey & Rainey
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Borough Council
The 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, 2023, and the related notes to the financial statements, which collectively comprise the Borough of Honesdale 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, 2023, 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 the Borough of Honesdale, as of December 31, 2023, 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 Auditors' 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.

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

As discussed in Note 7 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.

Auditors' 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 auditors' 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.

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information on page 25 and 26, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Rainey + Rainey". The signature is written in a cursive, flowing style with a plus sign between the two names.

Scranton, Pennsylvania

September 4, 2024

Borough of Honesdale
Statement of Net Position - Modified Cash Basis
As of December 31, 2023

	Governmental Activities
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 2,270,662
Cash and Cash Equivalents - Restricted	152,116
Total Current Assets	2,422,778
Fixed Assets, Net	2,470,115
Total Assets	4,892,893
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Finance Lease Payable Within One Year	1,946
Debt Service Payable Within One Year	19,876
Total Short-Term Liabilities	21,822
<u>Non-Current Liabilities</u>	
Finance Lease Payable After One Year	2,559
Debt Service Payable After One Year	98,943
Total Long-Term Liabilities	101,502
Total Liabilities	123,324
<u>Net Position</u>	
Invested in Capital Assets, Net of Related Debt	2,346,791
Restricted for:	
Debt Services	7,791
Liquid Fuels	144,325
Unrestricted Net Position	2,270,662
Total Net Position	\$ 4,769,569

See Independent Auditors' Report And Notes To Financial Statements

Borough of Honesdale
Statement of Activities - Modified Cash Basis
For The Year Ended December 31, 2023

	Expenditures	Program Revenues			Net (Expense)
		Charge For Services	Operating Grants	Capital Grants	Revenue and Changes in Net Assets Governmental Activities
Governmental Activities					
General Government	\$ 434,580	\$ -	\$ 13,152	\$ -	\$ (421,428)
Public Safety	806,951	234,981	26,535	-	(545,435)
Public Works	655,357	141,836	144,200	-	(369,321)
Culture & Recreation	177,587	25,984	-	30,000	(121,603)
Community Development	15,495	-	-	-	(15,495)
Pension, Taxes and Insurance	809,064	-	87,418	-	(721,646)
Interest on Long-Term Debt	9,793	-	-	-	(9,793)
Miscellaneous Expenditures	6,996	-	-	-	(6,996)
Total Governmental Activities	<u>2,915,823</u>	<u>402,801</u>	<u>271,305</u>	<u>30,000</u>	<u>(2,211,717)</u>
Total Primary Government	<u>2,915,823</u>	<u>402,801</u>	<u>271,305</u>	<u>30,000</u>	<u>(2,211,717)</u>
General Revenues:					
Taxes Levied for General Purposes					2,569,369
License and Permits					52,349
Fines and Forfeits					31,232
Investment Earnings					12,638
Sale of Assets					33,500
Miscellaneous Income					12,456
Total General Revenues					<u>2,711,544</u>
Change In Net Position					499,827
Net Position - January 1, 2023					<u>4,269,742</u>
Net Position - December 31, 2023					<u>\$ 4,769,569</u>

Borough of Honesdale
Balance Sheet - Governmental Funds - Modified Cash Basis
As of December 31, 2023

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Fund Types</u>
Assets				
Cash and Cash Equivalents	\$ 2,270,662	\$ -	\$ -	\$ 2,270,662
Cash and Cash Equivalents - Restricted	<u>-</u>	<u>144,325</u>	<u>7,791</u>	<u>152,116</u>
Total Assets	<u><u>2,270,662</u></u>	<u><u>144,325</u></u>	<u><u>7,791</u></u>	<u><u>2,422,778</u></u>
Fund Balance				
Restricted				
Reserve for Liquid Fuels	-	144,325	-	144,325
Assigned				
Reserve for Debt Service Fund	-	-	7,791	7,791
Unassigned	<u>2,270,662</u>	<u>-</u>	<u>-</u>	<u>2,270,662</u>
Total Fund Balance	<u><u>2,270,662</u></u>	<u><u>144,325</u></u>	<u><u>7,791</u></u>	<u><u>2,422,778</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 2,270,662</u></u>	<u><u>\$ 144,325</u></u>	<u><u>\$ 7,791</u></u>	<u><u>\$ 2,422,778</u></u>

Borough of Honesdale
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Modified Cash Basis
As of December 31, 2023

Total fund balance – total governmental funds	\$ 2,422,778
Capital assets (net) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	2,470,115
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.	<u>(123,324)</u>
Net position governmental activities	<u>\$ 4,769,569</u>

Borough of Honesdale
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Year Ended December 31, 2023

	General Fund	Special Revenue	Debt Service	Total Governmental Fund Types
Revenues				
Taxes and assessments	\$ 2,424,066	\$ 125,639	\$ 19,664	\$ 2,569,369
Licenses and permits	52,349	-	-	52,349
Fines and forfeits	31,232	-	-	31,232
Interest & rents	11,726	840	72	12,638
Intergovernmental revenues	157,105	144,200	-	301,305
Charges for services	402,801	-	-	402,801
Sale of Assets	-	33,500	-	33,500
Miscellaneous income	12,456	-	-	12,456
Total revenues	<u>3,091,735</u>	<u>304,179</u>	<u>19,736</u>	<u>3,415,650</u>
Expenditures				
General government	506,001	-	-	506,001
Public safety	842,872	-	-	842,872
Public Works	1,251,242	176,543	-	1,427,785
Culture - recreation	351,888	-	-	351,888
Community development	15,495	-	-	15,495
Debt service - principal	321,057	-	-	321,057
Debt service - interest	9,793	-	-	9,793
Pension, benefits, and insurance	622,774	186,290	-	809,064
Miscellaneous	6,997	-	-	6,996
Total Expenditures	<u>3,928,119</u>	<u>362,833</u>	<u>-</u>	<u>4,290,951</u>
Excess (deficiency) of revenues over expenditures	(836,384)	(58,654)	19,736	(875,301)
Other financing sources (uses):				
Operating transfers in	21,428	131,694	-	153,122
Operating transfers out	(131,694)	(7,655)	(13,773)	(153,122)
Debt proceeds	300,000	-	-	300,000
Total other financing sources (uses)	<u>189,734</u>	<u>124,039</u>	<u>(13,773)</u>	<u>300,000</u>
Net Change In Fund Balance	(646,651)	65,385	5,963	(575,302)
Fund balance - January 1, 2023	<u>2,917,313</u>	<u>78,940</u>	<u>1,828</u>	<u>2,998,081</u>
Fund balance - December 31, 2023	<u>\$ 2,270,662</u>	<u>\$ 144,325</u>	<u>\$ 7,791</u>	<u>\$ 2,422,778</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
For the Year Ended December 31, 2023

Net change in fund balances – total governmental funds \$ (575,302)

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:

Depreciation expense	\$ (125,382)	
Capital Outlays	1,179,456	1,054,074

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

21,057

Change in net position of governmental activities

\$ 499,827

Borough of Honesdale
Combined Statement of Fiduciary Net Position - Fiduciary Fund Types
Modified Cash Basis
As of December 31, 2023

	<u>Private-Purpose Trust Fund</u>	<u>Pension Trust Funds</u>		<u>Total Fiduciary</u>
	<u>Rev. Doherty Fuel Fund</u>	<u>Non Uniform Pension</u>	<u>Uniform Pension</u>	<u>Fund Types</u>
<u>Assets</u>				
Current Assets				
Cash and Cash Equivalents	\$ 48,812	\$ -	\$ 235,042	\$ 283,854
Investments	<u>831,971</u>	<u>346,297</u>	<u>4,518,344</u>	<u>5,696,612</u>
Total Assets	<u><u>880,783</u></u>	<u><u>346,297</u></u>	<u><u>4,753,386</u></u>	<u><u>5,980,466</u></u>
<u>Net Position</u>				
Net Position				
Held in accordance with trust agreement	880,783	-	-	880,783
Held in trust for pension benefits	<u>-</u>	<u>346,297</u>	<u>4,753,386</u>	<u>5,099,683</u>
Total Net Position	<u><u>\$ 880,783</u></u>	<u><u>\$ 346,297</u></u>	<u><u>\$ 4,753,386</u></u>	<u><u>\$ 5,980,466</u></u>

Borough of Honesdale
Combined Statement of Changes in Fiduciary Net Position - Fiduciary Fund Types
Modified Cash Basis
For the Year Ended December 31, 2023

	<u>Private-Purpose Trust Fund</u>	<u>Pension Trust Funds</u>		<u>Total Fiduciary</u>
	<u>Rev. Doherty Fuel Fund</u>	<u>Non Uniform Pension</u>	<u>Uniform Pension</u>	<u>Fund Types</u>
Additions				
Contributions:				
State aid	\$ -	\$ -	\$ 87,418	\$ 87,418
Contributions - employee	-	-	16,304	\$ 16,304
Contributions - employer	-	-	98,872	98,872
Total contributions	-	-	202,594	202,594
Investment earnings:				
Interest / dividend income	18,763	5,645	79,890	104,298
Net appreciation(depreciation) in fair values of investments	(9,841)	38,431	764,103	792,693
Less: investment expense	-	-	(41,690)	(41,690)
Net investment earnings	8,922	44,076	802,303	855,301
Total Additions	8,922	44,076	1,004,897	1,057,895
Deductions				
Pension Benefits	-	61,947	287,126	349,073
Administrative Expense	39,100	3,914	7,581	50,595
Total Deductions	39,100	65,861	294,707	399,668
Change in Net Position	(30,178)	(21,785)	710,190	658,227
Net Position - January 1, 2023	910,961	368,082	4,043,196	5,322,239
Net Position - December 31, 2023	<u>\$ 880,783</u>	<u>\$ 346,297</u>	<u>\$ 4,753,386</u>	<u>\$ 5,980,466</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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, 2023

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, 2023

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, 2023

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:

	<u>Years</u>
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).

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:

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

Net Investment in Capital Assets, Net of Related Debt – 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 \$2,346,791 for the primary government as of December 31, 2023.

Restricted - The component of net position that reports amounts restricted by external parties. Restricted net position amounted to \$152,116 for the primary government as of December 31, 2023.

Unrestricted – The difference between assets and liabilities that is not reported as restricted or net investment in capital assets. This amounted to \$2,270,662 for the primary government as of December 31, 2023.

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.

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.

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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, 2023 was \$144,325.

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, 2023 was \$7,791.

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 \$2,270,662 for all governmental funds as of December 31, 2023.

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, 2023 was 5.58 mills on an assessed valuation of \$419,282,480. During the year, the Borough collected \$2,209,360 after various adjustments for discounts, penalties and credits on a total tax levied in the amount of \$2,339,596. The Borough's rate of collection approximated 95% of total taxes due during the year.

The 2023 tax duplicates were issued April 1, 2023 (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.

A breakdown of the millage is as follows:

Borough Tax	4.53 Mills
Fire Tax	0.32 Mills
Parks & Rec Fund Tax	0.36 Mills
Debt Service Tax	0.05 Mills
Pension Fund Tax	<u>0.32 Mills</u>
	<u>5.58 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	\$ 21,428	\$ 131,694
Special Revenue	131,694	7,655
Debt Service	<u>-0-</u>	<u>13,773</u>
	<u>\$ 153,122</u>	<u>\$ 153,122</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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.
- 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.

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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, 2023, the reported amount of the Borough's carrying amount was \$2,706,631 and the bank balance was 2,776,242. The amount of \$2,173,359 of the Borough's bank balance of \$2,776,242 was exposed to custodial credit risk. Of that amount, \$2,173,359 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.

Investments

Carrying amounts of investments as of December 31, 2023, appear in the financial statements as summarized below:

Investments – fiduciary fund, statement of net position	\$	5,696,612
<u>Investment holdings by program:</u>		
Wilmington Trust – Police Pension Funds - Not Rated		4,518,344
Pennsylvania State Association of Boroughs Municipal Retirement Trust - Non-Uniformed Pension Plan – Not Rated		346,297
7,080 Shares of Honat Bancorp, Inc. – Rev. Doherty Fuel Fund – Not Rated		<u>831,971</u>
Total of Investments	\$	<u>5,696,612</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.

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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.

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, 2023:

Wilmington Trust Holdings:	TOTAL	FAIR VALUE (LEVEL 1)
US Government Agency Bonds	\$ 18,818	\$ 18,818
Corporate Bonds	487,017	487,017
Common Equity Securities	3,600,034	3,600,034
Equity Mutual Funds	412,475	412,475
PSABMP Trust Pooled Investment Plan	346,297	346,297
Common Stock Held in Trust	<u>831,971</u>	<u>831,971</u>
Total	<u>\$ 5,696,612</u>	<u>\$ 5,696,612</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	\$ 18,818	\$ -0-	\$ -0-	\$ 18,818
Corporate – 4 BBB Moody Rating	487,017	-0-	487,017	-0-

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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.

NOTE 5 – FIXED ASSETS AND DEPRECIATION:

Fixed asset activity for the year ended December 31, 2023, was as follows:

	Balance 01/01/2023	Additions	Disposals	Balance 12/31/2023
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 79,967	\$ 659,008	\$ 0-	\$ 738,975
Total Capital Assets Not Being Depreciated:	79,967	659,008	-0-	738,975
Capital Assets Being Depreciated:				
Equipment	580,615	126,241	453,437	253,419
Vehicles	1,048,935	117,256	459,473	706,719
Buildings & Improvements	548,255	201,266	-	749,521
Infrastructure	567,108	75,685	-	642,793
Total Capital Assets Being Depreciated at Historical Cost	2,744,913	520,449	912,910	2,352,452
Total Fixed Assets	2,824,880	1,179,457	912,910	3,091,427
Less Accumulated Depreciation				
Equipment	485,577	20,417	453,437	52,557
Vehicles	703,956	61,113	459,473	305,596
Buildings & Improvements	194,985	25,187	-	220,172
Infrastructure	24,322	18,664	-	42,987
Total Accumulated Depreciation	1,408,840	125,381	912,910	621,312
Net Governmental Fixed Assets	\$ 1,416,040	\$ 1,054,075	\$ -	\$ 2,470,115

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 8,029
Recreation	364
Public Safety	14,223
Public Works	102,766
Total Governmental Activities Depreciation	\$ 125,382

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

NOTE 6 – DEBT:

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2023.

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, 2023 was \$118,819.

2023 Tax Anticipation Note

The borough received a Tax Anticipation Note from Wayne Bank on March 6, 2023 in the amount of \$300,000. The borough repaid the loan in full on September 6, 2023. Therefore, there is no balance outstanding at December 31, 2023.

Debt Activity

Long-term debt activity for the year ended December 31, 2023 was as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>01/01/2023</u>	<u>2023 Activity</u>		<u>Balance</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
		<u>Proceeds</u>	<u>Payments</u>		
Long Term Debt					
2019 General Obligation Note	\$ 138,133	\$ -	\$ 19,314	\$ 118,819	\$ 19,875
2023 Tax Anticipation Note	-	300,000	300,000	-	-
Total Long Term Debt	<u>\$ 138,133</u>	<u>\$ -</u>	<u>\$ 19,314</u>	<u>\$ 118,819</u>	<u>\$ 19,875</u>

Annual Debt Service Requirements

Annual requirements to amortize principal and interest on debt outstanding as of December 31, 2023, are:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
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	35,686	874	36,560
Total	<u>\$ 118,819</u>	<u>\$ 10,101</u>	<u>\$ 128,920</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.

	<u>Stated</u> <u>Interest</u> <u>Rate</u>	<u>Present Value</u> <u>of Remaining</u> <u>Payments as of</u> <u>December 31, 2023</u>
Governmental fund activities:		
Konica Minolta Bizhub 227 MFP Copiers	.1111	\$ 4,505
Total Capital Lease Obligations		<u>\$ 4,505</u>

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

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

	<u>Governmental Activities</u>
Equipment	\$ 8,980
Less: accumulated amortization	<u>(5,238)</u>
Net value	<u>\$ 3,742</u>

As of December 31, 2023, capital lease annual amortization are as follows:

<u>Year ending December 31:</u>	<u>Governmental Activities</u>
2024	2,349
2025	2,349
2026	<u>391</u>
Total requirements	<u>5,089</u>
Less interest	<u>(584)</u>
Present value of remaining payments	<u>\$ 4,505</u>

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, 2023 the net depreciation on investments of donor-restricted endowments was \$9,841. 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.

Borough of Honesdale
Notes to Financial Statements
December 31, 2023

NOTE 11 – COLLECTIVE BARGAINING AGREEMENT:

The following collective bargaining agreements were in effect during the year ended December 31, 2023:

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

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

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. While there is no estimated amount to report at this time, is the opinion of management and supported by legal counsel, that the impact of these lawsuits could 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, 2023.

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, 2023 through September 4, 2024 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
Budget vs Actual - General Fund - Modified Cash Basis
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes and assessments	\$ 2,427,765	\$ 2,427,765	\$ 2,424,066	\$ (3,699)
Licenses and permits	56,276	56,276	52,349	(3,927)
Fines and forfeits	13,500	13,500	31,232	17,732
Interest & rents	10,250	10,250	11,726	1,476
Intergovernmental revenues	154,026	154,026	157,105	3,079
Charges for services	373,200	373,200	402,801	29,601
Miscellaneous Income	<u>1,020</u>	<u>1,020</u>	<u>12,456</u>	<u>11,436</u>
Total revenues	3,036,037	3,036,037	3,091,735	55,698
Expenditures				
General government	655,962	655,962	506,001	149,961
Public safety	1,014,328	1,014,328	842,872	171,456
Public Works	1,168,908	1,168,908	1,251,242	(82,334)
Culture - recreation	250,528	250,528	351,888	(101,360)
Community Development	15,000	15,000	15,495	(495)
Debt Service - Principal	300,000	300,000	321,057	(21,057)
Debt Service - Interest	3,900	3,900	9,793	(5,893)
Pension, benefits, & insurance	1,095,102	1,095,102	622,774	472,328
Miscellaneous expenditures	<u>680</u>	<u>680</u>	<u>6,997</u>	<u>(6,317)</u>
Total expenditures	4,504,408	4,504,408	3,928,119	576,289
Excess (deficiency) of revenues over expenditures	<u>(1,468,371)</u>	<u>(1,468,371)</u>	<u>(836,384)</u>	<u>631,987</u>
Other financing sources (uses):				
Operating transfers in	-	-	21,428	21,428
Operating transfers out	(115,151)	(115,151)	(131,694)	(16,543)
Debt proceeds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>184,849</u>	<u>184,849</u>	<u>189,734</u>	<u>4,885</u>
Change in Fund Balance	(1,283,522)	(1,283,522)	(646,651)	636,872
Fund balance - January 1, 2023	<u>1,752,723</u>	<u>1,752,723</u>	<u>2,917,313</u>	
Fund balance - December 31, 2023	<u>\$ 469,201</u>	<u>\$ 469,201</u>	<u>\$ 2,270,662</u>	

**BOROUGH OF HONESDALE
NOTES TO THE OTHER INFORMATION
DECEMBER 31, 2023**

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.