

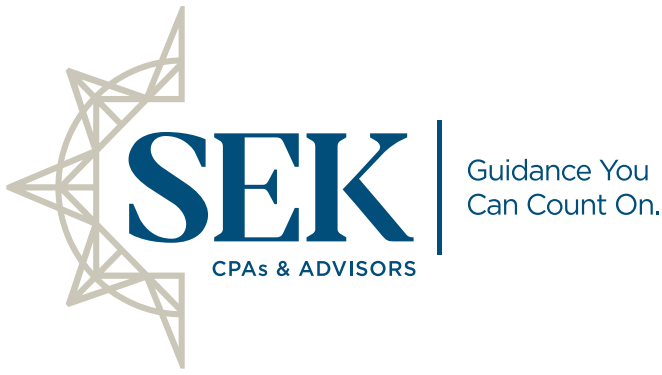
Audited
Financial
Statements

December 31,
2024

Municipal Authority
of the
Borough of Orwigsburg

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of net position	4
Statement of revenues, expenses, and changes in fund net position	5
Statement of cash flows	6
Notes to financial statements	7 - 14
OTHER SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule	15
Schedule of expenditures of federal awards	16
Notes to schedule of expenditures of federal awards	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i>	18 - 19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>THE UNIFORM GUIDANCE</i>	20 - 22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23 - 25
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	26



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Municipal Authority of the Borough of Orwigsburg
Orwigsburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of the Municipal Authority of the Borough of Orwigsburg (the Authority), a component unit of the Borough of Orwigsburg, Pennsylvania, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Authority, 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. 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 and *Governmental 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 and *Government 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 Authority'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, which raise substantial doubt about the Authority'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.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the budgetary comparison schedule but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Authority's internal control over financial reporting and compliance.



Chambersburg, Pennsylvania
October 29, 2025

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Statement of Net Position
December 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,017,750
Lease receivable - current portion	30,548
Grant receivable	<u>104,374</u>
Total current assets	<u>1,152,672</u>

Noncurrent Assets

Lease receivable - long term	790,376
Capital assets not being depreciated	
Land and easements	39,532
Capital assets, net of accumulated depreciation	
Sewer system	<u>3,546,756</u>
Total noncurrent assets	<u>4,376,664</u>

Total assets	<u><u>\$ 5,529,336</u></u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 2,856
Due to other governments	<u>129,712</u>
Total current liabilities	<u>132,568</u>

DEFERRED INFLOWS OF RESOURCES

Leases	<u>790,637</u>
Total deferred inflows	<u>790,637</u>

NET POSITION

Net investment in capital assets	3,586,288
Unrestricted	<u>1,019,843</u>
Total net position	<u>4,606,131</u>

Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 5,529,336</u></u>
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MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2024

OPERATING REVENUES

Lease rental fees	\$ 58,702
Other rental income	<u>1,000</u>
Total operating revenues	<u>59,702</u>

OPERATING EXPENSES

Salaries	14,618
Professional fees	3,000
Other operating expenses	353
Depreciation	<u>59,588</u>
Total operating expenses	<u>77,559</u>

Operating loss	<u>(17,857)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	<u>27,488</u>
Total nonoperating revenues (expenses)	<u>27,488</u>

Income before contributions	<u>9,631</u>
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Capital Contributions and Grants

Capital grants	1,949,320
Contributions from Borough of Orwigsburg	<u>600,000</u>
Total capital contributions and grants	<u>2,549,320</u>

Change in net position	2,558,951
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Total net position - beginning, as previously reported	2,037,180
Restatement - error correction	10,000
Total net position - beginning, as restated	<u>2,047,180</u>
Total net position - ending	<u>\$ 4,606,131</u>

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Statement of Cash Flows
Year Ended December 31, 2024

	As Restated
Cash flows from operating activities	
Lease rental payments received	\$ 51,936
Other rental income received	1,000
Payments to suppliers for goods and services	(497)
Payments to and on behalf of contracted employees	<u>(14,618)</u>
Net cash provided by operating activities	<u>37,821</u>
Cash flows from capital financing activities	
Purchase of capital assets	(2,447,964)
Grant income	1,983,125
Contributions from Borough of Orwigsburg	600,000
Net cash provided by capital financing activities	<u>135,161</u>
Cash flows from investing activities	
Interest received	<u>27,488</u>
Net cash provided by investing activities	<u>27,488</u>
Net increase in cash and cash equivalents	<u>200,470</u>
Cash and cash equivalents - beginning of the year	<u>817,280</u>
Cash and cash equivalents - end of the year	<u>\$ 1,017,750</u>
Reconciliation of loss from operations to net cash provided by operating activities	
Operating loss	\$ (17,857)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in	
Lease receivable	29,807
Deferred inflow related to leases	(38,106)
Depreciation expense	59,588
Increase (decrease in)	
Accounts payable	2,856
Due to other governments	<u>1,533</u>
Net cash provided by operating activities	<u>\$ 37,821</u>

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

The Municipal Authority of the Borough of Orwigsburg (the Authority) was established as a financing authority for the Borough of Orwigsburg (the Borough).

Reporting Entity

The Authority was formed by the Borough of Orwigsburg for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Authority are operated and maintained by the Borough under the provisions of a long-term lease with the Authority dated May 16, 2002. This lease was terminated in May 2015, as the debt guaranteed under the lease was satisfied by the Borough. A new operating lease was executed in May 2015. A new lease agreement was then established in July of 2020 to coincide with the Borough's issuance of the 2020 Bonds to be used for water and sewer improvements.

Members of the Authority Board are appointed by the Borough of Orwigsburg, but the Borough has no power to remove a member of a board of an authority organized under the Municipality Authorities Act. The Authority has no employees. The operation of the sewer systems is carried out by Borough employees.

Governmental Accounting Standards Board (GASB) statements define the criteria used to determine the composition of the reporting entity. These standards require the reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria, there are no other entities to be included in these financial statements as a component unit. The Authority is included in the reporting entity of the Borough of Orwigsburg as a blended component unit. Although it is legally separate from the Borough, the Authority's sole purpose was to finance the construction of the Borough's sewer plant and facilities. It continues to lease these facilities to the Borough.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus and basis of accounting, all assets, liabilities, deferred inflows of resources and deferred outflows of resources associated with the operations of these funds are included in the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources and deferred outflows of resources 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.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to include all demand deposit accounts.

Leases

The Authority is the lessor for the lease of the Sewer System to the Borough of Orwigsburg. The Authority recognizes a lease receivable and a deferred inflow of resources in the statements of net position for the proprietary funds.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Authority determines (1) the discount rate if uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes a noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

Capital Assets

Capital assets with extended useful lives are carried at cost and are depreciated over their useful lives. Public domain (“Infrastructure”) capital assets including the sewer system are capitalized at cost along with other capital assets. The Authority maintains a capitalization threshold of \$ 1,000. Depreciation is estimated using the straight-line method based on the following useful lives:

Sewer system

40 years

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified in the following components:

Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted - This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues

The Authority has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues include activities which have characteristics of exchange transactions, such as sales and services of the Authority.

Nonoperating Revenues – Nonoperating revenues include activities which have characteristics of non-exchange transactions (in which the Authority receives value without directly giving equal value in return), such as gifts and contributions, grants, and investment income. Tap fees are also considered nonoperating because they are not assessed to cover current operating costs, but to fund future expansion of the sewer system.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS

Section 7.1 of the Pennsylvania Municipal Authorities Act and Act 10 of 2016 defines allowable investments for authorities, which are summarized as follows:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund 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 instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

All bank deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized under Pennsylvania Act 72. Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2024, \$ 765,529 of the Authority's bank balance of \$ 1,015,529 was exposed to custodial credit risk.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk - Investments

Included in cash and cash equivalents on the statement of net position are investments in Pennsylvania Local Government Investment Trust (PLGIT). PLGIT operates like a money market and seeks to maintain a stable net asset value of \$ 1 per share. At December 31, 2024, the Authority held \$ 2,014 in the PLGIT-Class portfolio. PLGIT portfolio funds are invested in United States Treasury bills, obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations. The Authority's investment in PLGIT was rated AAA, by Standard and Poor's.

Policies Followed at PLGIT

Regulatory Oversight

The operation of PLGIT is governed by an eleven-member Board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its' assets, subject to rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

The Authority has no limitations or restrictions on withdrawals on accounts held at PLGIT.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 3 CAPITAL ASSETS

The following details capital assets activity for the year ended December 31, 2024:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost				
Capital assets not being depreciated:				
Land and easements	\$ 39,532	\$ -	\$ -	39,532
Construction in progress	128,179	2,447,964	(2,576,143)	-
Capital assets:				
Sewer system	<u>2,889,999</u>	<u>2,576,143</u>	<u>-</u>	<u>5,466,142</u>
Total cost	<u>3,057,710</u>	<u>5,024,107</u>	<u>(2,576,143)</u>	<u>5,505,674</u>
Less accumulated depreciation				
Sewer system	<u>(1,859,798)</u>	<u>(59,588)</u>	<u>-</u>	<u>(1,919,386)</u>
Total accumulated depreciation	<u>(1,859,798)</u>	<u>(59,588)</u>	<u>-</u>	<u>(1,919,386)</u>
Capital assets, net	<u>\$ 1,197,912</u>	<u>\$ 4,964,519</u>	<u>\$ (2,576,143)</u>	<u>\$ 3,586,288</u>

During the year ended December 31, 2024, the Authority completed a project to upgrade and expand the sewer plant. The additions to capital assets for the upgrade project are reflected on the Authority's financial statements.

NOTE 4 LEASE RECEIVABLE/DEFERRED INFLOWS

The Authority has entered into a lease agreement as lessor for the use of the sewer system with the Borough of Orwigsburg.

Lease Structure and Purpose - The agreement, effective July 28, 2020, is between the Municipal Authority of the Borough of Orwigsburg ("Authority") as lessor and the Borough of Orwigsburg ("Borough") as lessee. The Authority leases the Sewer System to the Borough for operation and use. The lease term runs from July 28, 2020, through October 1, 2045, or until the Series of 2020 Bonds are retired, with provisions for amendment. The agreement replaces the prior lease and outlines the Borough's responsibility for operating, maintaining, and improving the Sewer System, including the use of bond proceeds for retiring prior indebtedness and funding system improvements.

Financial Provisions and Revenue Management - The Borough is required to enact and enforce ordinances mandating connections to the Sewer System and imposing sewer rentals or charges sufficient to cover operating expenses, debt service, and lease rentals. All sewer revenues are deposited into a dedicated Sewer Revenue Account, from which obligations under the lease are paid. The Borough covenants to pay the Authority monthly rentals of \$ 4,200, beginning August 1, 2020, through the lease term, to cover administrative expenses. Additional sums may be required if administrative expenses exceed the base rental amount.

Operational Covenants and Insurance - The Borough must maintain the Sewer System in good repair, operate it efficiently, and comply with all applicable laws and regulations. The Borough is also required to employ consulting engineers, maintain adequate insurance on the Sewer System, and ensure public liability and property damage coverage. In the event of loss or damage, insurance proceeds are used for repair or replacement, as determined by consulting engineers. The Borough must also provide annual engineering reports and audited financial statements related to the Sewer Revenue Account.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 4 LEASE RECEIVABLE/DEFERRED INFLOWS (CONTINUED)

Additional Terms and Miscellaneous Provisions - The agreement includes covenants prohibiting the Borough from constructing or permitting competing sewer systems, assigning the lease, or subletting the system without Authority consent. Upon lease termination, title to the Sewer System transfers to the Borough. The Authority and Borough agree that all improvements and additions during the lease term become part of the Sewer System. The agreement may be amended by resolution of both parties, and all obligations of the Borough are payable solely from Sewer Revenues. The Authority also agrees to cooperate with the Borough in securing grants or payments from other governmental bodies for system operation and maintenance.

Lease Revenue and Receivables - The future lease payments are discounted using the Authority's estimated incremental borrowing rate of 2.46% to determine the lease receivable. The ending lease receivable of \$ 820,924 and associated deferred inflow of \$ 790,637 as of December 31, 2024, are shown on the statement of net position. For the year ended December 31, 2024, the Authority recognized lease revenue of \$ 29,807 and interest income of \$ 20,593. These amounts are included within the lease rental fees line item on the financial statements.

NOTE 5 RELATED PARTY TRANSACTIONS

The Authority utilizes the administrative services of the Borough of Orwigsburg. The Authority reimburses the Borough for the costs and time associated with the assistance of the Authority. This reimbursement was \$14,618 for 2024.

During the year ended December 31, 2024, the Borough contributed \$ 600,000 to the Authority. See additional details in Note 7 related to the contribution.

NOTE 6 RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to manage its risk. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

NOTE 7 PRINCIPAL FORGIVENESS LOAN AND CONTRIBUTIONS

In September 2023, the Authority obtained financing with PENNVEST through two principal forgiveness loan agreements totaling \$ 2,087,500 related to the Marshall Drive, Station Road, and N Warren Street sewer replacement project. Under these agreements, the Authority has funds available for disbursement \$ 2,087,500, with no repayment amount to PENNVEST. As of December 31, 2024, the Authority has incurred costs of \$ 2,087,500 related to this project. There is a corresponding grant receivable for the final request from PENNVEST related to the close out of the project.

In addition to the PENNVEST Forgiveness Loan, the Borough also obtained an additional grant to be used towards this project and future projects. While this grant is recognized as revenue for the Borough, during the year the Borough transferred \$ 600,000 to the Authority to be used towards projects. This amount is shown as a contribution from the Borough within these financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 RESTATEMENT

During the year ended December 31, 2024, the Authority had a restatement for a correction due to an error in recording a grant receivable in the prior year. Grant receivable was understated by \$ 10,000 during the year ended December 31, 2023. Grant revenue was understated by \$ 10,000 for the year ended December 31, 2023.

Net position, as previously reported- December 31, 2023	\$ 2,037,180
Error correction - grant receivable	<u>10,000</u>
Net position, as restated - December 31, 2023	<u>\$ 2,047,180</u>
Change in net position, as previously reported- December 31, 2023	\$ (1,003,771)
Error correction - grant receivable	<u>10,000</u>
Change in net position, as restated - December 31, 2023	<u>\$ (993,771)</u>

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Budgetary Comparison Schedule
Year Ended December 31, 2024

	Original/Final Budget	Actual	Variance
OPERATING REVENUES			
Lease rental fees	\$ 50,400	\$ 58,702	\$ 8,302
Other rental income	1,000	1,000	-
Total operating revenues	<u>51,400</u>	<u>59,702</u>	<u>8,302</u>
OPERATING EXPENSES			
Salaries	14,618	14,618	-
Professional fees	5,100	3,000	2,100
Maintenance and repairs	30,000	-	30,000
Other operating expenses	1,000	353	647
Total operating expenses	<u>50,718</u>	<u>17,971</u>	<u>32,747</u>
Operating income (loss)	<u>682</u>	<u>41,731</u>	<u>41,049</u>
NONOPERATING REVENUES			
Interest income	130	27,488	27,358
Miscellaneous income	50	-	(50)
Transfers from other governments	5,000	-	(5,000)
Total nonoperating revenues	<u>5,180</u>	<u>27,488</u>	<u>22,308</u>
Capital Contributions and Grants			
Contributions from Borough of Orwigsburg	-	600,000	600,000
Grant revenue	-	1,949,320	1,949,320
Change in net position - budgetary basis	<u>\$ 5,862</u>	2,618,539	<u>\$ 2,612,677</u>
Reconciliation to Statement of Revenues, Expenses, and Changes in Fund Net Position			
Depreciation expense		<u>(59,588)</u>	
Change in net position - GAAP basis		<u>\$ 2,558,951</u>	

NOTE

The Budget prepared by the Authority is prepared on the modified cash basis of accounting and does not include depreciation expense. These items are shown above to reconcile to the Statement of Revenues, Expenses, and Changes in Fund Net Position.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source		Pass Through Grantor's Number	Grant Year	Cash Receipts	Accrual Expenditures	Total Passed- Through to Subrecipients
	Code	ALN					
U.S Environmental Protection Agency							
Passed through Pennsylvania Infrastructure Investment Authority							
Clean Water State Revolving Loan Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Loan Funds	I	66.458	71467	2023	\$ 1,743,250	\$ 1,825,000	\$ -
Capitalization Grants for Clean Water State Revolving Loan Funds	I	66.458	77113	2023	<u>239,876</u>	<u>124,320</u>	-
Total U.S. Environmental Protection Agency					<u>1,983,126</u>	<u>1,949,320</u>	
Total Receipts and Expenditures of Federal Awards					<u>\$ 1,983,126</u>	<u>\$ 1,949,320</u>	

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

NOTE 1 REFERENCES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(l) Indirect

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the Authority's financial statements.

Indirect Cost Rate

The Authority has elected not to use the 10% de minimis indirect cost rate for its federal programs.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Municipal Authority of the Borough of Orwigsburg
Orwigsburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Municipal Authority of the Borough of Orwigsburg (the Authority), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 29, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG, PENNSYLVANIA'S RESPONSE TO FINDINGS

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority response was not subjected to other auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope and testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chambersburg, Pennsylvania
October 29, 2025



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Municipal Authority of the Borough of Orwigsburg
Orwigsburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the Municipal Authority of the Borough of Orwigsburg’s (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority’s major federal programs for the year ended December 31, 2024. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management of Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, rules, and provisions of contracts or grant agreements applicable to the Authority’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2024-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chambersburg, Pennsylvania
October 29, 2025

MUNICIPAL AUTHORITY OF BOROUGH OF ORWIGSBURG
Schedule of Findings and Questioned Costs
Year Ended December, 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for the major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? Yes No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program
66.458	Capitalization Grants for Clean Water State Revolving Loan Funds

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

A. Significant Deficiencies in Internal Control

None noted

B. Material Weaknesses in Internal Control

Finding Reference: 2024-001 – Segregation of Duties – Material Weakness

Condition: There is an overall lack of segregation of duties.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: Due to the limited number of individuals involved with the financial processes of the Authority, there is a lack of segregation of duties, which exposes the Authority to risks.

Effect: Without segregation of duties in key processes, fraud and errors could occur and go undetected.

Recommendation: With limited staff, this issue may not be able to be completely resolved by the Authority. However, we encourage the Authority to review the specific duties of the individuals involved and determine where checks and balances can be added. In addition, the Board should be fully aware of this limitation in providing oversight.

Auditee Response: After the review of the audit findings, the Authority will implement additional oversight to include the review/validation of checks received compared to logs listing the same. The process and implementation are further detailed on the corrective action plan.

C. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

MUNICIPAL AUTHORITY OF BOROUGH OF ORWIGSBURG
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2024

Section III - Federal Award Findings and Questioned Costs

A. Material Weaknesses or Significant Deficiencies in Internal Control over Compliance

See finding 2024-002 below.

B. Compliance Findings

Finding Reference: 2024-002 – No written procurement policy
Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds – ALN 66.458

Compliance Requirement: Procurement, Suspension and Debarment
Type of Finding: Compliance and Material Weakness in Internal Control over Compliance

Criteria: General procurement standards of the Uniform Guidance under 2 CFR 200.318 require that the non-federal must maintain and use documented procurement procedures that are consistent with applicable state and local regulations, and conform to standards identified in the Uniform Guidance.

Statement of Condition: The Authority does not have a formal procurement policy that complies with the federal requirements. However, during our testing of compliance with procurement guidelines, no further deviations from federal guidelines were noted.

Statement of Causes: The Authority was unacquainted with the general procurement standards of the Uniform Guidance.

Possible Asserted Effects: Without a documented federal procurement procedure, it is difficult for the Authority to ensure compliance with relevant compliance requirements.

Questioned Costs: None noted

Context: Per review of the general procurement standards of the Uniform Guidance and related compliance supplement, non-federal entities are required to have their own documented procurement procedures. Per review of the Authority's policies and procedures, no such policies exist related to federal procurement requirements.

Repeat Finding: Not Applicable

Recommendations: The Authority should establish a documented procedure that relates to federal procurement.

Views of responsible officials and planned corrective actions: The audit findings were communicated to the Authority and expecting the Authority to enter into other federal programs in the future, the Authority has decided to implement its own written procurement policy. The process and implementation are further discussed in the corrective action plan.

THE MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG

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MUNICIPAL AUTHORITY OF BOROUGH OF ORWIGSBURG Summary Schedule of Prior Audit Findings Year Ended December 31, 2024

Findings related to financial statements:

Finding 2023-001: Lack of Segregation of duties

Condition: There is an overall lack of segregation of duties.

Status: See Finding 2024-001

Finding 2023-002: Bank Reconciliations

Condition: Bank reconciliations were not being completed monthly.

Status: Bank reconciliations are now being performed monthly.

Findings related to federal awards:

A single audit was not performed for the year ended December 31, 2023.