

Audited
Financial
Statements

December 31,
2024

Borough of Orwigsburg

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	4
Statement of activities	5
Fund Financial Statements	
Governmental Funds	
Balance sheet	6
Reconciliation of governmental funds balance sheet to the statement of net position	7
Statement of revenues, expenditures, and changes in fund balances	8
Reconciliation of governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities	9
Proprietary Funds	
Statement of net position	10
Statement of revenues, expenses, and changes in fund net position	11
Statement of cash flows	12
Notes to Financial Statements	13 - 42
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Budgetary comparison schedule - General Fund	43
Schedule of changes in net pension (asset) liability and related ratios - Police Plan	44
Schedule of changes in net pension liability and related ratios -Non-Uniform Plan	45
Schedule of employer contributions - Pension Plans	46
Schedule of changes in the total OPEB Liability and related ratios	47
OTHER SUPPLEMENTARY INFORMATION	
Combining statement of net position - sewer fund and municipal authority	48
Combining statement of revenues, expenses, and changes in fund net position - sewer fund and municipal authority	49
Schedule of expenditures of federal awards	50
Notes to schedule of expenditures of federal awards	51
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 GOVERNMENTAL AUDITING STANDARDS	52 - 53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	54 - 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57 - 61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	62



Guidance You
Can Count On.

INDEPENDENT AUDITOR'S REPORT

Borough Council
Borough of Orwigsburg
Orwigsburg, Pennsylvania

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough of Orwigsburg'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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of December 31, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Borough of Orwigsburg, 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 opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements for the year ended December 31, 2024, the Borough adopted new accounting guidance, GASBS No. 101 *Compensated Absences*. 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 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, that raise substantial doubt about Borough of Orwigsburg, Pennsylvania'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 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 and *Government 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 Borough of Orwigsburg, Pennsylvania'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 Orwigsburg, Pennsylvania'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

Accounting principles generally accepted in the United States of America require that the budgetary comparison and schedules related to pension and OPEB liabilities on Pages 43 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Orwigsburg, Pennsylvania's basic financial statements. The combining fund financial statements and 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*, are presented for purposes of additional analysis and are 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 combining fund financial statements and 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our reported dated December 11, 2025 on our consideration of the Borough of Orwigsburg, Pennsylvania'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 control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Borough of Orwigsburg, Pennsylvania'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 Borough of Orwigsburg, Pennsylvania's internal control over financial reporting an compliance.



Chambersburg, Pennsylvania
December 11, 2025

BOROUGH OF ORWIGSBURG
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,029,134	1,835,897	\$ 3,865,031
Taxes receivable, net of allowance	215,776	-	215,776
Accounts receivable, net of allowance	150	532,583	532,733
Escrow receivable	30,680	-	30,680
Leases receivable	27,960	-	27,960
Grant receivable	2,496	104,374	106,870
Internal balances	(101,259)	101,259	-
Prepaid expenses	16,688	7,746	24,434
Total current assets	<u>2,221,625</u>	<u>2,581,859</u>	<u>4,803,484</u>
Noncurrent assets			
Leases receivable	19,984	-	19,984
Capital assets not being depreciated			
Land	377,134	84,612	461,746
Construction in progress	641,763	437,519	1,079,282
Capital assets net of accumulated depreciation/amortization			
Buildings and improvements	2,457,481	729,641	3,187,122
Land improvements	315,624	-	315,624
Equipment	122,616	123,804	246,420
Recreation assets	105,789	-	105,789
Sewer plant	-	7,057,653	7,057,653
Sewer line improvements	-	784,451	784,451
Vehicles	108,568	25,171	133,739
Water distribution system	-	2,875,675	2,875,675
Right-to-use asset - equipment	794	1,588	2,382
Restricted cash	-	1,477,751	1,477,751
Net pension asset	696,891	-	696,891
Total noncurrent assets	<u>4,846,644</u>	<u>13,597,865</u>	<u>18,444,509</u>
Total assets	<u>7,068,269</u>	<u>16,179,724</u>	<u>23,247,993</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension asset/liability	424,841	118,020	542,861
Deferred outflows related to OPEB liability	2,883	-	2,883
Total deferred outflows of resources	<u>427,724</u>	<u>118,020</u>	<u>545,744</u>
Total assets and deferred outflows of resources	<u>\$ 7,495,993</u>	<u>\$ 16,297,744</u>	<u>\$ 23,793,737</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 149,891	\$ 124,801	\$ 274,692
Accrued payroll withholdings	58,476	5,546	64,022
Accrued interest payable	3,818	80,719	84,537
Escrow payable	17,998	-	17,998
Unearned revenue	311,049	132,369	443,418
Long-term liabilities: Due within one year			
Bonds and notes payable, net	15,229	355,714	370,943
Lease obligations	579	1,158	1,737
Finance purchase	36,675	-	36,675
Total current liabilities	<u>593,715</u>	<u>700,307</u>	<u>1,294,022</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	380,068	9,540,273	9,920,341
Lease obligations	299	598	897
Finance purchase	39,770	-	39,770
Compensated absences	104,572	50,948	155,520
Net pension liability	-	76,432	76,432
Total OPEB liability	54,976	-	54,976
Total noncurrent liabilities	<u>579,685</u>	<u>9,668,251</u>	<u>10,247,936</u>
Total liabilities	<u>1,173,400</u>	<u>10,368,558</u>	<u>11,541,958</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases receivable	43,289	-	43,289
Deferred inflows related to pension asset/liability	4,716	18,294	23,010
Deferred inflow related to OPEB liability	13,737	-	13,737
Total deferred inflows of resources	<u>61,742</u>	<u>18,294</u>	<u>80,036</u>
NET POSITION			
Net investment in capital assets	3,657,149	4,318,304	7,975,453
Restricted	1,414,047	-	1,414,047
Unrestricted	1,189,655	1,592,588	2,782,243
Total Net Position	<u>6,260,851</u>	<u>5,910,892</u>	<u>12,171,743</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,495,993</u>	<u>\$ 16,297,744</u>	<u>\$ 23,793,737</u>

BOROUGH OF ORWIGSBURG
Statement of Activities
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 388,108	\$ 104,333	\$ 113,248	\$ -	\$ (170,527)	\$ -	\$ (170,527)
Public safety	946,124	50,704	138,673	-	(756,747)	-	(756,747)
Public works - highways	530,070	10,398	106,150	-	(413,522)	-	(413,522)
Culture and recreation	266,485	38,834	-	23,495	(204,156)	-	(204,156)
Community development	-	-	-	422,413	422,413	-	422,413
Interest expense	20,811	-	-	-	(20,811)	-	(20,811)
Total governmental activities	<u>2,151,598</u>	<u>204,269</u>	<u>358,071</u>	<u>445,908</u>	<u>(1,143,350)</u>	<u>-</u>	<u>(1,143,350)</u>
Business-type activities							
Water	900,747	853,253	-	-	-	(47,494)	(47,494)
Sewer	955,373	1,002,102	-	2,416,951	-	2,463,680	2,463,680
Sanitation	406,432	433,521	-	-	-	27,089	27,089
Total business-type activities	<u>2,262,552</u>	<u>2,288,876</u>	<u>-</u>	<u>2,416,951</u>	<u>-</u>	<u>2,443,275</u>	<u>2,443,275</u>
Total primary government	<u>\$ 4,414,150</u>	<u>\$ 2,493,145</u>	<u>\$ 358,071</u>	<u>\$ 2,862,859</u>	<u>(1,143,350)</u>	<u>2,443,275</u>	<u>1,299,925</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					734,585	-	734,585
Fire tax					125,712	-	125,712
Real estate transfer tax					69,380	-	69,380
Earned income tax					518,214	-	518,214
Other taxes					91,421	-	91,421
Investment earnings					70,384	148,413	218,797
Miscellaneous income					79,390	-	79,390
Transfers					(13,000)	13,000	-
Total general revenues and transfers					<u>1,676,086</u>	<u>161,413</u>	<u>1,837,499</u>
Change in net position					532,736	2,604,688	3,137,424
Net position - beginning as previously reported					5,584,275	3,306,204	8,890,479
Error correction					143,840	10,000	153,840
Net position - as restated					<u>5,728,115</u>	<u>3,316,204</u>	<u>9,044,319</u>
Net position - ending					<u>\$ 6,260,851</u>	<u>\$ 5,910,892</u>	<u>\$ 12,171,743</u>

BOROUGH OF ORWIGSBURG
Balance Sheet – Governmental Funds
December 31, 2024

	General Fund	Capital Reserve Fund	Grant Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 246,350	\$ 1,111,213	\$ 398,361	\$ 273,210	\$ 2,029,134
Taxes receivable, net	213,044	-	-	2,732	215,776
Escrows receivable	30,680	-	-	-	30,680
Leases receivable	47,944	-	-	-	47,944
Other receivables	150	-	2,496	-	2,646
Due from other funds	42,451	36,500	-	277	79,228
Prepaid items	16,688	-	-	-	16,688
Total assets	<u>\$ 597,307</u>	<u>\$ 1,147,713</u>	<u>\$ 400,857</u>	<u>\$ 276,219</u>	<u>\$ 2,422,096</u>
LIABILITIES					
Accounts payable	\$ 43,833	\$ 32,175	\$ 73,883	\$ -	\$ 149,891
Escrows payable	17,998	-	-	-	17,998
Due to other funds	180,487	-	-	-	180,487
Accrued wages, benefits and withholdings	58,476	-	-	-	58,476
Unearned revenue	2,437	-	303,362	5,250	311,049
Total liabilities	<u>303,231</u>	<u>32,175</u>	<u>377,245</u>	<u>5,250</u>	<u>717,901</u>
DEFERRED INFLOWS OF RESOURCES					
Leases	43,289	-	-	-	43,289
Unavailable tax revenue	69,013	-	-	1,853	70,866
Total deferred inflow of resources	<u>112,302</u>	<u>-</u>	<u>-</u>	<u>1,853</u>	<u>114,155</u>
FUND BALANCES					
Nonspendable	16,688	-	-	-	16,688
Restricted	5,781	1,115,538	23,612	269,116	1,414,047
Committed	89,749	-	-	-	89,749
Unassigned	69,556	-	-	-	69,556
Total fund balances	<u>181,774</u>	<u>1,115,538</u>	<u>23,612</u>	<u>269,116</u>	<u>1,590,040</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 597,307</u>	<u>\$ 1,147,713</u>	<u>\$ 400,857</u>	<u>\$ 276,219</u>	<u>\$ 2,422,096</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2024

Total fund balance - governmental funds \$ 1,590,040

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Cost of assets	6,162,882	
Accumulated depreciation/amortization	<u>(2,033,113)</u>	4,129,769

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statement. 70,866

Long-term liabilities are not due and payable in the current period and are not included in the fund balance sheet, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Note payable	(395,297)	
Finance purchase	(76,445)	
Accrued interest	(3,818)	
Compensated absences	(104,572)	
Lease obligations	(878)	
Net pension asset (liability)	696,891	
Deferred outflows related to pension asset/liability	424,841	
Deferred inflows related to pension asset/liability	(4,716)	
Total OPEB liability	(54,976)	
Deferred outflows related to OPEB liability	2,883	
Deferred inflows related to OPEB liability	<u>(13,737)</u>	<u>470,176</u>

Total net position - governmental activities \$ 6,260,851

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2024

	General Fund	Capital Reserve Fund	Grant Fund	Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,461,853	\$ -	\$ -	\$ 69,587	\$ 1,531,440
Licenses and permits	63,612	-	-	-	63,612
Local support	116,290	-	-	-	116,290
Fines and forfeits	27,439	-	-	-	27,439
Interest and rents	73,902	46,769	687	11,728	133,086
Intergovernmental	133,730	-	527,397	128,533	789,660
Charges for services	48,266	3,785	-	-	52,051
Miscellaneous	4,495	73,500	-	-	77,995
Total revenues	<u>1,929,587</u>	<u>124,054</u>	<u>528,084</u>	<u>209,848</u>	<u>2,791,573</u>
EXPENDITURES					
General government	368,424	18,162	-	426	387,012
Public safety					
Police department	806,449	397,122	-	-	1,203,571
Emergency services	676	-	-	28,437	29,113
Planning and zoning	60,236	-	-	-	60,236
Public works					
Highways	269,289	122,290	-	220,182	611,761
Other	13,578	-	-	-	13,578
Community development	-	-	427,246	-	427,246
Culture and recreation	193,031	-	3,014	-	196,045
Debt service	50,986	70,002	-	-	120,988
Total expenditures	<u>1,762,669</u>	<u>607,576</u>	<u>430,260</u>	<u>249,045</u>	<u>3,049,550</u>
Excess (deficiency) of revenues over expenditures	<u>166,918</u>	<u>(483,522)</u>	<u>97,824</u>	<u>(39,197)</u>	<u>(257,977)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	121,990	-	-	121,990
Transfers in	118,626	153,487	44,414	-	316,527
Transfers out	(197,901)	(13,000)	(118,626)	-	(329,527)
Total other financing sources (uses)	<u>(79,275)</u>	<u>262,477</u>	<u>(74,212)</u>	<u>-</u>	<u>108,990</u>
Net change in fund balances	87,643	(221,045)	23,612	(39,197)	(148,987)
Fund balances - as previously reported	50,530	1,336,583	-	308,313	1,695,426
Error corrections	43,601	-	-	-	43,601
Fund balances - as restated	94,131	1,336,583	-	308,313	1,739,027
Fund balances - ending	<u>\$ 181,774</u>	<u>\$ 1,115,538</u>	<u>\$ 23,612</u>	<u>\$ 269,116</u>	<u>\$ 1,590,040</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2024

Net change in fund balances - total governmental funds \$ (148,987)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period:

Depreciation/amortization expense	(225,529)	
Capital outlays	<u>1,000,222</u>	774,693

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

(93,699)

Governmental funds report the issuance of debt as current financial resources and the payment of debt principal as an expenditure. In contrast, the Statement of Activities treats such issuance/repayments as additions/reduction in long-term liabilities:

Issuance of finance purchase	(121,990)	
Activity for leases and finance purchase	(4,351)	
Repayment of lease obligations - principal	1,087	
Repayment of finance purchase	45,545	
Repayment of long term obligations	<u>58,500</u>	(21,209)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension asset/(liability) and related deferred outflows and inflows	26,689	
Total OPEB liability and related deferred outflows and inflows	728	
Compensated absences	<u>(5,479)</u>	<u>21,938</u>

Change in net position - governmental activities \$ 532,736

BOROUGH OF ORWIGSBURG
Statement of Net Position – Proprietary Funds
December 31, 2024

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,563,270	\$ 241,013	\$ 31,614	\$ 1,835,897
Accounts receivable, net	265,810	243,653	23,120	532,583
Grant receivable	104,374	-	-	104,374
Due from other funds	14,369	1,849,244	14,882	1,878,495
Prepaid expenses	3,841	3,905	-	7,746
Total assets	<u>1,951,664</u>	<u>2,337,815</u>	<u>69,616</u>	<u>4,359,095</u>
Noncurrent assets				
Capital assets not being depreciated:				
Construction in progress	-	437,519	-	437,519
Land	39,532	45,080	-	84,612
Capital assets being depreciated/amortized:				
Buildings and system	5,199,088	-	-	5,199,088
Equipment	216,357	164,158	-	380,515
Sewer plant	5,466,142	-	-	5,466,142
Vehicles	44,854	46,854	-	91,708
Water distribution system	-	8,843,395	-	8,843,395
Right-to-use asset - equipment	2,474	2,474	-	4,948
Less accumulated depreciation/amortization	(2,395,359)	(5,992,454)	-	(8,387,813)
Restricted cash	1,477,751	-	-	1,477,751
Total noncurrent assets	<u>10,050,839</u>	<u>3,547,026</u>	<u>-</u>	<u>13,597,865</u>
Total assets	<u>12,002,503</u>	<u>5,884,841</u>	<u>69,616</u>	<u>17,956,960</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension asset/liability	56,448	53,033	8,539	118,020
Total assets and deferred outflows of resources	<u>\$ 12,058,951</u>	<u>\$ 5,937,874</u>	<u>\$ 78,155</u>	<u>\$ 18,074,980</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 111,366	\$ 12,046	\$ 1,389	\$ 124,801
Accrued wages payable	3,188	2,358	-	5,546
Accrued interests payable	50,973	29,746	-	80,719
Due to other funds	1,770,616	6,620	-	1,777,236
Unearned revenues	132,369	-	-	132,369
Long-term liabilities: Due within one year				
Bonds and notes payable, net	199,021	156,693	-	355,714
Lease obligations	579	579	-	1,158
Total current liabilities	<u>2,268,112</u>	<u>208,042</u>	<u>1,389</u>	<u>2,477,543</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	5,977,523	3,562,750	-	9,540,273
Compensated absences	25,251	25,278	419	50,948
Lease obligations	299	299	-	598
Net pension liability	35,338	35,534	5,560	76,432
Total noncurrent liabilities	<u>6,038,411</u>	<u>3,623,861</u>	<u>5,979</u>	<u>9,668,251</u>
Total liabilities	<u>8,306,523</u>	<u>3,831,903</u>	<u>7,368</u>	<u>12,145,794</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension asset/liability	11,755	5,277	1,262	18,294
NET POSITION				
Net investment in capital assets	3,013,848	1,304,456	-	4,318,304
Unrestricted	726,825	796,238	69,525	1,592,588
Total net position	<u>3,740,673</u>	<u>2,100,694</u>	<u>69,525</u>	<u>5,910,892</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,058,951</u>	<u>\$ 5,937,874</u>	<u>\$ 78,155</u>	<u>\$ 18,074,980</u>

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds
Year Ended December 31, 2024

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
OPERATING REVENUES				
Charges for services	\$ 940,699	\$ 853,253	\$ 433,521	\$ 2,227,473
Total operating revenues	<u>940,699</u>	<u>853,253</u>	<u>433,521</u>	<u>2,227,473</u>
OPERATING EXPENSES				
Personal services	166,492	156,710	25,637	348,839
Contractual and professional services	188,530	81,878	372,039	642,447
Maintenance	27,813	56,635	-	84,448
Supplies and administrative expense	61,337	213,124	8,756	283,217
Insurance premiums	10,315	11,975	-	22,290
Utilities	93,289	45,466	-	138,755
Depreciation	172,549	223,349	-	395,898
Total operating expenses	<u>720,325</u>	<u>789,137</u>	<u>406,432</u>	<u>1,915,894</u>
Operating income (loss)	<u>220,374</u>	<u>64,116</u>	<u>27,089</u>	<u>311,579</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	145,222	3,155	36	148,413
Rental income	1,003	-	-	1,003
Interest expense	(184,648)	(111,610)	-	(296,258)
Total nonoperating revenues (expenses)	<u>(38,423)</u>	<u>(108,455)</u>	<u>36</u>	<u>(146,842)</u>
Income (loss) before transfers capital contributions, grants and transfers	181,951	(44,339)	27,125	164,737
CAPITAL CONTRIBUTIONS, GRANTS AND TRANSFERS				
Capital contributions and grants	2,416,951	-	-	2,416,951
Transfers in	-	38,755	13,000	51,755
Transfers out	(38,755)	-	-	(38,755)
Total transfers and capital contributions and grants	<u>2,378,196</u>	<u>38,755</u>	<u>13,000</u>	<u>2,429,951</u>
Change in net position	2,560,147	(5,584)	40,125	2,594,688
Total net position - beginning, as previously reported	1,170,526	2,106,278	29,400	3,306,204
Restatement - error correction	10,000	-	-	10,000
Total net position - beginning, as restated	<u>1,180,526</u>	<u>2,106,278</u>	<u>29,400</u>	<u>3,316,204</u>
Total net position - ending	<u>\$ 3,740,673</u>	<u>\$ 2,100,694</u>	<u>\$ 69,525</u>	<u>\$ 5,910,892</u>

BOROUGH OF ORWIGSBURG
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2024

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,055,536	\$ 835,043	\$ 430,369	\$ 2,320,948
Payments to suppliers for goods and services	(351,832)	(454,484)	(396,501)	(1,202,817)
Payments to and on behalf of employees	(215,100)	(191,751)	(32,529)	(439,380)
Net cash provided (used) by operating activities	<u>488,604</u>	<u>188,808</u>	<u>1,339</u>	<u>678,751</u>
Cash flows from capital and related financing activities				
Acquisition/construction of capital assets	(2,835,293)	(513,279)	-	(3,348,572)
Grants received	2,454,946	-	-	2,454,946
Transfer of debt proceeds and related interest income	(643,609)	643,609	-	-
Principal paid on lease obligations	(554)	(554)	-	(1,108)
Principal paid on long-term debt	(176,000)	(144,000)	-	(320,000)
Interest and capital charges on fiscal debt and leases	(205,297)	(122,428)	-	(327,725)
Net cash provided (used) by capital and related financing activities	<u>(1,405,807)</u>	<u>(136,652)</u>	<u>-</u>	<u>(1,542,459)</u>
Cash flows from non-capital financing activities				
Transfer to/from other funds	-	-	13,000	13,000
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>13,000</u>
Cash flows from investing activities				
Interest and dividend received	145,222	3,155	36	148,413
Net cash provided by investing activities	<u>145,222</u>	<u>3,155</u>	<u>36</u>	<u>148,413</u>
Net increase (decrease) in cash and cash equivalents	(771,981)	55,311	14,375	(702,295)
Cash and cash equivalents - beginning of the year	<u>3,813,002</u>	<u>185,702</u>	<u>17,239</u>	<u>4,015,943</u>
Cash and cash equivalents - end of the year	<u>\$ 3,041,021</u>	<u>\$ 241,013</u>	<u>\$ 31,614</u>	<u>\$ 3,313,648</u>
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	\$ 1,563,270	\$ 241,013	\$ 31,614	\$ 1,835,897
Restricted cash	1,477,751	-	-	1,477,751
	<u>\$ 3,041,021</u>	<u>\$ 241,013</u>	<u>\$ 31,614</u>	<u>\$ 3,313,648</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 220,374	\$ 64,116	\$ 27,089	\$ 311,579
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	172,549	223,349	-	395,898
Other nonoperating revenues	1,003	-	-	1,003
(Increase) decrease in:				
Accounts receivable	113,834	(18,210)	(3,152)	92,472
Due from other funds	(7,749)	(40,529)	(16,928)	(65,206)
Prepaid expenses	928	920	-	1,848
Increase (decrease) in:				
Accounts payable	38,603	(12,033)	(1,578)	24,992
Due to other funds	(17,856)	-	-	(17,856)
Net pension asset	(33,082)	(28,805)	(4,092)	(65,979)
Net cash provided (used) by operating activities	<u>\$ 488,604</u>	<u>\$ 188,808</u>	<u>\$ 1,339</u>	<u>\$ 678,751</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Borough of Orwigsburg, Pennsylvania, operates under a strong council-weak mayor-manager form of government and provides the following services as authorized by the Borough Code: Public Safety – Police and Fire, Highways and Streets, Sanitation, Public Service, Culture – Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Borough of Orwigsburg (the Borough) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

Reporting Entity

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The following component unit meets the criteria for blended presentation and is included within the reporting entity:

- The Municipal Authority of the Borough of Orwigsburg (the “Authority”) is governed by a board appointed by Borough Council. The Authority owns portions of the sewer system which services the Borough of Orwigsburg entirely. The Authority was formed 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, 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 system is carried out by Borough employees.
- The activities are reflected in the Enterprise Funds and combined with the Borough sewer fund for reporting purposes.

Joint Ventures

Blue Mountain Recreation Authority

The Borough is one of ten members participating in the operation of the Blue Mountain Recreation Authority (the “Recreation Authority”). The Recreation Authority is operated, administered, and managed by a joint operating committee consisting of twenty members with two being appointed by the Borough. These members are appointed by their respective governing body and at least one member from each body shall be a member of the governing body appointing them. During 2024, the Borough incurred \$ 51,613 for their share of these services.

Fund Accounting

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the Borough are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

The Borough reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Borough. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

Capital Reserve Fund - This fund is used to set monies aside for future capital improvements.

Grant Fund - This fund is used to account for all financial transactions related to grant received within the governmental funds..

The Borough reports the following nonmajor governmental funds:

Highway Aid Fund - is used to account for the proceeds and disposition of state liquid fuels entitlements that are legally restricted to expenditures for specific purposes, primarily building and maintaining local roads and bridges.

Fire Fund - is used to account for the proceeds and disposition of assessment of real estate taxes specific for purposes relating to emergency services provided by the Friendship Hose Company Number 1.

Proprietary Funds

The Borough reports the following major enterprise funds:

Sewer Department - Provides wastewater treatment services for the Borough of Orwigsburg, its residents, commercial establishments, and various customers located within the neighboring areas. This fund is presented as a combination of the Borough's sewer fund and the blended component unit Municipal Authority.

Water Department - Provides water and related services, including laboratory analyses, to the Borough of Orwigsburg, its residents, business establishments and various customers within the proximity of the Borough.

Sanitation Department - Provides trash and garbage removal for the Borough of Orwigsburg, its residents, and commercial establishments throughout the Borough.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has no fiduciary funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Borough's public safety, highways, culture and recreation, and general administrative services are classified as governmental activities. The statements distinguish between these activities of the Borough that are governmental and that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities, and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of the governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to fiduciary funds and they are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reported on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less deferred inflows of resources and total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers tax and other revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. If time requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.

Statement of Cash Flows

For purposes of the statement of cash flows presented for proprietary funds, the Borough considers all highly liquid investments, including restricted assets, with maturities of three months or less when purchased, to be cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activity column of the government-wide statement of net position and in the respective fund.

Capital assets, which include property, plant, equipment, sewer and water systems, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost in excess of \$ 1,000 and an estimated useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Land improvements	15 - 40
Buildings and improvements	10 - 40
Equipment	8 - 15
Recreation assets	5 - 30
Sewer plant	40
Sewer line improvements	50
Water distribution system	15 - 40
Vehicles	5 - 8
Right-to-use asset - equipment	4

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated/amortized over the remaining useful lives of the related capital assets, as applicable.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Borough has various item that qualifies for reporting in this category for the various amounts related to pension asset (liabilities) and OPEB liability. These amounts will be amortized in future periods.

In addition to liabilities, the statement of net position and Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has several items which qualify for reporting in this category. Unavailable revenue from taxes are considered a deferred inflow of resources on the Balance Sheet - Governmental Funds, and various items related to pension asset (liabilities) and OPEB liability are shown as deferred inflows on the Statement of Net Position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

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 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 debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvements of assets or related debt also should be 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 amounts 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 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, 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.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds Continued)

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee, borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Fund Balance Flow Assumptions

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Borough does not currently have a policy to indicate in which order unrestricted fund balance is considered spent; therefore, by default, the order is as follows: committed, assigned and unassigned.

Interfund Activity

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements. It is the Borough's general rule to eliminate internal activity in the government-wide statement of activities, such as receipts and payments between the Borough's sewer fund and blended component unit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity (Continued)

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are shown separately in proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, 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.

Budgets and Budgetary Accounting

Borough Council adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of each year and must be reappropriated. The final budget amounts shown in the financial statements are the final authorized amount as revised during the year.

During 2024, the Borough overspent the budgeted expenditures of the general fund, which is a violation of the Borough Code, but is not expected to result in any negative implications to the Borough.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental columns in the statement of net position. Bond premium and discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred charges on bond refunding are shown as deferred outflows of resources. Bond issuance costs related to insurance premiums are reported as assets and amortized to expense over the term of the related debt. Other bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The Borough is a lessee for one noncancellable lease of equipment. The Borough recognizes a lease liability and intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the Borough initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Borough determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Borough uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Borough generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Borough is reasonably certain to exercise.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The Borough is a lessor for a noncancellable lease of building space. The Borough recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Borough 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 the 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 judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Borough accounts for compensated absences in accordance with GASB Standards which establishes a unified approach for recognizing and measuring leave benefits. During the year ended December 31, 2024, the Borough adopted GASB 101, *Compensated Absences*

Under this guidance, a liability is recorded for leave that employees have earned but not yet used, provided the leave is expected to be paid or settled in the future. This includes vacation, sick leave, and other types of paid time off that accumulate and are attributable to services already rendered. The liability is recognized when it is more likely than not that the leave will be used for time off or otherwise compensated, either in cash or through noncash settlement. The measurement of the liability is based on the employee's pay rate as of the financial statement date, unless a different rate is specified in the leave arrangement. Additionally, salary-related payments that are directly and incrementally associated with leave payments—such as payroll taxes and certain pension contributions—are included in the liability. This approach ensures that the financial statements reflect the cost of compensated absences in the period in which the benefits are earned, providing a more accurate picture of the government's financial obligations.

Under terms of the Borough's employment agreements, employees are granted vacation, personal, and sick leave in varying amounts. Personal time must be used during the calendar year for all employees and cannot be carried over. Ninety days of vacation may be carried over from one year to the next for Borough employees. Upon retirement from the Borough, non-uniformed employees and police are reimbursed for accumulated sick leave in accordance with personnel policies.

The vesting method is used to account for sick and vacation leave liabilities. In accordance with GASB standards, no liability is recorded in the governmental fund financial statements and an expenditure is recorded as payments are made. In the government-wide statements, the liability and expenses are recorded as incurred.

Pension Plans

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Borough's other postemployment benefits are accounted for in accordance with these standards.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

For proprietary funds, the Borough has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as utility billings and penalties and late charges.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants and other revenues that are defined as nonoperating revenues by GASB, such as investment earnings. In addition, tap fees are considered non-operating because they are based on future capacity needs of the utility system.

NOTE 2 DEPOSITS AND INVESTMENTS

The Commonwealth of Pennsylvania’s “Borough Code” and Act 10 of 2016 define allowable investments for Borough funds as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- 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 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 registered 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 banker’s acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2024, \$ 750,380 of the Borough's bank balance of \$ 3,445,254 was covered by federal depository insurance and \$ 2,694,874 was exposed to custodial credit risk. This balance is uninsured but is collateralized by securities held by the pledging financial institution not in the Borough’s name.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Pennsylvania 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. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

Credit Risk - Investments

Pennsylvania Local Government Investment Trust (PLGIT) investments are shown as cash and cash equivalents in these financial statements. Investments are carried at amortized cost. PLGIT investments of \$ 1,997,429 are considered an external investment pool. These funds operate similar to a money market fund and seek to maintain a consistent net asset value of \$ 1 per share. 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.

Credit risk is the risk that an issuer of debt securities or other counter party to an investment will not fulfill its obligations. The Borough does not have an investment policy regarding credit risk.

At December 31, 2024, the Borough's investments in PLGIT were rated AAAM by Standard and Poor's Investors Services.

Policies followed by 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 the 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.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 3 TAXES

The Borough collects property taxes, earned income and other taxes and fees. Property taxes are levied as of January 1 on assessed property values. The tax bills are mailed by the Tax Collectors by March 1 and are payable as follows:

Discount	March 1 – April 30
Face	May 1 – June 30
Penalty	July 1 – December 31

After December 31, the bills are considered delinquent and are turned over to the Schuylkill County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Taxes receivable are stated at the amount management expects to collect from outstanding balances. The Borough has established an allowance for uncollectible accounts based on an evaluation of historical collections. Taxes receivable in the balance sheet- governmental funds consists of the following as of December 31, 2024:

	General Fund	Fire Fund
Comcast franchise fee	\$ 14,941	\$ -
Earned income	98,527	-
Local services tax	16,940	-
Real estate	28,700	-
Fire tax	-	2,761
Recreation	2,187	-
Occupational	2,124	-
Per capita	5,390	-
Real estate transfer	5,611	-
Delinquent real estate tax	14,386	-
Delinquent per capita	21,116	-
Delinquent occupational tax	8,122	-
Allowance for uncollectible accounts	<u>(5,000)</u>	<u>-</u>
Total taxes receivable, net	213,044	2,761
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(144,031)</u>	<u>(908)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 69,013</u>	<u>\$ 1,853</u>

The Borough's allowance for doubtful accounts at December 31, 2024 for the proprietary funds totaled \$ 5,500 for the Sewer Fund, \$ 5,000 for the Water Fund, and \$ 3,500 for the Sanitation Fund. This is based on an evaluation of historical and delinquent collections.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 5 LEASE RECEIVABLE

The Borough has entered into a lease for use of building space. The lease runs through 2026 and requires monthly payments ranging from \$ 2,165 to \$ 2,510 based on the Borough's estimated interest rate of 4.25%. The ending lease receivable of \$ 47,944 is shown on the government wide statement of net position and governmental fund balance sheet. For the year ended December 31, 2024, the Borough recognized lease revenue of \$ 24,067 and interest revenue of \$ 3,702 associated with this lease.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consist of the following at December 31, 2024:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 42,451	\$ 180,487
Fire Tax Fund	277	-
Capital Reserve Fund	36,500	-
Proprietary Funds		
Sewer	14,369	1,770,616
Water	1,849,244	6,620
Sanitation	14,882	-
	<u>\$ 1,957,723</u>	<u>\$ 1,957,723</u>

The outstanding balance due to the Capital Reserve Fund from the General Fund and Sewer Fund relates to current year Capital Projects. The outstanding balance due to the Sewer and Water Funds from the general fund relates to current year receipts between funds. The remaining outstanding balances between funds result mainly from payroll transactions and amounts related to debt service. During 2022, the Borough approved reallocating 34% of the 2020 bond issuance to the Water Fund. Due to the reallocation of the debt liability, the remaining bond proceeds from the issuance are also due to the Water Fund, accounting for \$ 1,849,244 of the interfund balance above.

Interfund transfers consist of the following during 2024:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 118,626	\$ 197,901
Capital Reserve	153,487	13,000
Grant fund	44,414	118,626
Proprietary Funds		
Sewer	-	38,755
Water	38,755	-
Sanitation	13,000	-
	<u>\$ 368,282</u>	<u>\$ 368,282</u>

The transfer from General Fund to the Capital Reserve Fund was for future capital purchases and projects. The transfer from the Capital Reserve Fund to the General was for current capital purchases and projects. The transfer from the Sewer Fund to the Water Fund related to the allocation of interest earnings on the debt obligation. The transfer from the Capital Reserve Fund to the Sanitation Fund was a budgeted transfer for current year operating expenditures.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2024:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Capital assets not being depreciated/amortized				
Land	\$ 377,134	\$ -	\$ -	\$ 377,134
Construction in progress	185,189	854,014	(397,440)	641,763
Capital assets being depreciated/amortized				
Land improvements	634,822	-	-	634,822
Buildings and improvements	2,868,745	397,440	-	3,266,185
Equipment	396,652	21,888	-	418,540
Recreation assets	312,737	2,330	-	315,067
Vehicles	384,907	121,990	-	506,897
Right-to-use asset - equipment	2,474	-	-	2,474
Total cost	<u>5,162,660</u>	<u>1,397,662</u>	<u>(397,440)</u>	<u>6,162,882</u>
Less accumulated depreciation/amortization				
Land improvements	(283,879)	(35,319)	-	(319,198)
Building and improvements	(717,122)	(91,582)	-	(808,704)
Equipment	(272,508)	(23,416)	-	(295,924)
Recreation assets	(195,155)	(14,123)	-	(209,278)
Vehicles	(337,800)	(60,529)	-	(398,329)
Right-to-use asset - equipment	(1,120)	(560)	-	(1,680)
Total accumulated depreciation/amortization	<u>(1,807,584)</u>	<u>(225,529)</u>	<u>-</u>	<u>(2,033,113)</u>
Capital assets, net	<u>\$ 3,355,076</u>	<u>\$ 1,172,133</u>	<u>\$ (397,440)</u>	<u>\$ 4,129,769</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Cost				
Capital assets not being depreciated/amortized				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	3,699,784	2,875,220	(6,137,485)	437,519
Capital assets being depreciated/amortized				
Buildings and improvements	3,324,015	-	-	3,324,015
Equipment	380,515	-	-	380,515
Sewer plant	2,893,729	6,137,485	-	9,031,214
Sewer line improvements	931,655	12,018	-	943,673
Vehicles	91,708	-	-	91,708
Water distribution system	6,133,963	75,760	-	6,209,723
Right-to-use asset - equipment	4,948	-	-	4,948
Total cost	<u>17,544,929</u>	<u>9,100,483</u>	<u>(6,137,485)</u>	<u>20,507,927</u>
Less accumulated depreciation/amortization				
Buildings and improvements	(2,566,380)	(27,994)	-	(2,594,374)
Equipment	(222,657)	(34,054)	-	(256,711)
Sewer plant	(1,861,788)	(111,773)	-	(1,973,561)
Sewer line improvements	(139,745)	(19,477)	-	(159,222)
Vehicles	(60,805)	(5,732)	-	(66,537)
Water distribution system	(3,138,300)	(195,748)	-	(3,334,048)
Right-to-use asset - equipment	(2,240)	(1,120)	-	(3,360)
Total accumulated depreciation/amortization	<u>(7,991,915)</u>	<u>(395,898)</u>	<u>-</u>	<u>(8,387,813)</u>
Capital assets, net	<u>\$ 9,553,014</u>	<u>\$ 8,704,585</u>	<u>\$ (6,137,485)</u>	<u>\$ 12,120,114</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2024 was charged as follows in the Statement of Activities:

Governmental Activities		
General Government	\$	79,432
Public Works - Highway		13,829
Public Safety		23,686
Culture and Recreation		108,582
	\$	<u>225,529</u>
Business-Type Activities		
Sewer	\$	172,549
Water		223,349
	\$	<u>395,898</u>

The construction in progress consists of the following at December 31, 2024:

BRIC Grant project	\$	12,905
HMGP - FEMA project		341,384
Long Avenue		195,884
Ridge Road Park		20,366
USDA Project		71,224
Total Governmental Activities Construction in Progress	\$	<u>641,763</u>
Orwigsburg/Schuylkill Haven Water Interconnect	\$	58,378
SCADA Upgrade		379,141
Total Business-Type Activities Construction in Progress	\$	<u>437,519</u>

As of December 31, 2024, the Borough had the following open construction commitments:

	Total Contracts	Total Costs Incurred	Total Costs To Be Incurred
BRIC Project - Design work	\$ 132,249	\$ 12,905	\$ 119,344
USDA Grant Project	528,612	71,224	457,388
HMGP FEMA Project	90,029	-	90,029
Total Governmental Activities Commitments	<u>\$ 750,890</u>	<u>\$ 84,129</u>	<u>\$ 666,761</u>
SCADA Upgrade	\$ 410,710	\$ 379,140	\$ 31,570
Total Business-Type Activities Commitments	<u>\$ 410,710</u>	<u>\$ 379,140</u>	<u>\$ 31,570</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct Borrowing						
(C) Curbs Loan	\$ 25,157	\$ -	\$ (25,157)	\$ -	\$ -	\$ -
(D) 2021 GO Note	18,750	-	(18,750)	-	-	-
(E) 2022 GO Note	409,890	-	(14,593)	395,297	15,229	380,068
(F) Finance purchase	-	121,990	(45,545)	76,445	36,675	39,770
Subtotal - direct borrowing	<u>453,797</u>	<u>121,990</u>	<u>(104,045)</u>	<u>471,742</u>	<u>51,904</u>	<u>419,838</u>
Compensated absences	99,093	5,479 *	-	104,572	-	104,572
Lease obligations	1,964	-	(1,087)	877	579	298
Total long-term liabilities						
Governmental Activities	<u>\$ 554,854</u>	<u>\$ 127,469</u>	<u>\$ (105,132)</u>	<u>\$ 577,191</u>	<u>\$ 52,483</u>	<u>\$ 524,708</u>
Business-Type Activities						
Bonds						
(A) 2020 GO Bonds - Sewer	\$ 5,896,491	\$ -	\$ (176,000)	\$ 5,720,491	\$ 178,750	\$ 5,541,741
(B) 2020 GO Bonds - Water	3,628,509	-	(144,000)	3,484,509	146,250	3,338,259
Bond (Discount)/Premium	721,701	-	(30,714)	690,987	30,714	660,273
Subtotal - bonds	<u>10,246,701</u>	<u>-</u>	<u>(350,714)</u>	<u>9,895,987</u>	<u>355,714</u>	<u>9,540,273</u>
Compensated absences	49,061	1,887 *	-	50,948	-	50,948
Lease obligations	2,864	-	(1,108)	1,756	1,158	598
Total long-term liabilities						
Business-Type Activities	<u>\$ 10,249,565</u>	<u>\$ -</u>	<u>\$ (351,822)</u>	<u>\$ 9,897,743</u>	<u>\$ 356,872</u>	<u>\$ 9,540,871</u>

* The change in the compensated absences liability is presented as a net change.

(A) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 8,648,500 related to the Sewer Fund. The Bonds were issued for the refunding of the Sewer Fund's portion of the 2015 revenue bonds and to fund various capital projects of the Borough. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

(B) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 2,191,500 related to the Water Fund. The Bonds were issued for the refunding of the Water Fund's portion of the 2015 revenue bonds. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

During the year ended December 31, 2022, \$ 2,028,208 of the debt was reallocated from the Sewer Fund to the Water Fund as this portion of the proceeds will be used for water projects.

(C) On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 85,000. The loan was used to pay for curbing on South Warren Street. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$ 821 are due monthly through August 23, 2026. The note is secured by Borough deposits.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

(D) On February 26, 2021, the Borough issued General Obligation Note, Series of 2021 with Manufacturers and Traders Trust Company in the amount of \$ 750,000. The loan is to be used to fund improvement to the Veterans Memorial Community Hall and will be repaid with grant funds received from the RCAP grant from the Commonwealth of Pennsylvania. The loan bears interest at a variable rate equal to 2.00% above the one-month LIBOR, with a floor of 2.1875% and a ceiling of 4.50%. Principal and interest is due quarterly.

(E) On August 18, 2022, the Borough issued General Obligation Note, Series of 2022, with Mid Penn Bank in the amount of \$ 425,000. The loan was used to purchase a building to be used for a new borough office. The loan bears interest at a fixed rate of 4.07%. Total monthly payments of principal and interest in the amount of \$ 2,604 are due monthly beginning January 18, 2022 through November 18, 2042. The note is secured by the building located at South Liberty Street, Orwigsburg, PA.

(F) On May 29, 2024, the Borough signed a finance purchase agreement with Ford for a 2023 Ford pickup truck for \$ 121,445. Annual principal payments range from \$ 43,127 to \$ 45,545, with payment due through May 2026. Interest payments range from \$ 3,356 to \$ 6,452. The Borough intends to purchase the vehicle at the end of the lease term.

Upon default of the Notes or Bond the financial institution has normal remedies as outlined in the note or bond agreements, including the right to declare the unpaid principal and interest be due immediately.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2024.

Governmental Activities									
Direct Borrowing									
	2022 GO Note		Lease Obligations		Finance Purchase				
	Principal	Interest	Principal	Interest	Principal	Interest			
2025	\$ 15,229	\$ 16,023	\$ 578	\$ 26	\$ 36,675	\$ 6,452			
2026	15,870	15,383	299	4	39,770	3,357			
2027	16,537	14,715	-	-	-	-			
2028	17,192	14,060	-	-	-	-			
2029	17,955	13,297	-	-	-	-			
2030-2034	101,725	54,536	-	-	-	-			
2035-2039	125,002	31,260	-	-	-	-			
2040-2044	85,787	5,377	-	-	-	-			
	<u>\$ 395,297</u>	<u>\$ 164,651</u>	<u>\$ 877</u>	<u>\$ 30</u>	<u>\$ 76,445</u>	<u>\$ 9,809</u>			
Business-Type Activities									
Bonds									
	2020 GO Bond (Sewer Portion)		2020 GO Bond (Water Portion)		Lease Obligations		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 178,750	\$ 203,892	\$ 146,250	\$ 118,984	\$ 1,158	\$ 52	\$ 378,640	\$ 345,429	
2026	181,500	201,210	148,500	116,790	598	8	386,537	336,752	
2027	181,500	198,488	148,500	114,562	-	-	346,537	327,765	
2028	187,000	195,766	153,000	112,336	-	-	357,192	322,162	
2029	189,750	192,026	155,250	109,276	-	-	362,955	314,599	
2030-2034	1,068,182	876,888	811,818	478,312	-	-	1,981,725	1,409,736	
2035-2039	1,498,805	631,479	771,195	324,920	-	-	2,395,002	987,659	
2040-2044	1,825,637	306,626	939,363	157,771	-	-	2,850,787	469,774	
2045	409,367	16,374	210,633	8,426	-	-	620,000	24,800	
	<u>\$ 5,720,491</u>	<u>\$ 2,822,749</u>	<u>\$ 3,484,509</u>	<u>\$ 1,541,377</u>	<u>\$ 1,756</u>	<u>\$ 60</u>	<u>\$ 9,679,375</u>	<u>\$ 4,538,676</u>	

NOTE 9 PENSION PLANS

Summary of Significant Accounting Policies

Plan Description

The Borough sponsors two multi-employer defined benefit retirement plans (The Plans) which cover Administrative Employees and Police Officers. The Plan is administered by the Pennsylvania Municipal Retirement System (“PMRS”), an agent multiple-employer pension plan administered by the Commonwealth of Pennsylvania. PMRS, established by the Pennsylvania Retirement Law, Act 15 of 1974 (“ACT 15”), as amended, serves as a common investment and administrative agent for participating municipal pension plans. The authority to establish and amend benefits provisions of the Plan rests with the Authority’s board of directors, the Commonwealth of Pennsylvania’s Municipal Pension Plan Funding and Recovery Act of 1984 (“Act 205”), and PMRS.

PMRS issues a separate Annual Comprehensive Financial Report (“ACFR”). The ACFR is available on the PMRS website or a copy can be obtained by contacting the PMRS accounting office.

Plan Membership

At January 1, 2023, the date of the latest valuation, Plan membership consisted of:

	Police	Non-Uniform
Inactive employees or beneficiaries currently receiving benefits	3	9
Inactive employees entitled to but not yet receiving benefits	-	1
Active employees	6	7
Total Membership	9	17

Benefits Provided

Police

The Plan provides for retirement, disability, and death benefits for normal retirement at age of fifty with twelve years of service. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-four years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty. The basic annual benefit equals 2.0% times years of credited service times final average salary, with a maximum basic annual benefit of 50% of final average salary. In addition to this basic benefit, a separate annuity is provided by an employer contribution for participants with twenty-six or more years of credited service. The benefit is computed on the number of credited years over twenty-five times 2.5% times the basic benefit. Members are 100% vested after 12 years of service.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

Non-Uniform

The Plan provides for retirement, disability, and death benefits for normal retirement at age fifty-four. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty-four. The basic annual benefit equals 2.5% times years of credited service times final average salary, with a maximum basic annual benefit of 75% of final average salary. Members are 100% vested after 10 years of service.

Funding Policy and Contributions

Act 205

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (“MMO”) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

	Police	Non-Uniform
Annual required contribution	\$ -	\$ 169,212
Contributions made - employer	-	169,272

Net Pension (Asset) Liability

The Borough’s net pension (asset)/liability was measured at December 31, 2022, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of January 1, 2023. The components of the Borough’s net pension (asset)/liability are as follows at December 31, 2024:

	Police	Non-Uniform	Total
Total pension liability	\$ 2,175,205	\$ 3,011,104	\$ 5,186,309
Plan fiduciary net position	<u>2,933,292</u>	<u>2,873,476</u>	<u>5,806,768</u>
Net pension (asset)/liability	<u>\$ (758,087)</u>	<u>\$ 137,628</u>	<u>\$ (620,459)</u>
Plan fiduciary net position as a percentage of total pension (asset)/liability	134.85%	95.43%	111.96%

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 PENSION PLANS (CONTINUED)

Changes in the Net Pension (Asset)/Liability

The changes in the Authority's net pension (asset)/liability are as follows for the year ended December 31, 2024:

	POLICE PENSION PLAN			NON-UNIFORM PLAN		
	Increase(Decrease)		Net Pension (Asset)/ Liability (a) - (b)	Increase(Decrease)		Net Pension (Asset)/ Liability (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Beginning Balance	\$ 2,088,348	\$ 2,754,402	\$ (666,054)	\$ 2,881,777	\$ 2,554,442	\$ 327,335
Changes for the year:						
Service cost	80,858	-	80,858	101,086	-	101,086
Interest	111,158	-	111,158	153,358	-	153,358
Contributions - employer	-	-	-	-	168,852	(168,852)
Contributions - PMRS assessment	-	-	-	-	420	(420)
PMRS investment income	-	141,756	(141,756)	-	133,099	(133,099)
Market value investment income	-	150,413	(150,413)	-	149,655	(149,655)
Benefit payments	(105,159)	(105,159)	-	(125,117)	(125,117)	-
PMRS administrative expense	-	(180)	180	-	(420)	420
Additional administrative expense	-	(7,940)	7,940	-	(7,455)	7,455
Net changes	<u>\$ 86,857</u>	<u>\$ 178,890</u>	<u>\$ (92,033)</u>	<u>\$ 129,327</u>	<u>\$ 319,034</u>	<u>\$ (189,707)</u>
Ending Balance	<u>\$ 2,175,205</u>	<u>\$ 2,933,292</u>	<u>\$ (758,087)</u>	<u>\$ 3,011,104</u>	<u>\$ 2,873,476</u>	<u>\$ 137,628</u>

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2023 using the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2023
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Projected Salary Increases	Age related scale with merit and inflation component
Inflation	2.20%
Investment Rate of Return	5.25%
Cost-of-Living Adjustments	2.20%, for those eligible
Asset Valuation Method	Based upon the municipal reserves

Healthy life mortality rates, pre-retirement was based on PUB-2010 sex-distinct General Employees table. Healthy life mortality rates, post-retirement was based on RP-2006 sex-distinct annuitant table. Disabled life mortality rates are projected from the applicable table's base year to 2023 using the Mortality Improvement Scale MP-2018.

The actuarial assumptions used in the January 1, 2023 valuation were based on a roll forward of the retiree liabilities from the prior year's actuarial valuation and financial data indicating new retiree transfers as of December 31, 2021.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 PENSION PLANS (CONTINUED)

Expected Rate of Return

The PMRS System’s long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System’s Long-Term Expected Real Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.2%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan’s target asset allocation as of December 31, 2023 and summarized in the table below labeled “System Nominal Net and Real Rates of Return by Asset Class”.

System Nominal and Real Rates of Return by Asset Class			
Asset Class	Target Asset Allocation	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (small-capitalized firms)	24.50%	7.39%	4.89%
Domestic Equities (large-capitalized firms)	8.00%	8.30%	5.80%
International Equities (international developed markets)	14.50%	7.68%	5.18%
International Equities (emerging markets)	3.00%	8.39%	5.89%
Global Equities	5.00%	6.61%	4.11%
Real Estate	10.00%	6.38%	3.88%
Timber	5.00%	5.75%	3.25%
Fixed income (Core Investment Grade)	24.00%	5.01%	2.51%
Fixed income (Opportunistic Credit)	5.00%	6.95%	4.45%
Cash	1.00%	3.39%	0.89%
Total Portfolio	100.0%	7.31%	4.81%

Based on the aforementioned methodology, the Board established the System’s Long-Term Expected Rate of Return at 7.31%.

Discount Rate

The discount rate used to measure the total pension liability for the plan was 5.25 percent. The projection of cash flows for the Plan, used to determine if any adjustment to the discount rate was required (“depletion testing”), used the following assumptions: (1) member contributions will be made at the current contribution rate; (2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate; and (3) PMRS’ long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on these assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 PENSION PLANS (CONTINUED)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension (asset)/liability to changes in the discount rate. The table below presents the pension (asset)/liability of the Plan calculated using the discount rate of 5.25 percent, as well as what the net pension (asset)/liability would be, if it were calculated using a discount rate that is one percentage point lower (4.25 percent) or one percentage point higher (6.25 percent) than the current rate.

	Current		
	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Police pension plan	\$ (421,625)	\$ (758,087)	\$ (1,029,961)
Non-Uniform pension plan	551,606	137,628	(205,359)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2024, the Borough recognized pension expense of \$ 74,014. At December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police Pension Plan		Non-Uniform Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 224,631	\$ -	\$ 18,346	\$ -	\$ 242,977	\$ -
Changes in assumptions	27,166	631	14,237	-	41,403	631
Net difference between projected and actual earnings on pension plan investments	72,367	-	-	3,904	72,367	3,904
Changes in proportions - governmental activities/business-type activities	-	-	18,475	18,475	18,475	18,475
Contributions subsequent to the measurement date	-	-	167,639	-	167,639	-
Total	<u>\$ 324,164</u>	<u>\$ 631</u>	<u>\$ 218,697</u>	<u>\$ 22,379</u>	<u>\$ 542,861</u>	<u>\$ 23,010</u>

The \$ 167,639 reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, will be recognized in pension expense as follows for the years ending December 31:

	Police Pension Plan	Non-Uniform Pension Plan	Total
Year Ended December 31:			
2025	\$ 32,572	\$ (8,609)	\$ 23,963
2026	74,695	12,044	86,739
2027	115,850	55,173	171,023
2028	7,691	(29,931)	(22,240)
2029	30,909	-	30,909
Thereafter	61,818	-	61,818
	<u>\$ 323,535</u>	<u>\$ 28,677</u>	<u>\$ 352,212</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Borough's Other Post-Employment Benefits (OPEB) Plan is a single-employer defined benefit providing medical reimbursement to all police officers who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$ 500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. A retiree hired prior to January 1, 2009 may use the reimbursement for his and/or his spouse's coverage. A retiree hired after January 1, 2009 may only apply the \$ 500 toward his own coverage (not the spouse's). Retirees are responsible for the charged premium in excess of \$ 500 per month. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has one retiree receiving benefits as of January 1, 2023.

Plan Membership

Membership in the Plan consisted of the following at January 1, 2023, the date of the latest actuarial valuation:

Active participants	6
Vested former participants	-
Retired participants	<u>1</u>
	<u><u>7</u></u>

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Borough's total OPEB liability was measured as of January 1, 2024, based on the actuarial assumptions in the January 1, 2023 valuation. No assets are accumulated in a trust that meets the criteria of GASB standards. At December 31, 2024, the Borough reported a total OPEB liability of \$ 54,976.

For the year ended December 31, 2024, the Borough recognized OPEB expense of \$ 6,338.

At December 31, 2023, the Borough reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,145	\$ 4,273
Changes in assumptions	<u>738</u>	<u>9,464</u>
Total	<u><u>\$ 2,883</u></u>	<u><u>\$ 13,737</u></u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

	Amount
Year Ended December 31:	
2025	\$ (1,331)
2026	(1,331)
2027	(1,331)
2028	(1,331)
2029	(1,331)
Thereafter	(4,199)
	<u>\$ (10,854)</u>

Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning Balance	\$ 60,167
Changes for the year:	
Service cost	4,358
Interest	2,367
Changes in assumption	(8,185)
Differences between expected and actual experience	2,391
Benefit payments	(6,122)
Net changes	(5,191)
Ending Balance	<u>\$ 54,976</u>

Actuarial Methods and Assumptions

The total OPEB liability was determined based on an actuarial valuation dated January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry age normal
Investment Rate of Return	5.25%
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are calculated at 2.25%.
Mortality	2010 Public Retirement Plan – Public Safety mortality tables (PubS-2010)

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality Improvement Projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.

Withdrawal Rates based on service as follows:

<u>Years of Service</u>	<u>Rate</u>
< 4	10%
5	5%
6 - 8	4%
9+	3%

Retirement Age Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.

Participation 100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.

Discount Rate

The discount rate used to measure the OPEB liability was 5.25% for the Plan. The Plan is not funded, therefore, a rate similar to the S&P 20 year tax-exempt general obligation municipal bond rate of is used as the applicable discount rate.

Sensitivity of the Total Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liabilities of the Borough, as well as what the Borough's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	<u>1% Decrease 3.25%</u>	<u>Current Discount Rate 4.25%</u>	<u>1% Increase 5.25%</u>
Total OPEB Liability	\$ 60,625	\$ 54,976	\$ 50,047

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 11 FUND BALANCE/NET POSITION

The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Reserve Fund	Grant Fund	Nonmajor Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Prepays	\$ 16,688	\$ -	\$ -	\$ -	\$ 16,688
Total nonspendable	<u>16,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,688</u>
Restricted					
Capital projects	-	1,115,538	-	-	1,115,538
Future road projects/equipment	-	-	-	112	112
Grant projects	-	-	23,612	-	23,612
Parks and recreation	761	-	-	-	761
Police department	5,020	-	-	-	5,020
Public safety	-	-	-	269,004	269,004
Total restricted	<u>5,781</u>	<u>1,115,538</u>	<u>23,612</u>	<u>269,116</u>	<u>1,414,047</u>
Committed					
Future OPEB costs	89,749	-	-	-	89,749
Total committed	<u>89,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,749</u>
Unassigned					
	<u>69,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,556</u>
Total fund balances	<u>\$ 181,774</u>	<u>\$ 1,115,538</u>	<u>\$ 23,612</u>	<u>\$ 269,116</u>	<u>\$ 1,590,040</u>

Net position is restricted for the following purposes at December 31, 2024:

Restricted for:	
Governmental activities (see above)	<u>\$ 1,414,047</u>

NOTE 12 RISK MANAGEMENT

In conjunction with its normal operations, the Borough is exposed to various risks related to the damage or destruction of its assets from both natural and manmade occurrences, tort liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Borough carries various insurance policies to reduce the overall exposure of risks to the Borough. There were no settlements in excess of insurance coverage in 2024 or the previous three years.

NOTE 13 RELATED PARTY TRANSACTIONS

Lease

A lease with the Municipal Authority was effective May 20, 2015, and amended July 28, 2020, through October 31, 2045, or upon earlier retirement of the Series of 2020 Bonds. Terms of the lease required monthly payments to the Borough of \$ 4,200 for payment of the Authority's administrative expenses. The Municipal Authority's activity is included in Sewer Fund on the fund financial statements and included in business-type activities of the government-wide statements. Therefore, there is no effect on the financial statements because the activity is eliminated when the Authority and Sewer Fund are recorded together.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

Lease (Continued)

In 2024, the Borough received \$ 600,000 of grant funding to be used to assist with the Marshall Drive, Station Road and N Warrant Street sewer replacement project. During the year, the Borough transferred \$ 600,000 to the Authority to be used towards completion of the project. This amount is shown as a contribution to the Authority within these financials statements.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Borough is involved with a lawsuit as a matter of their normal course of business. Management cannot predict the outcome of the lawsuit or estimate the amount of any loss that may result. Management believes that losses resulting from the matter, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

NOTE 15 RESTATEMENTS

During the year ended December 31, 2024, the Borough had a restatement for a correction due to an error in recording grant receivables in the prior year. Grant receivable was understated by \$ 100,239 in the Governmental Activities. The Community Development Capital Grants and Contributions line item was understated by \$ 100,239 in the Governmental Activities for the year ended December 31, 2023.

During the year ended December 31, 2024, the Borough had a restatement for a correction due to an error in recording grant receivables in the prior year. Grant receivable was understated by \$ 10,000 in the Business-Type Activities and Sewer Fund. The Sewer Development Capital Grants and Contributions in the Business - Type Activities and the Capital contributions and grants line item in the Sewer fund was understated by \$ 10,000 for the year ended December 31, 2023.

During the year ended December 31, 2024, the Borough had a restatement for a correction due to an error in recording debt payments in the prior year. Accounts payable was overstated by \$ 18,832 in the Governmental Activities and General Fund. The Culture and Recreation line item in the Governmental Activities and General Fund was overstated by \$ 18,832 for the year ended December 31, 2023.

During the year ended December 31, 2024, the Borough had a restatement for a correction due to an error in recording lease activity in the prior year. Deferred inflows related to leases receivable was overstated by \$ 24,769 in the Governmental Activities and General Fund. The General government charges for service line item in the Governmental Activities and Interest and rents line was General Fund was understated by \$ 18,832 for the year ended December 31, 2023.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 14 RESTATEMENTS (CONTINUED)

	Governmental Activities	Business-Type Activities
Net position, as previously reported - December 31, 2023	\$ 5,584,275	\$ 3,306,204
Error correction - grant receivables	100,239	10,000
Error correction - debt	18,832	-
Error correction lease	24,769	-
Net position, as restated - December 31, 2023	<u>\$ 5,728,115</u>	<u>\$ 3,316,204</u>
	Governmental Activities	Business-Type Activities
Change in net position, as previously reported - December 31, 2023	\$ 761,855	\$ (1,251,158)
Error correction - grant receivables	100,239	10,000
Error correction - debt	18,832	-
Error correction lease	24,769	-
Change in net position, as restated - December 31, 2023	<u>\$ 905,695</u>	<u>\$ (1,241,158)</u>
	General Fund	Sewer Fund
Fund balance/net position, as previously reported - December 31, 2023	\$ 50,530	\$ 1,170,526
Error correction - grant receivables	-	10,000
Error correction - debt	18,832	-
Error correction lease	24,769	-
Fund balance/net position, as restated - December 31, 2023	<u>\$ 94,131</u>	<u>\$ 1,180,526</u>
	General Fund	Sewer Fund
Change in fund balance/ net position, as previously reported - December 31, 2023	\$ (180,426)	\$ (1,350,604)
Error correction - grant receivables	-	10,000
Error correction - debt	18,832	-
Error correction lease	24,769	-
Change in fund balance /net position, as restated - December 31, 2023	<u>\$ (136,825)</u>	<u>\$ (1,340,604)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 1,443,500	\$ 1,443,500	\$ 1,461,853	\$ 18,353
Licenses and permits	66,900	66,900	63,612	(3,288)
Local support	-	-	116,290	116,290
Fines and forfeits	32,500	32,500	27,439	(5,061)
Interest earnings	2,500	2,500	11,200	8,700
Rents	30,900	30,900	62,702	31,802
Intergovernmental	112,710	112,710	133,730	21,020
Charges for services	64,318	64,318	48,266	(16,052)
Miscellaneous	13,100	13,100	4,495	(8,605)
Total revenues	<u>1,766,428</u>	<u>1,766,428</u>	<u>1,929,587</u>	<u>163,159</u>
EXPENDITURES				
General government	373,092	373,092	368,424	4,668
Public safety	850,307	850,307	867,361	(17,054)
Public works	408,216	408,216	282,867	125,349
Culture and recreation	55,000	55,000	193,031	(138,031)
Debt service	73,129	73,129	50,986	22,143
Total expenditures	<u>1,759,744</u>	<u>1,759,744</u>	<u>1,762,669</u>	<u>(2,925)</u>
Excess (deficiency) of revenues over expenditures	<u>6,684</u>	<u>6,684</u>	<u>166,918</u>	<u>160,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(6,684)</u>	<u>(6,684)</u>	<u>(79,275)</u>	<u>(72,591)</u>
Total other financing sources (uses)	<u>(6,684)</u>	<u>(6,684)</u>	<u>(79,275)</u>	<u>(72,591)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,643</u>	<u>\$ 87,643</u>

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios -
Police Plan (Unaudited)
Last 10 Fiscal Years

Police Pension Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 80,858	\$ 76,422	\$ 78,726	\$ 71,281	\$ 66,664	\$ 61,773	\$ 47,043	\$ 30,197	\$ 38,967	\$ 53,735
Interest	111,158	93,026	89,688	82,257	77,208	69,446	67,070	68,175	63,375	65,566
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experiences	-	278,177	-	589	-	55,835	-	(48,820)	-	(144,148)
Changes of assumptions	-	-	-	54,332	-	-	-	35,717	(6,305)	-
Benefit payments, including refunds of employee contributions	(105,159)	(108,161)	(97,040)	(52,253)	(52,384)	(36,023)	(129,937)	-	-	(442)
Net change in total pension liability	86,857	339,464	71,374	156,206	91,488	151,031	(15,824)	85,269	96,037	(25,289)
Total pension liability - beginning	2,088,348	1,748,884	1,677,510	1,521,304	1,429,816	1,278,785	1,294,609	1,209,340	1,113,303	1,138,592
Total pension liability - ending (a)	\$ 2,175,205	\$ 2,088,348	\$ 1,748,884	\$ 1,677,510	\$ 1,521,304	\$ 1,429,816	\$ 1,278,785	\$ 1,294,609	\$ 1,209,340	\$ 1,113,303
Plan fiduciary net position										
Contributions - employer	\$ -	\$ -	\$ 20	\$ -	\$ 20	\$ -	\$ 40	\$ -	\$ -	\$ 462
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	292,169	(401,215)	343,135	379,760	465,757	(128,849)	378,938	170,592	(12,667)	97,384
Benefit payments, including refunds of employee contributions	(105,159)	(108,161)	(97,040)	(52,253)	(52,384)	(36,023)	(129,937)	-	-	(442)
Administrative expense	(8,120)	(7,555)	(7,960)	(5,929)	(4,601)	(5,846)	(5,513)	(5,914)	(4,858)	(4,265)
Net change in plan fiduciary net position	178,890	(516,931)	238,155	321,578	408,792	(170,718)	243,528	164,678	(17,525)	93,139
Plan fiduciary net position - beginning	2,754,402	3,271,333	3,033,178	2,711,600	2,302,808	2,473,526	2,229,998	2,065,320	2,082,845	1,989,706
Plan fiduciary net position - ending (b)	\$ 2,933,292	\$ 2,754,402	\$ 3,271,333	\$ 3,033,178	\$ 2,711,600	\$ 2,302,808	\$ 2,473,526	\$ 2,229,998	\$ 2,065,320	\$ 2,082,845
Borough's net pension (asset)/liability - ending (a-b)	\$ (758,087)	\$ (666,054)	\$ (1,522,449)	\$ (1,355,668)	\$ (1,190,296)	\$ (872,992)	\$ (1,194,741)	\$ (935,389)	\$ (855,980)	\$ (969,542)
Plan fiduciary net position as a percentage of the total pension liability	131.9%	131.9%	187.1%	180.8%	178.2%	161.1%	193.4%	172.3%	170.8%	187.1%
Covered payroll	\$ 490,978	\$ 464,467	\$ 478,471	\$ 454,573	\$ 425,126	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Borough's net pension (asset)/liability as a percentage of covered payroll	(154.4)%	(143.4)%	(318.2)%	(298.2)%	(280.0)%	(227.7)%	(409.2)%	(459.0)%	(391.6)%	(348.0)%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios -
Non-Uniform Plan (Unaudited)
Last 10 Fiscal Years

Non-Uniform Pension Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 101,086	\$ 80,732	\$ 79,456	\$ 76,285	\$ 76,507	\$ 82,524	\$ 61,181	\$ 58,865	\$ 56,130	\$ 67,849
Interest	153,358	145,333	139,403	128,517	123,416	109,884	104,844	98,072	93,482	90,445
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experiences	-	23,573	-	32,797	-	167,916	-	84,419	-	(14,351)
Changes of assumptions	-	-	-	71,184	-	-	-	59,118	15,359	-
Benefit payments, including refunds of employee contributions	(125,117)	(109,362)	(105,048)	(104,161)	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Net change in total pension liability	129,327	140,276	113,811	204,622	98,968	268,033	75,579	213,141	83,728	71,058
Total pension liability - beginning	2,881,777	2,741,501	2,627,690	2,423,068	2,324,100	2,056,067	1,980,488	1,767,347	1,683,619	1,612,561
Total pension liability - ending (a)	\$ 3,011,104	\$ 2,881,777	\$ 2,741,501	\$ 2,627,690	\$ 2,423,068	\$ 2,324,100	\$ 2,056,067	\$ 1,980,488	\$ 1,767,347	\$ 1,683,619
Plan fiduciary net position										
Contributions - employer	\$ 168,852	\$ 155,130	\$ 151,054	\$ 128,315	\$ 135,007	\$ 95,174	\$ 89,766	\$ 87,598	\$ 93,899	\$ 92,743
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Contributions - PMRS assessment	420	-	-	-	-	-	-	-	320	-
Net investment income	282,754	(297,785)	363,520	308,741	370,056	(71,621)	265,212	93,888	(18,929)	(70,014)
Benefit payments, including refunds of employee contributions	(125,117)	(109,362)	(105,048)	(104,161)	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Administrative expenses	(7,875)	(7,109)	(7,066)	(4,782)	(3,549)	(4,162)	(4,072)	(4,286)	(2,962)	(3,419)
Net change in plan fiduciary net position	319,034	(259,126)	402,460	328,113	400,559	(72,900)	260,460	89,867	(8,915)	(53,575)
Plan fiduciary net position - beginning	2,554,442	2,813,568	2,411,108	2,082,995	1,682,436	1,755,336	1,494,876	1,405,009	1,413,924	1,467,499
Plan fiduciary net position - ending (b)	\$ 2,873,476	\$ 2,554,442	\$ 2,813,568	\$ 2,411,108	\$ 2,082,995	\$ 1,682,436	\$ 1,755,336	\$ 1,494,876	\$ 1,405,009	\$ 1,413,924
Borough's net pension (asset)/ liability - ending (a-b)	\$ 137,628	\$ 327,335	\$ (72,067)	\$ 216,582	\$ 340,073	\$ 641,664	\$ 300,731	\$ 485,612	\$ 362,338	\$ 269,695
Plan fiduciary net position as a percentage of the total pension liability	95.4%	88.6%	102.6%	91.8%	86.0%	72.4%	85.4%	75.5%	79.5%	84.0%
Covered payroll	\$ 488,607	\$ 416,835	\$ 410,247	\$ 397,613	\$ 398,773	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Borough's net pension asset/(liability) as a percentage of covered payroll	28.2%	78.5%	(17.6)%	54.5%	85.3%	159.4%	100.8%	177.1%	137.7%	83.0%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Employers Contributions – Pension Plans (Unaudited)
Last 10 Fiscal Years

Police	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	20	-	20	-	40	-	-
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ (20)	\$ -	\$ (20)	\$ -	\$ (40)	\$ -	\$ -
Covered payroll	\$ 490,978	\$ 464,467	\$ 478,471	\$ 454,573	\$ 425,126	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.02%	0.00%	0.00%
Non-Uniform	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 167,639	\$ 169,212	\$ 155,130	\$ 151,054	\$ 128,315	\$ 134,987	\$ 95,174	\$ 89,726	\$ 87,578	\$ 94,219
Contribution in relation to the actuarially determined contributions	167,639	169,272	155,130	151,054	128,315	135,007	95,174	89,766	87,598	94,219
Contribution excess (deficiency)	\$ -	\$ (60)	\$ -	\$ -	\$ -	\$ (20)	\$ -	\$ (40)	\$ (20)	\$ -
Covered payroll	\$ 488,607	\$ 416,835	\$ 410,247	\$ 397,613	\$ 277,953	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Contributions as a percentage of covered payroll	34.31%	40.61%	37.81%	37.99%	46.16%	33.54%	31.90%	32.73%	33.30%	28.99%

NOTES

Valuation Date:

Actuarial determined contributions rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization period	Level dollar based on amortization period Act 205
Asset valuation method	Based upon municipal reserves
Discount rate	5.25%
Inflation	2.20%
Salary increases	Age related scale with merit and inflation component
COLA increases	2.2% for those eligible for COLA
Pre-retirement mortality	Males – PUB-2010 Females-PUB-2010
Post-retirement mortality	Sex-distinct RP-2006 combined healthy mortality

Historical change in assumptions:

- 2015- Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.
- 2016 – Investment return assumption was decreased from 5.5% to 5.25%.
- 2020 – Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2022.

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Combining Statement of Net Position – Sewer Fund and Municipal Authority
December 31, 2024

	Sewer	Municipal Authority	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 545,520	\$ 1,017,750	\$ -	\$ 1,563,270
Accounts receivable, net	265,810	-	-	265,810
Leases receivable	-	30,548	(30,548)	-
Grant receivable	-	104,374	-	104,374
Due from other funds	14,369	-	-	14,369
Due from Authority	129,712	-	(129,712)	-
Prepaid expenses	3,841	-	-	3,841
Total assets	<u>959,252</u>	<u>1,152,672</u>	<u>(160,260)</u>	<u>1,951,664</u>
Noncurrent assets				
Capital assets not being depreciated:				
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	5,199,088	-	-	5,199,088
Equipment	216,357	-	-	216,357
Sewer plant	-	5,466,142	-	5,466,142
Vehicles	44,854	-	-	44,854
Right-to-use asset - equipment	2,474	-	-	2,474
Less accumulated depreciation and amortization	(475,973)	(1,919,386)	-	(2,395,359)
Leases receivable	-	790,376	(790,376)	-
Restricted cash	1,477,751	-	-	1,477,751
Total noncurrent assets	<u>6,464,551</u>	<u>4,376,664</u>	<u>(790,376)</u>	<u>10,050,839</u>
Total assets	<u>7,423,803</u>	<u>5,529,336</u>	<u>(950,636)</u>	<u>12,002,503</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	56,448	-	-	56,448
Total assets and deferred outflows of resources	<u>\$ 7,480,251</u>	<u>\$ 5,529,336</u>	<u>\$ (950,636)</u>	<u>\$ 12,058,951</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 108,510	\$ 2,856	\$ -	\$ 111,366
Accrued wages payable	3,188	-	-	3,188
Accrued interest payable	50,973	-	-	50,973
Due to other funds	1,770,616	-	-	1,770,616
Due to Borough	-	129,712	(129,712)	-
Unearned revenues	132,369	-	-	132,369
Long-term liabilities: Due within one year				
Bonds and notes payable, net	199,021	-	-	199,021
Compensated absences	-	-	-	-
Lease obligations	579	-	-	579
Total current liabilities	<u>2,265,256</u>	<u>132,568</u>	<u>(129,712)</u>	<u>2,268,112</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	5,977,523	-	-	5,977,523
Compensated absences	25,251	-	-	25,251
Lease obligations	299	-	-	299
Net pension liability	35,338	-	-	35,338
Total noncurrent liabilities	<u>6,038,411</u>	<u>-</u>	<u>-</u>	<u>6,038,411</u>
Total liabilities	<u>8,303,667</u>	<u>132,568</u>	<u>(129,712)</u>	<u>8,306,523</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	11,755	-	-	11,755
Deferred inflows related to lease obligations	-	790,637	(790,637)	-
Total deferred inflows of resources	<u>11,755</u>	<u>790,637</u>	<u>(790,637)</u>	<u>11,755</u>
Total liabilities and deferred inflows of resources	<u>8,315,422</u>	<u>923,205</u>	<u>(920,349)</u>	<u>8,318,278</u>
NET POSITION				
Net investment in capital assets	(572,440)	3,586,288	-	3,013,848
Unrestricted	(262,731)	1,019,843	(30,287)	726,825
Total net position	<u>(835,171)</u>	<u>4,606,131</u>	<u>(30,287)</u>	<u>3,740,673</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,480,251</u>	<u>\$ 5,529,336</u>	<u>\$ (950,636)</u>	<u>\$ 12,058,951</u>

BOROUGH OF ORWIGSBURG
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Sewer
Fund and Municipal Authority
Year Ended December 31, 2024

	Sewer	Municipal Authority	Eliminations	Total
OPERATING REVENUES				
Charges for services	\$ 940,699	\$ -	\$ -	\$ 940,699
Total operating revenues	<u>940,699</u>	<u>-</u>	<u>-</u>	<u>940,699</u>
OPERATING EXPENSES				
Personal services	151,874	14,618	-	166,492
Contractual and professional services	185,530	3,000	-	188,530
Maintenance	27,813	-	-	27,813
Supplies and administrative expense	60,984	353	-	61,337
Insurance premiums	10,315	-	-	10,315
Utilities	93,289	-	-	93,289
Depreciation	<u>112,961</u>	<u>59,588</u>	<u>-</u>	<u>172,549</u>
Total operating expenses	<u>642,766</u>	<u>77,559</u>	<u>-</u>	<u>720,325</u>
Operating income (loss)	<u>297,933</u>	<u>(77,559)</u>	<u>-</u>	<u>220,374</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	117,734	27,488	-	145,222
Contributions to authority	(600,000)	-	600,000	-
Intergovernmental revenues (expenses)	(50,400)	58,702	(8,302)	-
Rental income	-	1,000	3	1,003
Interest expense	<u>(184,648)</u>	<u>-</u>	<u>-</u>	<u>(184,648)</u>
Total nonoperating revenues (expenses)	<u>(717,314)</u>	<u>87,190</u>	<u>591,701</u>	<u>(38,423)</u>
Income (loss) before transfers and capital contributions	<u>(419,381)</u>	<u>9,631</u>	<u>591,701</u>	<u>181,951</u>
CAPITAL CONTRUBTIONS, GRANTS AND TRANSFERS				
Capital contributions and grants	467,631	2,549,320	(600,000)	2,416,951
Transfers out	<u>(38,755)</u>	<u>-</u>	<u>-</u>	<u>(38,755)</u>
Total capital contributions, grants and transfers	<u>428,876</u>	<u>2,549,320</u>	<u>(600,000)</u>	<u>2,378,196</u>
Change in net position	9,495	2,558,951	(8,299)	2,560,147
Total net position - beginning, as previously reported	(844,666)	2,037,180	(21,988)	1,170,526
Restatement - error correction	-	10,000	-	10,000
Total net position - beginning, as restated	<u>(844,666)</u>	<u>2,047,180</u>	<u>(21,988)</u>	<u>1,180,526</u>
Total net position - ending	<u>\$ (835,171)</u>	<u>\$ 4,606,131</u>	<u>\$ (30,287)</u>	<u>\$ 3,740,673</u>

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

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	ALN	Pass Through Grantor's Number	Grant Year	Cash Receipts	Accrual Expenditures	Total Passed- Through to Subrecipients
U.S. Department of Homeland Security							
Passed through the Pennsylvania Emergency Management Agency Hazard Mitigation Grant Program	I	97.039	C950004178	2021	\$ 307,246	\$ 307,246	\$ -
Building Resilient Infrastructure and Communities Grant Program	I	97.047	EMP-21-BR-042	2023	<u>9,678</u>	<u>9,678</u>	<u>-</u>
Total U.S. Department of Homeland Security					<u>316,924</u>	<u>316,924</u>	<u>-</u>
U.S. Department of Agriculture							
Community Facility Grant	D	10.766	N/A	2024	<u>198,825</u>	<u>71,350</u>	<u>-</u>
Total U.S. Department of Agriculture					<u>198,825</u>	<u>71,350</u>	<u>-</u>
U.S. Department of Treasury							
Passed through the Commonwealth Financing Authority COVID-19 American Rescue Plan H20 PA	I	21.027	C000087011	2023	<u>600,000</u>	<u>467,631</u>	<u>-</u>
Total U.S. Department of Treasury					<u>600,000</u>	<u>467,631</u>	<u>-</u>
Total Receipts and Expenditures of Federal Awards					<u>\$ 1,115,749</u>	<u>\$ 855,905</u>	<u>\$ -</u>

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

- (I) Indirect
- (D) Direct

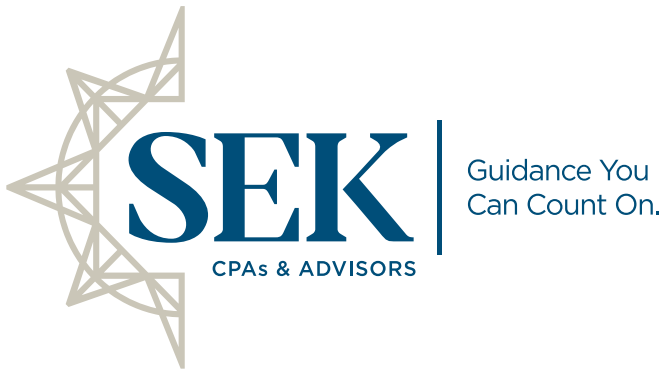
NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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 Borough's financial statements.

Indirect Cost Rate

The Borough 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***

Borough Council
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 Borough of Orwigsburg (the Borough), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements, and have issued our report thereon dated December 11, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Borough’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 Borough’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough’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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Borough'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*.

BOROUGH OF ORWIGSBURG, PENNSYLVANIA'S RESPONSE TO FINDINGS

Government Auditing Standards require the auditor to perform limited procedures on the Borough's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Borough's 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
December 11, 2025

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

Borough Council
Borough of Orwigsburg
Orwigsburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Qualified Opinion

We have audited the Borough of Orwigsburg’s (the Borough) 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 the of the Borough’s major federal program for the year ended December 31, 2024. The Borough’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section our report, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Coronavirus State and Local Fiscal Recovery Funds – ALN 21.027 for the year ended December 31, 2024.

Basis for Qualified Opinion

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 Borough 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 qualified opinion on compliance for the Borough’s major federal program. Our audit does not provide a legal determination of the Borough’s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the Borough did not comply with requirements regarding the Coronavirus State and Local Fiscal Recovery Funds, as described in finding number 2024-004 for Allowable Costs/ Cost Principles.

Compliance with such requirement is necessary, in our opinion, for the Borough to comply with the requirements applicable to that program.

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, regulations, rules, and provisions of contracts or grant agreements applicable to the Borough'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 Borough'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 Borough'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 Borough'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 Borough'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 Borough'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 2024-003. 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 Borough's response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Borough'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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2024-003 and 2024-004 to be material weaknesses.

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 Borough'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 Borough'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
December 11, 2025

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:

Qualified

- 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
21.027	Coronavirus State and Local Fiscal Recovery 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 Borough, there is a lack of segregation of duties, which exposes the Borough 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 Borough. However, we encourage the Borough to review the specific duties of the individuals involved and determine where checks and balances can be added. In addition, Borough Council should be fully aware of this limitation in providing oversight.

Auditee Response: After the review of the audit findings, the Borough has implemented 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 separate corrective action plan.

Finding Reference: 2024-002 – Lack of Formal Timesheet Approvals – Material Weakness

Condition: There is an overall lack of approvals related to certain payroll transactions.

Criteria: Control in place for approvals related to payroll transactions did not occur.

Cause: Lack of approval of two payroll transactions based on sample that was selected during audit testing.

Effect: Without proper approvals, fraud and errors could occur and go undetected.

Recommendation: We encourage the Borough to follow controls in place for all payroll transactions and ensuring the review is performed with a documented sign off and approval.

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

Auditee Response: After the review of the audit findings, the Borough has implemented additional oversight to include the review/validation of timesheets prior to payroll processing. The lapse in approval occurred during the transition of managers. The process and implementation are further detailed on the separate corrective action plan.

C. Compliance Findings

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

Section III - Federal Award Findings and Questioned Costs

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

See finding 2024-003 below.

B. Compliance Findings

Finding Reference: 2024-003 – No written procurement policy
Federal Agency: U.S. Department of Treasury
Pass-Through Entity: Commonwealth Financing Authority
Federal Program: Coronavirus State and Local Fiscal Recovery Funds – ALN 21.027
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.

Condition: The Borough 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.

Cause: The Borough 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 Borough 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 Borough's policies and procedures, no such policies exist related to federal procurement requirements.

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

<i>Repeat Finding:</i>	Not Applicable
<i>Recommendations:</i>	The Borough should establish a documented procedure that relates to federal procurement.
<i>Views of responsible officials and planned corrective actions:</i>	The audit findings were communicated to the Borough and expecting the Borough to enter into other federal programs in the future, the Borough has decided to implement its own written procurement policy. The process and implementation are further detailed on the separate corrective action plan.
Finding Reference:	2024-004 – Inappropriate Allocation of Expenses
Federal Agency:	U.S. Department of Treasury
Pass-Through Entity:	Commonwealth Financing Authority
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds – ALN 21.027
Compliance Requirement:	Allowable Costs / Cost Principles
Type of Finding:	Compliance and Material Weakness in Internal Control over Compliance
<i>Criteria:</i>	Per 2 CFR §200.403 and §200.405, costs charged to a federal award must be allowable, allocable, and not reimbursed by another federal source. Internal controls should ensure that expenses are properly reviewed and approved prior to being charged to federal programs.
<i>Condition:</i>	During our audit, we noted that the Borough initially charged expenses to the COVID-19 ARPA H20 PA grant that were also being reimbursed under a separate federal grant. This resulted in duplicate reimbursement requests for the same costs, rendering the original charges to the COVID-19 ARPA H20 PA grant unallowable.
<i>Cause:</i>	The Borough’s internal controls over compliance did not detect that the same expenses were being submitted for reimbursement under multiple federal programs. This indicates a lack of adequate review procedures to prevent duplicate claims.
<i>Possible Asserted Effects:</i>	Although the expenses were ultimately not reimbursed twice, the initial submission of unallowable costs could have resulted in questioned costs and noncompliance with federal requirements. Upon identification by the auditors, the Borough communicated with the grantor agency and received approval to substitute allowable expenses under the grant.
<i>Questioned Costs:</i>	None noted. The Borough corrected the issue prior to final grant closeout, after it was identified during the audit, and no federal funds were ultimately improperly expended.
<i>Context:</i>	All grant expenditures were tested.

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

Repeat Finding: Not Applicable

Recommendations: We recommend that the Borough strengthen its internal control procedures over grant expense allocations, including implementing a cross-check process to ensure expenses are not submitted to multiple grants simultaneously.

Views of responsible officials and planned corrective actions:

After the review of the audit findings, the Borough has implemented additional oversight to include the review/validation of expenses prior to grant payment processing and/or grant closeout. The process and implementation are further detailed on the separate corrective action plan.

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.