

**BOROUGH OF ORWIGSBURG  
FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT  
DECEMBER 31, 2015**

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# PATTON AND COMPANY CPAs

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## **INDEPENDENT AUDITOR'S REPORT**

December 21, 2016

Borough Council  
Borough of Orwigsburg  
Orwigsburg, Pennsylvania

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, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Modified Opinion***

As described in Note 1, the Borough's policy is to prepare its governmental fund financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management has not adopted a methodology for reviewing the collectability of taxes receivable in the General Fund and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balances and change the revenues in the General Fund. The amount by which this departure would affect the assets, fund balances, and revenues of the General Fund is not reasonably determinable.

### ***Opinions***

In our opinion, except for the effects, if any, of not providing an adequate allowance for uncollectible taxes receivable for the General Fund and preparing its governmental fund financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the Commonwealth of Pennsylvania as described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Borough of Orwigsburg, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, Pennsylvania, as of December 31, 2015, 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.

### ***Change in Accounting Principles***

As discussed in Note 1 to the financial statements, for the year ended December 31, 2015, the Borough of Orwigsburg adopted Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 60 through 71 be presented to supplement the basic financial statements. Such information, although not a required 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. The Borough of Orwigsburg has not presented the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Orwigsburg, Pennsylvania's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor governmental fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Patton and Company CPAs*

Patton and Company CPAs

**BOROUGH OF ORWIGSBURG**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**GOVERNMENT-WIDE**  
**DECEMBER 31, 2015**

	<u>PRIMARY GOVERNMENT</u>		
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,559,315	\$ 580,371	\$ 2,139,686
Accounts Receivable, Net	14,497	57,827	72,324
Taxes Receivable	7,428	-0-	7,428
Other Receivables	100	-0-	100
Escrows Receivable	6,276	-0-	6,276
Internal Balances	(5,511)	5,511	-0-
Prepaid Items	15,020	7,440	22,460
Land and Improvements	341,693	144,710	486,403
Buildings and Improvements	1,375,764	2,547,132	3,922,896
Recreation Assets	240,191	-0-	240,191
Equipment	112,252	172,946	285,198
Vehicles	356,700	-0-	356,700
Sewer Plant	-0-	8,312,232	8,312,232
Sewage Treatment System	-0-	3,730	3,730
Water Distribution System	-0-	5,858,029	5,858,029
Construction-in-Progress	-0-	812,007	812,007
Accumulated Depreciation	(841,619)	(7,570,009)	(8,411,628)
Net Pension Asset (Note 8)	699,847	-0-	699,847
<b>TOTAL ASSETS</b>	<b>3,881,953</b>	<b>10,931,926</b>	<b>14,813,879</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Activity (Note 8)	128,811	-0-	128,811
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,010,764</b>	<b>\$10,931,926</b>	<b>\$ 14,942,690</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 44,426	\$ 20,977	\$ 65,403
Accrued Payroll Taxes/Withholdings	12,022	-0-	12,022
Escrows Payable	3,807	-0-	3,807
Unearned Rent	1,833	-0-	1,833
Long-Term Debt - Current Portion	559,574	-0-	559,574
Future Lease Liability - Current Portion	-0-	36,007	36,007
Long-Term Liabilities:			
Lease Payable	-0-	78,016	78,016
Loan Payable	27,361	-0-	27,361
Bonds Payable	6,645,000	-0-	6,645,000
Bond Premium, Net	17,994	-0-	17,994
Compensated Absences	34,280	-0-	34,280
Net OPEB Obligation	25,955	-0-	25,955
<b>TOTAL LIABILITIES</b>	<b>7,372,252</b>	<b>135,000</b>	<b>7,507,252</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Activity (Note 8)	141,214	-0-	141,214
<b>TOTAL ASSETS AND DEFERRED INFLOWS OF RESOURCES</b>	<b>7,513,466</b>	<b>135,000</b>	<b>7,648,466</b>
<b><u>NET POSITION</u></b>			
Investment in Net Assets	1,543,045	10,166,754	11,709,799
Restricted for			
Investments	15,694	-0-	15,694
Pension Benefits	699,847	-0-	699,847
Unrestricted	(5,761,288)	630,172	(5,131,116)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(3,502,702)</b>	<b>10,796,926</b>	<b>7,294,224</b>
<b>TOTAL LIABILITIES AND NET POSITION (DEFICIT)</b>	<b>\$ 4,010,764</b>	<b>\$10,931,926</b>	<b>\$ 14,942,690</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
STATEMENT OF ACTIVITIES  
GOVERNMENT-WIDE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		FEES, FINES, AND CHARGES FOR SERVICES	LICENSES AND PERMITS	INTER- GOVERNMENTAL REVENUES
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
General Government	\$ 267,813	\$ 40,784	\$ 69,805	\$ 94,395
Public Safety	599,179	8,096	-0-	500
Public Works - Sanitation	281,374	304,122	-0-	-0-
Public Works - Highways and Streets	484,552	-0-	-0-	281,025
Public Works - Other	1,500	47,290	-0-	-0-
Culture and Recreation	144,854	-0-	-0-	3,400
Debt Service	176,541	-0-	-0-	-0-
TOTAL GOVERNMENTAL ACTIVITIES	1,955,813	400,292	69,805	379,320
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
Sewer	560,278	880,179	-0-	-0-
Authority	212,296	51,070	-0-	-0-
Water	738,285	767,680	-0-	-0-
TOTAL BUSINESS-TYPE ACTIVITIES	1,510,859	1,698,929	-0-	-0-
TOTAL	\$ 3,466,672	\$ 2,099,221	\$ 69,805	\$ 379,320

**GENERAL REVENUES**

Taxes  
Contributions  
Interest, Rents and Royalties  
Miscellaneous, Net  
Refund of Prior Year Expenditures

**TRANSFERS, NET**

TOTAL GENERAL REVENUES AND TRANSFERS

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING OF YEAR, AS RESTATED (NOTE 12)**

**NET POSITION (DEFICIT) - END OF YEAR**

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF ORWIGSBURG  
STATEMENT OF ACTIVITIES  
GOVERNMENT-WIDE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION (DEFICIT)**

**PRIMARY GOVERNMENT**

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	<b><u>TOTALS</u></b>
\$ (62,829)	\$ -0-	\$ (62,829)
(590,583)	-0-	(590,583)
22,748	-0-	22,748
(203,527)	-0-	(203,527)
45,790	-0-	45,790
(141,454)	-0-	(141,454)
<u>(176,541)</u>	<u>-0-</u>	<u>(176,541)</u>
(1,106,396)	-0-	(1,106,396)
-0-	319,901	319,901
-0-	(161,226)	(161,226)
<u>-0-</u>	<u>29,395</u>	<u>29,395</u>
-0-	188,070	188,070
(1,106,396)	188,070	(918,326)
704,176	-0-	704,176
12,750	-0-	12,750
50,051	15,987	66,038
411	874	1,285
3,167	16,316	19,483
<u>(6,323,503)</u>	<u>3,600,758</u>	<u>(2,722,745)</u>
<u>(5,552,948)</u>	<u>3,633,935</u>	<u>(1,919,013)</u>
(6,659,344)	3,822,005	(2,837,339)
<u>3,156,642</u>	<u>6,974,921</u>	<u>10,131,563</u>
<u>\$ (3,502,702)</u>	<u>\$ 10,796,926</u>	<u>\$ 7,294,224</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<u>GENERAL</u>	<u>SANITATION FUND</u>	<u>CAPITAL RESERVE FUND</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 60,897	\$ 34,770	\$ 563,881
Other Receivables	100	-0-	-0-
Escrows Receivable	6,276	-0-	-0-
Prepaid Items	629	-0-	-0-
Due from Other Funds	<u>-0-</u>	<u>71</u>	<u>135,685</u>
 TOTAL ASSETS	 <u>\$ 67,902</u>	 <u>\$ 34,841</u>	 <u>\$ 699,566</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Payroll Taxes/Withholdings	\$ 2,990	\$ -0-	\$ -0-
Escrows Payable	5,633	-0-	-0-
Due to Other Funds	<u>136,767</u>	<u>-0-</u>	<u>-0-</u>
 TOTAL LIABILITIES	 145,390	 -0-	 -0-
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Investments	-0-	-0-	-0-
Assigned to:			
Capital Projects	-0-	-0-	699,566
Debt Service	-0-	-0-	-0-
Public Works - Highway	-0-	-0-	-0-
Unassigned	<u>(77,488)</u>	<u>34,841</u>	<u>-0-</u>
 TOTAL FUND BALANCES (DEFICITS)	 <u>(77,488)</u>	 <u>34,841</u>	 <u>699,566</u>
 TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	 <u>\$ 67,902</u>	 <u>\$ 34,841</u>	 <u>\$ 699,566</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

<b><u>DEBT/BOND FUND</u></b>	<b><u>DEBT/SINKING FUND</u></b>	<b><u>OTHER GOVERNMENTAL FUNDS</u></b>	<b><u>TOTAL GOVERNMENTAL FUNDS</u></b>
\$ 576,947	\$ 74,689	\$ 248,131	\$ 1,559,315
-0-	-0-	-0-	100
-0-	-0-	-0-	6,276
-0-	-0-	-0-	629
-0-	-0-	-0-	135,756
<u>\$ 576,947</u>	<u>\$ 74,689</u>	<u>\$ 248,131</u>	<u>\$ 1,702,076</u>
\$ -0-	\$ -0-	\$ -0-	\$ 2,990
-0-	-0-	-0-	5,633
<u>4,500</u>	<u>-0-</u>	<u>-0-</u>	<u>141,267</u>
4,500	-0-	-0-	149,890
-0-	-0-	15,694	15,694
-0-	-0-	-0-	699,566
572,447	74,689	-0-	647,136
-0-	-0-	232,437	232,437
-0-	-0-	-0-	(42,647)
<u>572,447</u>	<u>74,689</u>	<u>248,131</u>	<u>1,552,186</u>
<u>\$ 576,947</u>	<u>\$ 74,689</u>	<u>\$ 248,131</u>	<u>\$ 1,702,076</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

<b><u>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u></b>		<b>\$ 1,552,186</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental activities do not include receivables for taxes and sanitation fees		21,925
Governmental activities do not include prepaid items		14,391
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,584,981
Noncurrent assets are not considered receivable in the current period and, therefore, are not reported in the governmental funds		
Net pension assets		699,847
Premiums on bonds issued are capitalized and amortized on the statement of net position		(17,994)
Governmental activities do not include payables for various expenses		(44,426)
Governmental activities do not include payables for payroll		(9,032)
Governmental activities do not include unearned rent		(1,833)
Governmental activities do not include adjustments to escrows payable		1,826
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Loan payable	(41,935)	
Bonds payable	(7,190,000)	
Other postemployment benefits payable	(25,955)	
Compensated absences	<u>(34,280)</u>	(7,292,170)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position		
Police (uniform) pension	(121,168)	
Non-uniform pension	<u>108,765</u>	<u>(12,403)</u>
<b><u>NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>		<b><u>\$(3,502,702)</u></b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (DEFICITS) - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>GENERAL</u>	<u>SANITATION FUND</u>	<u>CAPITAL RESERVE FUND</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 696,748	\$ -0-	\$ -0-
Contributions	-0-	-0-	-0-
Licenses and Permits	69,805	-0-	-0-
Fines and Forfeits	11,740	-0-	-0-
Interest, Rents, and Royalties	51,149	6	581
Intergovernmental Revenues	92,889	-0-	174,994
Charges for Services	32,146	294,619	47,290
Miscellaneous Revenues	420	-0-	-0-
Refund of Prior Year Expenditures	3,167	-0-	-0-
<b>TOTAL REVENUES</b>	<b>958,064</b>	<b>294,625</b>	<b>222,865</b>
<b><u>EXPENDITURES</u></b>			
General Government	218,890	-0-	5,832
Public Safety	609,621	-0-	-0-
Public Works - Sanitation	-0-	260,230	-0-
Public Works - Highways	93,712	-0-	320,827
Public Works - Other	1,500	-0-	-0-
Culture and Recreation	113,476	-0-	683
Debt Service	-0-	-0-	-0-
Miscellaneous Expenditures	-0-	-0-	-0-
<b>TOTAL EXPENDITURES</b>	<b>1,037,199</b>	<b>260,230</b>	<b>327,342</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b>(79,135)</b>	<b>34,395</b>	<b>(104,477)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Proceeds from Sale of Bonds Issued at Par	-0-	-0-	-0-
Unamortized Premium	-0-	-0-	-0-
Transfers from Other Funds	63,530	-0-	261,660
Transfers to Other Funds	(8,388)	(31,000)	(110,312)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>55,142</b>	<b>(31,000)</b>	<b>151,348</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	<b>(23,993)</b>	<b>3,395</b>	<b>46,871</b>
<b><u>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</u></b>	<b>(53,495)</b>	<b>31,446</b>	<b>651,735</b>
<b><u>PRIOR PERIOD ADJUSTMENT</u></b>	<b>-0-</b>	<b>-0-</b>	<b>960</b>
<b><u>FUND BALANCES (DEFICITS) - END OF YEAR</u></b>	<b>\$ (77,488)</b>	<b>\$ 34,841</b>	<b>\$ 699,566</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (DEFICITS) - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>DEBT/BOND FUND</b>	<b>DEBT/SINKING FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ -0-	\$ -0-	\$ -0-	\$ 696,748
-0-	-0-	12,750	12,750
-0-	-0-	-0-	69,805
-0-	-0-	-0-	11,740
17	21	110	51,884
-0-	18,496	92,941	379,320
-0-	-0-	-0-	374,055
-0-	-0-	-0-	420
-0-	-0-	-0-	3,167
17	18,517	105,801	1,599,889
5	-0-	-0-	224,727
-0-	-0-	-0-	609,621
-0-	-0-	-0-	260,230
-0-	-0-	36,388	450,927
-0-	-0-	-0-	1,500
-0-	-0-	-0-	114,159
472,269	-0-	-0-	472,269
-0-	-0-	9	9
472,274	-0-	36,397	2,133,442
(472,257)	18,517	69,404	(533,553)
7,485,000	-0-	-0-	7,485,000
18,722	-0-	-0-	18,722
518,559	-0-	-0-	843,749
(6,977,577)	-0-	(39,975)	(7,167,252)
1,044,704	-0-	(39,975)	1,180,219
572,447	18,517	29,429	646,666
-0-	56,172	218,702	904,560
-0-	-0-	-0-	960
\$ 572,447	\$ 74,689	\$ 248,131	\$ 1,552,186

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) TO THE GOVERNMENTAL**  
**ACTIVITIES IN THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b><u>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u></b>		<b>\$ 646,666</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities		80,102
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(79,188)
The increase in compensated absences is reported as an addition to expense on the statement of activities		(34,280)
The decrease in other postemployment benefits payable is reported as an addition to expense on the statement of activities		13,042
The change in net pension assets is reported only on the statement of activities		
Police (uniform) pension	118,428	
Non-uniform pension	<u>(124,633)</u>	(6,205)
The change in deferred inflows and outflows of resources is reported only on the statement of activities		
Police pension	(121,168)	
Non-uniform pension	<u>108,765</u>	(12,403)
The amortization of the bond premium is reported as a reduction to expense on the statement of activities		728
The proceeds of debt are an other financing source on the governmental funds income statement but are not reported on the statement of activities		
Proceeds from issuance of bonds	(7,485,000)	
Premium on issuance of bonds	(18,722)	
Loan payable	<u>(44,342)</u>	(7,548,064)
The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds, but not on the statement of activities		
Bonds payable	295,000	
Loan payable	<u>2,407</u>	297,407
Some taxes and sanitation fees will not be collected until after the Borough's year-end and are not included as income in the governmental funds		21,925
Payment of insurance is reported as an expenditure in the governmental funds when actually paid; however, on the government-wide statement of activities insurance is expensed in the period when it is used		14,391
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		
Escrows payable	1,826	
Accounts payable	(44,426)	
Accrued payroll taxes/withholdings	<u>(9,032)</u>	(51,632)
Rent that was not due until after the Borough's year-end is not included as income in the governmental funds		<u>(1,833)</u>
<b><u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>		<b><u>\$ (6,659,344)</u></b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**COMBINING STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS</u></b>				
Cash	\$ 519,869	\$ 37,899	\$ 22,603	\$ 580,371
Accounts Receivable, Net	31,119	-0-	26,708	57,827
Prepaid Items	2,450	-0-	4,990	7,440
Due from Other Funds	<u>6,360</u>	<u>47,922</u>	<u>111</u>	<u>54,393</u>
TOTAL CURRENT ASSETS	559,798	85,821	54,412	700,031
<b><u>CAPITAL ASSETS, NET</u></b>	<u>904,744</u>	<u>4,222,304</u>	<u>5,153,729</u>	<u>10,280,777</u>
TOTAL ASSETS	<u>\$ 1,464,542</u>	<u>\$ 4,308,125</u>	<u>\$ 5,208,141</u>	<u>\$ 10,980,808</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b><u>LIABILITIES</u></b>				
<b><u>CURRENT LIABILITIES</u></b>				
Accounts Payable	\$ 16,786	\$ -0-	\$ 4,191	\$ 20,977
Due to Other Funds	48,882	-0-	-0-	48,882
Future Lease Payment Liability - Current Portion	<u>18,004</u>	<u>-0-</u>	<u>18,003</u>	<u>36,007</u>
TOTAL CURRENT LIABILITIES	83,672	-0-	22,194	105,866
<b><u>LONG-TERM LIABILITIES</u></b>				
Future Lease Payment Liability, Net of Current Portion	<u>39,008</u>	<u>-0-</u>	<u>39,008</u>	<u>78,016</u>
TOTAL LONG-TERM LIABILITIES	<u>39,008</u>	<u>-0-</u>	<u>39,008</u>	<u>78,016</u>
TOTAL LIABILITIES	122,680	-0-	61,202	183,882
<b><u>NET POSITION</u></b>				
Investment in Net Assets	847,732	4,222,304	5,096,718	10,166,754
Unrestricted	<u>494,130</u>	<u>85,821</u>	<u>50,221</u>	<u>630,172</u>
TOTAL NET POSITION	<u>1,341,862</u>	<u>4,308,125</u>	<u>5,146,939</u>	<u>10,796,926</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,464,542</u>	<u>\$ 4,308,125</u>	<u>\$ 5,208,141</u>	<u>\$ 10,980,808</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF ORWIGSBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 880,179	\$ -0-	\$ 767,680	\$ 1,647,859
Miscellaneous Revenue	24	-0-	850	874
Rental Income	-0-	51,070	-0-	51,070
Refund of Prior Year Expenditures	1,158	14,000	1,158	16,316
	<u>881,361</u>	<u>65,070</u>	<u>769,688</u>	<u>1,716,119</u>
<b>TOTAL OPERATING REVENUES</b>				
	881,361	65,070	769,688	1,716,119
<b><u>OPERATING EXPENSES</u></b>				
Public Works	486,700	57,379	231,222	775,301
Salaries and Wages	71,655	-0-	167,567	239,222
Depreciation	1,923	154,917	339,496	496,336
	<u>560,278</u>	<u>212,296</u>	<u>738,285</u>	<u>1,510,859</u>
<b>TOTAL OPERATING EXPENSES</b>				
	560,278	212,296	738,285	1,510,859
<b>OPERATING INCOME (LOSS)</b>	321,083	(147,226)	31,403	205,260
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Interest Revenue, Rents, and Royalties	686	15,289	12	15,987
	<u>686</u>	<u>15,289</u>	<u>12</u>	<u>15,987</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>				
	686	15,289	12	15,987
<b><u>TRANSFERS</u></b>				
Transfers from Other Funds	3,928,494	-0-	3,457,302	7,385,796
Transfers to Other Funds	(3,212,074)	(300,000)	(272,964)	(3,785,038)
	<u>716,420</u>	<u>(300,000)</u>	<u>3,184,338</u>	<u>3,600,758</u>
<b>TOTAL TRANSFERS</b>				
	716,420	(300,000)	3,184,338	3,600,758
<b><u>CHANGE IN NET POSITION</u></b>	1,038,189	(431,937)	3,215,753	3,822,005
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	284,387	362,841	1,178,200	1,825,428
<b><u>PRIOR PERIOD ADJUSTMENT</u></b>	19,286	4,377,221	752,986	5,149,493
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ 1,341,862</u>	<u>\$ 4,308,125</u>	<u>\$ 5,146,939</u>	<u>\$ 10,796,926</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 849,060	\$ 50,070	\$ 740,972	\$ 1,640,102
Receipts from Miscellaneous Revenues	24	1,000	850	1,874
Refund of Prior Year Expenditures	1,158	14,000	1,158	16,316
Payments to Suppliers	(454,842)	(57,379)	(227,951)	(740,172)
Payments to Employees	(66,338)	-0-	(155,758)	(222,096)
	<u>329,062</u>	<u>7,691</u>	<u>359,271</u>	<u>696,024</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	329,062	7,691	359,271	696,024
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Due from Other Funds	-0-	(35,395)	-0-	(35,395)
Transfers from Other Funds	3,928,494	-0-	3,457,302	7,385,796
Transfers to Other Funds	(3,225,561)	(300,000)	(272,964)	(3,798,525)
	<u>702,933</u>	<u>(335,395)</u>	<u>3,184,338</u>	<u>3,551,876</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	702,933	(335,395)	3,184,338	3,551,876
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Principal Paid on Capital Debt	(25,005)	(130,838)	(3,578,180)	(3,734,023)
Capital Purchases	(791,878)	-0-	(3,731)	(795,609)
	<u>(816,883)</u>	<u>(130,838)</u>	<u>(3,581,911)</u>	<u>(4,529,632)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(816,883)	(130,838)	(3,581,911)	(4,529,632)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Investment in Direct Financing Lease	-0-	130,838	-0-	130,838
Interest, Revenue, and Rents	686	15,289	12	15,987
	<u>686</u>	<u>146,127</u>	<u>12</u>	<u>146,825</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	686	146,127	12	146,825
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	215,798	(312,415)	(38,290)	(134,907)
<b><u>CASH - BEGINNING BALANCE</u></b>	304,071	350,314	60,893	715,278
<b><u>CASH - ENDING BALANCE</u></b>	<u>\$ 519,869</u>	<u>\$ 37,899</u>	<u>\$ 22,603</u>	<u>\$ 580,371</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**COMBINING STATEMENT OF CASH FLOWS - (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME</u></b>				
<b><u>(LOSS) TO NET CASH PROVIDED (USED) BY</u></b>				
<b><u>OPERATING ACTIVITIES</u></b>				
Operating Income (Loss)	\$ 321,083	\$ (147,226)	\$ 31,403	\$ 205,260
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,923	154,917	339,496	496,336
(Increase) Decrease in				
Accounts Receivable	(31,119)	-0-	(26,708)	(57,827)
Prepaid Items	(2,450)	-0-	(809)	(3,259)
Prepaid Wages	5,317	-0-	11,809	17,126
Increase (Decrease) in				
Accounts Payable	16,786	-0-	4,191	20,977
Due from Other Funds	(6,360)	-0-	(111)	(6,471)
Due to Other Funds	<u>23,882</u>	<u>-0-</u>	<u>-0-</u>	<u>23,882</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 329,062</u>	 <u>\$ 7,691</u>	 <u>\$ 359,271</u>	 <u>\$ 696,024</u>
<b><u>NONCASH TRANSACTIONS</u></b>				
Acquisition of Capital Assets with Capital Lease	\$ 82,016	\$ -0-	\$ 82,016	\$ 164,032
Payoff of Loans Payable and Investment in Direct Financing Leases	<u>-0-</u>	<u>2,720,997</u>	<u>-0-</u>	<u>2,720,997</u>
 TOTAL NONCASH TRANSACTIONS	 <u>\$ 82,016</u>	 <u>\$ 2,720,997</u>	 <u>\$ 82,016</u>	 <u>\$2,885,029</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Borough of Orwigsburg (the Borough) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (herein after referred to as generally accepted accounting principles (GAAP)). 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 Borough of Orwigsburg was incorporated in 1813. The Borough is a municipal corporation governed by an elected seven-member Council.

As required by GAAP, the financial statements of the Borough of Orwigsburg include those of the primary government and its component unit. The component unit discussed below is included in the Borough's reporting entity because of the significance of its operational relationship with the Borough. The financial statements of this component unit have been included in the Borough's reporting entity as a blended component unit. The criteria to determine an entity as a component unit is established by GASB Statement No. 14 which has been amended by GASB Statements No. 39 and No. 61. Individual financial statements can be obtained directly from the component unit's administrative office by writing to the address provided.

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both Borough funds and the Blended Component Unit.

*Blended Component Unit*

Some component units, despite being legally separate from the primary government (Borough), are so intertwined with the primary government, through providing services solely to the primary government, that they are, in substance, the same as the primary government and are reported as part of the primary government. The blended component unit reported in this way is the Municipal Authority of the Borough of Orwigsburg.

**Municipal Authority of the Borough of Orwigsburg – 209 N. Warren St., Orwigsburg, PA 17961**

The Municipal Authority of the Borough of Orwigsburg (Municipal Authority) was formed by the Borough of Orwigsburg for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Municipal Authority are operated and maintained by the Borough under the provisions of a long-term capital lease. The activities of the Municipal Authority are reflected in the Enterprise Funds.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**FUND ACCOUNTING**

The Borough uses funds to report on its financial position, changes in its financial position, and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. A minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of the Borough's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted, or assigned for the acquisition or construction of capital assets (capital project funds), and the funds committed, restricted, or assigned for the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Borough (internal service funds). The Borough of Orwigsburg does not have any internal service funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Borough. When these assets are held under the terms of a formal trust agreement, a trust fund may be used. Agency funds are used to account for funds that the Borough holds on behalf of others as their agent. The Borough does not have any Fiduciary funds.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Borough. The effect of material interfund activity (except for activities reported in internal service funds) has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Borough reports the following major governmental funds:

The General Fund is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Sanitation Fund was established to account for trash collection fees and for the expenditures related to trash removal in the Borough.

The Capital Reserve Fund was established to account for contributions and specific revenues and transfers from other Borough funds and expenditures for maintaining, repairing, and renovating the capital assets of the Borough.

The Debt/Bond Fund was established to account for the proceeds received from the General Obligation Bonds - Series 2015 and the related expenditures and debt service payments.

The Debt/Sinking Fund was established to accumulate restricted resources for the payment of the Borough's other postemployment benefit (OPEB) obligations.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)**

The Borough reports the following major proprietary funds:

The Sewer Fund accounts for all activity necessary to provide sewer services to the residents of the Borough including administration, operation, and maintenance.

The Water Fund accounts for all activity necessary to provide water services to the residents of the Borough including administration, operation, and maintenance.

The Borough reports the following nonmajor governmental funds:

The Investment Fund accounts for contributions and specific revenues and expenditures for maintaining the programs of the other funds.

The Liquid Fuel Tax Fund accounts for activity funded by the Borough's share of the State tax on the use of motor fuels.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenue/expenses directly related to providing the day-to-day enterprise fund services. Incidental revenues/expenses, such as property taxes and investment income, are reported as nonoperating.

Governmental fund financial statements are presented on the basis of cash receipts and disbursements, which demonstrates compliance with the budget laws of the Commonwealth of Pennsylvania. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – (Continued)**

The Borough reports unavailable revenue and unearned revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the Borough before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has a legal claim to the resources, the deferred inflow of resources for unavailable revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Borough's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**INVESTMENTS**

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is based on prices listed on national exchanges as of December 31, 2015 for debt and equity securities. There were no investments at December 31, 2015.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are classified as "interfund receivables/payables".

**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.



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**CAPITAL ASSETS**

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 fair market value on the date received.

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 over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment, sewer/water systems, and vehicles is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	15-40
Buildings and Improvements	10-40
Sewer Plant	40
Sewage Treatment System	15
Water Distribution System	15-40
Recreation Assets	15-30
Equipment	8-15
Vehicles	5-8

**COMPENSATED ABSENCES**

Vested or accumulated vacation leave and vested sick leave, including related payroll taxes, is recorded as an expense and liability at the government-wide level as the benefits accrue to employees.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund financial statements. Bond premiums and discounts, and gains/losses on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount and gains/losses on refundings.

In the fund financial statements, governmental funds 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**FUND EQUITY/NET POSITION**

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the Borough Council, which is considered the Borough's highest level of decision-making authority. Formal actions include ordinances approved by the Borough Council. Assigned fund balance represents amounts constrained by the Borough's intent to use them for a specific purpose. Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.

The Borough's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Borough considered committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide and proprietary fund financial statements, restricted net position is legally restricted by outside parties for a specific purpose. At December 31, 2015, no net position restrictions were the result of enabling legislation adopted by the Borough. Investment in net assets represents the Borough's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Unrestricted net position consists of net position that does not meet the definition of restricted or investment in net assets.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**INTERFUND TRANSACTIONS**

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

**ACCOUNTING 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**ADOPTION OF PRONOUNCEMENTS**

Prior to fiscal year 2015, the Borough prepared its financial statements using the cash basis of accounting in accordance with the reporting provisions of the Commonwealth of Pennsylvania. Beginning with fiscal year 2015, the Borough adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, which vastly improves the value of the annual audited financial reporting by providing accrual basis government-wide financial statements and major fund reporting.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**ADOPTION OF PRONOUNCEMENTS – (Continued)**

The Borough also adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, both effective for periods beginning after June 15, 2014. These Statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

**DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 21, 2016, the date that the financial statements were available to be issued.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**DEPOSITS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The Borough has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. Deposits of the Borough are maintained in demand deposits, governmental investment pools, certificates of deposit, or savings accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

**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, 2015, the carrying amount of the Borough's deposits was \$2,101,787 and the bank balance was \$2,108,784. Of the bank balance, \$1,781,837 was covered by federal depository insurance and \$326,947 was exposed to custodial credit risk which is collateralized under Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 – DEPOSITS AND INVESTMENTS – (Continued)**

**DEPOSITS – (Continued)**

**Custodial Credit Risk – (Continued)**

At December 31, 2015, the carrying amount of the Municipal Authority's deposits was \$37,899 and the bank balance was \$37,899, all of which was covered by federal depository insurance.

**NOTE 3 – RECEIVABLES**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Borough charges penalty and interest at 1.5% per month on delinquent accounts. Management has elected not to provide an allowance on delinquent accounts receivable since the delinquencies are sent to the magistrate, liens are placed on the properties, and the service is eventually shut off.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Being Depreciated				
Land Improvements	\$ 341,693	\$ -0-	\$ -0-	\$ 341,693
Buildings and Improvements	1,375,764	-0-	-0-	1,375,764
Equipment	103,809	8,443	-0-	112,252
Recreation Assets	212,874	27,317	-0-	240,191
Vehicles	312,358	44,342	-0-	356,700
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>2,346,498</b>	<b>80,102</b>	<b>-0-</b>	<b>2,426,600</b>
Less Accumulated Depreciation for				
Land Improvements	(85,958)	(2,796)	-0-	(88,754)
Buildings and Improvements	(263,538)	(41,218)	-0-	(304,756)
Equipment	(62,848)	(7,280)	-0-	(70,128)
Recreation Assets	(89,890)	(10,186)	-0-	(100,076)
Vehicles	(260,197)	(17,708)	-0-	(277,905)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(762,431)</b>	<b>(79,188)</b>	<b>-0-</b>	<b>(841,619)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>1,584,067</b>	<b>914</b>	<b>-0-</b>	<b>1,584,981</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b><u>\$ 1,584,067</u></b>	<b><u>\$ 914</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,584,981</u></b>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 – CAPITAL ASSETS – (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 39,532	\$ -0-	\$ -0-	\$ 39,532
Construction-in-Progress	<u>-0-</u>	<u>812,007</u>	<u>-0-</u>	<u>812,007</u>
TOTAL CAPITAL ASSETS				
NOT BEING DEPRECIATED	39,532	812,007	-0-	851,539
Capital Assets Being Depreciated				
Land Improvements	105,178	-0-	-0-	105,178
Buildings and Improvements	2,547,132	-0-	-0-	2,547,132
Equipment	-0-	172,946	-0-	172,946
Sewer Plant	8,312,232	-0-	-0-	8,312,232
Sewage Treatment System	-0-	3,730	-0-	3,730
Water Distribution System	<u>5,858,029</u>	<u>-0-</u>	<u>-0-</u>	<u>5,858,029</u>
TOTAL CAPITAL ASSETS				
BEING DEPRECIATED	16,822,571	176,676	-0-	16,999,247
Less Accumulated Depreciation for				
Land Improvements	(47,388)	(1,210)	-0-	(48,598)
Buildings and Improvements	(1,848,205)	(96,213)	-0-	(1,944,418)
Equipment	-0-	(3,289)	-0-	(3,289)
Sewer Plant	(3,974,543)	(154,917)	-0-	(4,129,460)
Sewage Treatment System	-0-	-0-	-0-	-0-
Water Distribution System	<u>(1,203,537)</u>	<u>(240,707)</u>	<u>-0-</u>	<u>(1,444,244)</u>
TOTAL ACCUMULATED				
DEPRECIATION	<u>(7,073,673)</u>	<u>(496,336)</u>	<u>-0-</u>	<u>(7,570,009)</u>
TOTAL CAPITAL ASSETS BEING				
DEPRECIATED, NET	<u>9,748,898</u>	<u>(319,660)</u>	<u>-0-</u>	<u>9,429,238</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 9,788,430</u>	<u>\$ 492,347</u>	<u>\$ -0-</u>	<u>\$10,280,777</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 – CAPITAL ASSETS – (Continued)**

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 6,546
Public Safety	9,233
Public Works - Highways and Streets	9,882
Culture and Recreation	<u>53,527</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>79,188</u>
 Business-Type Activities	
Sewer	\$ 1,923
Municipal Authority	154,917
Water	<u>339,496</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u>496,336</u>

**NOTE 5 – 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 2015.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – LONG-TERM DEBT**

**GENERAL OBLIGATION BONDS – SERIES OF 2015**

On May 20, 2015, the Borough issued serial bonds with a par value of \$7,485,000 to provide funds for the following: the refunding of the two Municipal Authority of the Borough of Orwigsburg's PennVest loans that were guaranteed by the Borough and were being repaid by the Borough's Sewer Fund; the refunding of the PennVest loan that was being paid by the Borough's Water Fund; and, to assist in financing the interceptor realignment project. The serial bonds carry interest rates of 0.65% to 3.00% and mature between October 1, 2015 and October 1, 2029. The bonds were issued at a premium of \$18,722, which is being amortized over the 15-year life of the bonds.

Bonds payable at December 31, 2015 are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Redemption @ Maturity</u>
Serial Bond	0.650%	5/20/2015	10/1/2016	\$ 545,000
Serial Bond	1.000%	5/20/2015	10/1/2017	550,000
Serial Bond	2.000%	5/20/2015	10/1/2018	555,000
Serial Bond	2.000%	5/20/2015	10/1/2019	565,000
Serial Bond	2.000%	5/20/2015	10/1/2020	565,000
Serial Bond	2.000%	5/20/2015	10/1/2021	575,000
Serial Bond	2.000%	5/20/2015	10/1/2022	585,000
Serial Bond	2.000%	5/20/2015	10/1/2023	545,000
Serial Bond	2.125%	5/20/2015	10/1/2024	630,000
Serial Bond	2.300%	5/20/2015	10/1/2025	645,000
Serial Bond	2.400%	5/20/2015	10/1/2026	665,000
Serial Bond	2.600%	5/20/2015	10/1/2027	335,000
Serial Bond	2.750%	5/20/2015	10/1/2028	340,000
Serial Bond	3.000%	5/20/2015	10/1/2029	<u>90,000</u>
Total General Obligation Bonds Payable				<u>\$ 7,190,000</u>



**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2015 – (Continued)**

The annual aggregate maturities for the General Obligation Bonds for the years subsequent to December 31, 2015 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 545,000	\$ 141,785	\$ 686,785
2017	550,000	138,243	688,243
2018	555,000	132,743	687,743
2019	565,000	121,642	686,642
2020	565,000	110,342	675,342
2021-2025	2,980,000	378,925	3,358,925
2026-2029	<u>1,430,000</u>	<u>72,230</u>	<u>1,502,230</u>
Total	<u>\$ 7,190,000</u>	<u>\$ 1,095,910</u>	<u>\$ 8,285,910</u>

**LOAN PAYABLE – CREDIT UNION**

On October 16, 2015, the Borough secured a loan from Hidden River Credit Union in the amount of \$44,342. The loan was used to purchase a police vehicle. The loan bears interest at the fixed rate of 1.69%. Total monthly payments of principal and interest in the amount of \$1,264 are due on the 16<sup>th</sup> of each month.

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 14,574	\$ 596	\$ 15,170
2017	14,822	348	15,170
2018	<u>12,539</u>	<u>99</u>	<u>12,638</u>
Total	<u>\$ 41,935</u>	<u>\$ 1,043</u>	<u>\$ 42,978</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – LONG-TERM DEBT- (Continued)**

**CAPITAL LEASE – EQUIPMENT**

The Borough has a long-term capital lease with John Deere Financial to finance the acquisition of five pieces of equipment. The lease qualified as a capital lease for accounting purposes as defined under FASB ASC 840-10-25-1, and, therefore, has been recorded at the present value of the future minimum lease payments at the date of inception of the lease. The lease is at 0% interest. Future lease payments are to be made from revenues of the Sewer and Water Funds under this capital lease as follows:

	Year Ending <u>December 31</u>
	2016
	2017
	2018
	2019
	<u>6,002</u>
Total Minimum Lease Payments	114,023
Less Deferred Interest	<u>-0-</u>
Present Value Minimum Lease Payments	<u><u>\$ 114,023</u></u>

This equipment has been classified in the business-type activities of the Statement of Net Position as follows:

Depreciable Assets	
Equipment	\$ 164,032
Less Accumulated Depreciation	
Equipment	<u>(2,732)</u>
	<u><u>\$ 161,300</u></u>

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**AUTHORITY LEASE OBLIGATIONS**

The Borough's Sewer Fund operates and maintains the sewer system under an April 15, 1964 lease agreement with the Municipal Authority, which is a blended component unit. Terms of the lease agreement required monthly lease payments from the Sewer Fund to the Authority in the amount of \$33,000 through May 2015, then \$4,200 forward with the execution of a new lease agreement in May 2015.

**PENNVEST LOAN – 71072**

In August 1999, the Authority received a \$250,000 loan from PennVest for capital improvements to the sewer system. The Borough guaranteed this loan and repayment to the Authority from the Sewer Fund. Terms of the loan called for monthly payments of \$1,186 with interest at 1% for the first five years and \$1,202 with interest at 1.184% for 15 years ending August 2019. This loan was satisfied with part of the proceeds of the General Obligation Bonds - Series of 2015.

**PENNVEST LOAN – 71204**

During 2002, the Authority obtained a 20-year loan of \$6,223,645 from PennVest to construct a new sewer treatment plant. As of December 31, 2005, \$5,358,611 had been borrowed for construction costs. Terms of the loan called for monthly payments of \$27,350 beginning January 1, 2006 to October 1, 2008 with interest at 1% and monthly payments of \$27,664 beginning November 1, 2008 to October 1, 2023 with interest at 1.156%. This loan was satisfied with part of the proceeds of the General Obligation Bonds - Series of 2015. The Borough's Sewer Fund was servicing both loans through rental payments to the Authority of \$33,000 per month until a new lease agreement was executed for \$4,200 per month in May 2015. Total rent paid to the Authority in 2015 was \$194,400.

**PENNVEST LOAN – 85121**

In 2005, the Borough initiated a Water System Improvement Project designed to improve the distribution system and eliminate ongoing water quality concerns.

The Borough accepted permanent financing of \$5,634,033 from PennVest. The interest rate of the loan was 1.369% during the construction period and the first 60 months of repayment and 2.697% for the remaining months of repayment. Repayment of principal and interest were required in the amount of \$26,292 per month to December 2011 and \$28,910 from January 2012 to December 2026. This loan was satisfied with part of the proceeds of the General Obligation Bonds - Series of 2015.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**CHANGES IN LONG-TERM LIABILITIES**

During the fiscal year, the following changes occurred in long-term liabilities:

	Balances December 31, <u>2014, Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balances December 31, <u>2015</u>	<u>Current Portion</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Obligation Bonds - Series of 2015	\$ -0-	\$ 7,485,000	\$ (295,000)	\$ 7,190,000	\$ 545,000
Premium	-0-	18,722	(728)	17,994	-0-
Loan Payable - Credit Union	-0-	44,342	(2,407)	41,935	14,574
Compensated Absences	29,593	4,687	-0-	34,280	-0-
Net OPEB Obligation	<u>38,997</u>	<u>-0-</u>	<u>(13,042)</u>	<u>25,955</u>	<u>-0-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 68,590</u>	 <u>\$ 7,552,751</u>	 <u>\$ (311,177)</u>	 <u>\$ 7,310,164</u>	 <u>\$ 559,574</u>

Beginning balances were restated in accordance with GASB Statement No. 68.  
The General Fund will liquidate the pension and OPEB liabilities.

During the fiscal year, the following changes occurred in long-term liabilities:

	Balances December 31, <u>2014, Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balances December 31, <u>2015</u>	<u>Current Portion</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Penn Vest - 71072	\$ 65,435	\$ -0-	\$ (65,435)	\$ -0-	\$ -0-
Penn Vest - 71204	2,786,400	-0-	(2,786,400)	-0-	-0-
Penn Vest - 85121	3,553,175	-0-	(3,553,175)	-0-	-0-
Capital Lease - Equipment	<u>-0-</u>	<u>164,033</u>	<u>(50,010)</u>	<u>114,023</u>	<u>36,007</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 <u>\$ 6,405,010</u>	 <u>\$ 164,033</u>	 <u>\$ (6,455,020)</u>	 <u>\$ 114,023</u>	 <u>\$ 36,007</u>

Beginning balances were restated in accordance with GASB Statement No. 68.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 7 – INTERFUND ASSETS/LIABILITIES**

**INTERFUND TRANSFERS**

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Bond	Sewer	\$ 3,524,329
Bond	Water	3,453,248
Capital Reserve	General	2,528
Capital Reserve	Sewer	103,730
Capital Reserve	Water	4,054
General	Bond	3,054
General	Capital Reserve	5,334
Nonmajor	General	39,975
Sanitation	Capital Reserve	20,000
Sanitation	General	11,000
Sewer	Bond	286,275
Sewer	Capital Reserve	200,000
Sewer	General	3,054
Water	Bond	229,230
Water	Capital Reserve	36,326
Water	General	6,973
Water	Sewer	435
Municipal Authority	Sewer	<u>300,000</u>
<b>TOTAL</b>		<b><u>\$ 8,229,545</u></b>

The purpose of significant transfers from/to other funds is as follows:

\*\$3,524,329 was transferred from the Bond Fund to the Sewer Fund to pay off PennVest Loan – 71072 principal and interest of \$59,778, PennVest Loan – 71204 principal and interest of \$2,662,967, and to reimburse interceptor realignment project invoices paid of \$801,584.

\*\$3,453,248 was transferred from the Bond Fund to the Water Fund to pay off PennVest Loan – 85121 principal and interest.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 7 – INTERFUND ASSETS/LIABILITIES – (Continued)**

**DUE TO/FROM OTHER FUNDS/ADVANCES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Reserve	General	\$ 134,725
Capital Reserve	Sewer	960
Sanitation	General	71
Sewer	General	1,860
Sewer	Bond	4,500
Water	General	111
Municipal Authority	Sewer	<u>47,922</u>
TOTAL		<u>\$ 190,149</u>

The interfund payables/receivables all represent temporary financing that will be repaid within one year.

**NOTE 8 – PENSION PLANS**

During 1990, the Borough terminated its Uniform and Non-Uniform pension "side" funds by transferring all assets to the Pennsylvania Municipal Retirement System for investment, administration, and preparation of annual financial statements. The Borough does not include the financial statements of the pension plans within the Borough's financial statements.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN**

**Plan Description**

The Borough's police (uniform) employees are members of a single-employer defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office.

PMRS did not provide current information as of December 31, 2015. All information in the Notes to the Financial Statements and in the Required Supplementary Information is as of December 31, 2014, the latest available from PMRS.

**Plan Membership**

At December 31, 2014, Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>3</u>
Total Participant Count	<u>5</u>

**Benefits Provided**

Pension plan benefits are as follows:

**Eligibility Requirements**

Normal Retirement – Available upon attainment of age 50 with 12 years of credited service.

Early Retirement – A voluntary early retirement available after 24 years of service. An involuntary early is available after 8 years of service.

Vesting – A member is 100% vested after 12 years of service.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Benefits Provided – (Continued)**

Retirement Benefit

Benefit equals 2.0% times credited service times Final Average Salary (FAS) but in no event is the basic benefit greater than 50% of FAS. FAS based upon last 3 years annualized salary. A service increment for credited service in excess of 25 years provided. Maximum benefit \$500 per month. There is no Social Security offset.

Survivor Benefit

If eligible to retire or if retired at time of death, spouse receives 50% of member's benefit.

Disability Benefit

Service Related – A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. Offset by available Workers' Compensation benefits.

Non-Service Related – A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

Post-Retirement Adjustments

PMRS law allows a municipality to optionally award post-retirement adjustments based on investment performance (excess interest awards).

DROP Benefits

Available to members who are eligible for normal retirement; maximum DROP period is 3 years.

**Contributions**

Member Contributions

Amount or Rate – 5% of pay; currently waived.

Interest Rate Credited to Member Contribution – 5.5%.



**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Actuarial Assumptions**

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry-age normal actuarial cost method
Assumptions:	
Inflation	3.00%
Salary increases	Age related scale with merit and inflation component
Interest rate	5.5% compounded annually, net of investment income withheld to cover certain administrative and investment expenses
Cost of living adjustments	Where applicable, 3.0% per year
Asset valuation method	Based upon the municipal reserves
Healthy life mortality:	
Rates of pre-retirement mortality	
Males:	RP2000 with 1 year set back
Females:	RP2000 with 5 year set back
Rates of post-retirement mortality	
Males and Females:	RP2000 sex-distinct mortality table
Disabled life mortality rates:	
Males and Females:	RP2000 with 10 year set forward

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 5.50%. PMRS assumed that all employees will continue to the Plan at the current rates and the employer will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. See the latest Act 205 Form for details on the closed period.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Discount Rate – (Continued)**

PMRS did not perform a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In PMRS’s professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS –(Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at 12/31/2013</b>	\$ 1,138,592	\$ 1,989,706	\$ (851,114)
<b>Changes for the year:</b>			
Service cost	53,735	-0-	53,735
Interest	65,566	-0-	65,566
Changes of benefits	-0-	-0-	-0-
Changes of assumptions	-0-	-0-	-0-
Differences between expected and actual experience	(144,148)	-0-	(144,148)
Contributions - employer	-0-	462	(462)
Contributions - member	-0-	-0-	-0-
PMRS investment income	-0-	108,090	(108,090)
Market value investment income*	-0-	(10,706)	10,706
Transfers	-0-	-0-	-0-
Benefit payments	(442)	(442)	-0-
PMRS administrative expense	-0-	(120)	120
Additional administrative expense	-0-	(4,145)	4,145
<b>Net changes</b>	<u>(25,289)</u>	<u>93,139</u>	<u>(118,428)</u>
<b>Balances at 12/31/2014</b>	<u>\$ 1,113,303</u>	<u>\$ 2,082,845</u>	<u>\$ (969,542)</u>

*\*Reflects the net investment income/(loss) of (\$6,587) and the income/(loss) due to the difference between expected and actual asset values of (\$4,119), which includes the impact from allocation of assets in support of the underlying retiree liabilities.*

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Changes in Net Pension Liability – (Continued)**

This report does not reflect changes in benefits or assumptions after January 1, 2015. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2013 actuarial valuation, with liabilities measured at December 31, 2012, rolled forward to December 31, 2013. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position". PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

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

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

**Schedule of Collective Deferred Inflows and Outflows**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -0-	\$ 129,733
Changes in assumptions	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	<u>8,565</u>	<u>-0-</u>
<b>Total</b>	<b><u>\$ 8,565</u></b>	<b><u>\$ 129,733</u></b>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

**Year Ended December 31:**

2015	(12,274)
2016	(12,274)
2017	(12,274)
2018	(12,273)
2019	(14,415)
Thereafter	\$ (57,658)

The recognition period for experience and assumptions change gains/losses is 10.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

**Calculation of Collective Pension Expense**

Change in Net Pension Liability	\$ (118,428)
Change in Deferred Outflows	(8,565)
Change in Deferred Inflows	129,733
Employer Contributions	<u>462</u>
<b>Pension Expense</b>	<b>\$ 3,202</b>
<b>Pension Expense as % of Payroll</b>	<b>1.15%</b>

**Operating Expenses**

Service cost	\$ 53,735
Employee contributions	-0-
PMRS administrative expense	120
Additional administrative expense	<u>4,145</u>
<b>Total</b>	<b>\$ 58,000</b>

**Financing Expenses**

Interest cost	\$ 65,566
Expected return on assets	<u>(108,090)</u>
<b>Total</b>	<b>\$ (42,524)</b>

**Changes**

Benefits changes	\$ -0-
Recognition of assumption changes	-0-
Recognition of liability gains and losses	(14,415)
Recognition of investment gains and losses	<u>2,141</u>
<b>Total</b>	<b>\$ (12,274)</b>

<b>Pension Expense</b>	<b>\$ 3,202</b>
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**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

**Discount Rate Sensitivity**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

	<b>1% Decrease <u>4.50%</u></b>	<b>Discount Rate <u>5.50%</u></b>	<b>1% Increase <u>6.50%</u></b>
Total Pension Liability	\$ 1,258,400	\$ 1,113,303	\$ 992,421
Plan Fiduciary Net Position	<u>2,082,845</u>	<u>2,082,845</u>	<u>2,082,845</u>
Net Pension Liability	<u>\$ (824,445)</u>	<u>\$ (969,542)</u>	<u>\$ (1,090,424)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	165.5%	187.1%	209.9%

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN**

**Plan Description**

Prior to 1991, the Borough's Non-Uniform Pension Plan was a split-funded plan (insurance plus side fund). During November 1993, the Borough established its single-employer defined benefit pension plan for non-uniform employees that participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office.

PMRS did not provide current information as of December 31, 2015. All information in the Notes to the Financial Statements and in the Required Supplementary Information is as of December 31, 2014, the latest available from PMRS.

**Plan Membership**

At December 31, 2014, Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>9</u>
 Total Participant Count	 <u><u>17</u></u>

**Benefits Provided**

Pension plan benefits are as follows:

**Eligibility Requirements**

Normal Retirement – Available upon attainment of age 54.

Early Retirement – A voluntary early retirement available after 20 years of service.

An involuntary early is available after 8 years of service.

Vesting – A member is 100% vested after 10 years of service.

**Retirement Benefit**

Benefit equals 2.5% times credited service times Final Average Salary (FAS) but in no event is the basic benefit greater than 75% of FAS. FAS based upon last 3 years annualized salary. There is no Social Security offset.



**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Benefits Provided – (Continued)**

Survivor Benefit

If eligible to retire or vest at time of death, beneficiary receives present value of accrued benefit.

Disability Benefit

Service Related – A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. Offset by available Workers' Compensation benefits.

Non-Service Related – A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

Post-Retirement Adjustments

PMRS law allows a municipality to optionally award post-retirement adjustments based on investment performance (excess interest awards). A COLA is annually provided that equals the C.P.I. The maximum benefit allowed may not exceed 130% of the original benefit of 75% of the Final Average Salary.

**Contributions**

Member Contributions

Amount or Rate – No member contributions required.

Interest Rate Credited to Member Contribution – 5.5%.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Actuarial Assumptions**

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry-age normal actuarial cost method
Assumptions:	
Inflation	3.0%
Salary increases	Age related scale with merit and inflation Component
Interest rate	5.5% compounded annually, net of investment income withheld to cover certain administrative and investment expenses
Cost of living adjustments	Where applicable, 3.0% per year
Asset valuation method	Based upon the municipal reserves
Healthy life mortality:	
Rates of pre-retirement mortality	
Males:	RP2000 with 1 year set back
Females:	RP2000 with 5 year set back
Rates of post-retirement mortality	
Males and females:	RP2000 sex-distinct mortality table
Disabled life mortality rates:	
Males and females:	RP2000 with 10 year set forward

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 5.50%. PMRS assumed that all employees will continue to the Plan at the current rates and the employer will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. See the latest Act 205 Form for details on the closed period.

PMRS did not perform a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In PMRS’s professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Changes in Net Pension Liability**

	<b><u>Increase (Decrease)</u></b>		
	<b>Total Pension Liability <u>(a)</u></b>	<b>Plan Fiduciary Net Position <u>(b)</u></b>	<b>Net Pension Liability <u>(a) - (b)</u></b>
<b>Balances at 12/31/2013</b>	<b>\$ 1,612,561</b>	<b>\$ 1,467,499</b>	<b>\$ 145,062</b>
<b>Changes for the year:</b>			
Service cost	67,849	-0-	67,849
Interest	90,445	-0-	90,445
Changes of benefits	-0-	-0-	-0-
Changes of assumptions	-0-	-0-	-0-
Differences between expected and actual experience	(14,351)	-0-	(14,351)
Contributions - employer	-0-	92,743	(92,743)
Contributions - member	-0-	-0-	-0-
PMRS investment income	-0-	80,293	(80,293)
Market value investment income*	-0-	(150,307)	150,307
Transfers	-0-	-0-	-0-
Benefit payments	(72,885)	(72,885)	-0-
PMRS administrative expense	-0-	(340)	340
Additional administrative expense	-0-	(3,079)	3,079
<b>Net changes</b>	<b><u>71,058</u></b>	<b><u>(53,575)</u></b>	<b><u>124,633</u></b>
<b>Balances at 12/31/2014</b>	<b><u>\$ 1,683,619</u></b>	<b><u>\$ 1,413,924</u></b>	<b><u>\$ 269,695</u></b>

\*Reflects the net investment income/(loss) of (\$4,893) and the income/(loss) due to the difference between expected and actual asset values of (\$145,414), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Changes in Net Pension Liability – (Continued)**

This report does not reflect changes in benefits or assumptions after January 1, 2015. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2013 actuarial valuation, with liabilities measured at December 31, 2012, rolled forward to December 31, 2013. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position". PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

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

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

**Schedule of Collective Deferred Inflows and Outflows**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -0-	\$ 11,481
Changes in assumptions	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	<u>120,246</u>	<u>-0-</u>
<b>Total</b>	<u>\$ 120,246</u>	<u>\$ 11,481</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

**Year Ended December 31:**

2015	27,191
2016	27,191
2017	27,191
2018	27,192
2019	-0-
Thereafter	\$ -0-

The recognition period for experience and assumptions change gains/losses is 5.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

**Calculation of Collective Pension Expense**

Change in Net Pension Liability	\$ 124,633
Change in Deferred Outflows	(120,246)
Change in Deferred Inflows	11,481
Employer Contributions	<u>92,743</u>
<b>Pension Expense</b>	<b>\$ 108,611</b>
<b>Pension Expense as % of Payroll</b>	<b>33.42%</b>

**Operating Expenses**

Service cost	\$ 67,849
Employee contributions	-0-
PMRS administrative expense	340
Additional administrative expense	<u>3,079</u>
<b>Total</b>	<b>\$ 71,268</b>

**Financing Expenses**

Interest cost	\$ 90,445
Expected return on assets	<u>(80,293)</u>
<b>Total</b>	<b>\$ 10,152</b>

**Changes**

Benefits changes	\$ -0-
Recognition of assumption changes	-0-
Recognition of liability gains and losses	(2,870)
Recognition of investment gains and losses	<u>30,061</u>
<b>Total</b>	<b>\$ 27,191</b>

<b>Pension Expense</b>	<b>\$ 108,611</b>
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**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

**Discount Rate Sensitivity**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates product a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus on present from the rate used for disclosure.

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

	<b>1% Decrease <u>4.50%</u></b>	<b>Discount Rate <u>5.50%</u></b>	<b>1% Increase <u>6.50%</u></b>
Total Pension Liability	\$ 1,901,396	\$ 1,683,619	\$ 1,503,035
Plan Fiduciary Net Position	<u>1,413,924</u>	<u>1,413,924</u>	<u>1,413,924</u>
Net Pension Liability	<u>\$ 487,472</u>	<u>\$ 269,695</u>	<u>\$ 89,111</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.4%	84.0%	94.1%

**NET PENSION ASSET**

Police (Uniform) Net Pension Asset	\$ 969,542
Non-Uniform Net Pension Liability	<u>(269,695)</u>
Total Net Pension Asset	<u>\$ 699,847</u>



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

In addition to providing the pension benefits described, the Borough provides postemployment health care benefits (OPEB) for eligible, retired police officers through a single-employer defined benefit plan. The benefits, benefit levels, and employer contributions are governed by the Borough and can be amended by the Borough Council through its personnel manual and union contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report. The activity of the Plan is reported in the Borough's governmental and business-type activities.

**Benefits Provided**

The Borough provides a medical reimbursement up to \$500 per month until the earlier of the end of the 8<sup>th</sup> year of benefits or the retiree's death. If a retiree obtains coverage through his/her spouse's employment and contributions toward that coverage are required, the Borough will reimburse the retiree up to \$500 per month. A Deferred Retirement Option Plan (DROP) was added to the police pension plan during 2014. Officers who utilize the DROP are eligible to begin receiving OPEB benefits upon their termination of employment (DROP exit).

**Eligibility**

Officers hired prior to January 1, 2009 who retire under the normal or disability retirement provision of pension plan.

Normal Retirement Eligibility: Age 50 and 12 years of service (A participant may elect to utilize the three-year DROP plan and begin receiving OPEB benefits upon final termination of employment/DROP exit.)

Disability Retirement Eligibility: Total and permanent service-related disablement

**Membership**

At January 1, 2015, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	-0-
Terminated employees entitled to benefits but not yet receiving them	-0-
Active employees and DROP participants	<u>2</u>
Total	<u><u>2</u></u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – (Continued)**

**Funding Policy**

The Borough's OPEB Plan is accounted for as an unfunded plan. The Borough may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2015, the Borough made contributions of \$18,496.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The net OPEB obligation as of the most current actuarial valuation of January 1, 2015 was calculated as follows:

Annual Required Contribution	\$ 7,976
Interest on Net OPEB Obligation	1,755
Adjustment to Annual Required Contribution	<u>(4,277)</u>
Annual OPEB Cost	5,454
Contributions Made	<u>(18,496)</u>
Decrease in Net OPEB Obligation	(13,042)
Net OPEB Obligation, Beginning of Year	<u>38,997</u>
 Net OPEB Obligation, End of Year	 <u>\$ 25,955</u>
 Percentage of Annual OPEB Cost Contributed	 100.00%

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the Plan as of January 1, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 64,992
Actuarial Value of Plan Assets	<u>-0-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 64,992
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 131,687
 UAAL as Percentage of Covered Payroll	 49.35%

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – (Continued)**

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial value of assets was not determined as the Borough has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 12-year amortization period based on the duration of projected benefit payments to future eligible retirees. The remaining amortization period at January 1, 2015 was 12 years.

Cost Method	Entry-age normal actuarial cost method
Actuarial Asset Valuation Method	Not applicable
Assumed Rate of Return on Investments	4.5% per year
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and rates set forward five years for disabled lives
Mortality Improvement	100% of Scale AA
Withdrawal	None assumed
Disablement	60% of the rates of disablement from <i>Advanced Pension Tables</i>
Valuation Retirement Age	Age 50 with 12 years of service
Participation Percentage	100% of eligible retirees
DROP Participation	100% of participants are assumed to enter DROP at first eligibility and remain in DROP for three years

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 10 – TAX RATES**

The Borough had the following taxes/tax rates in effect for the year ended December 31, 2015:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real Estate	3.00 mills	\$ 201,759
Per Capita	\$10.00/person	20,660
Occupation	\$ 3.90/person	<u>8,057</u>
		<u>\$ 230,476</u>
Discount Period (2.00%)	March 1 through April 30	
Face Period	May 1 through June 30	
Penalty Period (5.00%)	July 1 through December 31	
Delinquent	After December 31	

**NOTE 11 – GRANTS**

On May 6, 2015, the Borough was approved for a Community Conservation Partnerships Program Keystone Recreation, Park and Conservation Fund Grant in the amount of \$40,000. The Borough is required to match \$20,000. The grant will pay eligible project costs incurred between January 1, 2015 and December 31, 2018. The Borough spent \$28,945 in eligible costs during 2015.

On May 18, 2015, the Borough was approved for a Keystone Communities Program Grant in the amount of \$225,000. The grant will pay eligible project costs incurred between July 1, 2014 and June 30, 2017. The grant has not been used yet.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 – CHANGES IN ACCOUNTING PRINCIPLES**

With the implementation of GASB Statement No. 68, the Borough is required to retroactively record the net pension liability. The Borough also adopted GASB Statement No. 34, preparing accrual basis financial statements for the first time. The Borough recorded the following changes in accounting principles during the period ended December 31, 2015:

	<b><u>Increase (Decrease)</u></b>
<b>CHANGES IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES</b>	
Changes in accounting principles	
To record the police (uniform) net pension asset	\$ 851,114
To record the non-uniform net pension liability	(145,062)
To record the net OPEB obligation	(38,997)
To record the net capital assets	<u>1,584,067</u>
<b>TOTAL CHANGES IN ACCOUNTING PRINCIPLES - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,251,122</u></b>
	<b><u>Increase (Decrease)</u></b>
<b>CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES</b>	
Change in accounting principle	
To record the net capital assets	<u>\$ 5,149,493</u>
<b>TOTAL CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 5,149,493</u></b>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 13 – SUBSEQUENT EVENTS**

On July 25, 2016, the Borough entered into a capital lease with John Deere Financial for a piece of equipment costing \$9,343. Annual payments are \$3,247. The lease term ends on July 25, 2019.

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 new 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 on the 23<sup>rd</sup> of each month. The loan term ends on August 23, 2026.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

On March 1, 2016, the Borough extended its Operations and Consultation Agreement with Schuylkill County Municipal Authority for one year through March 31, 2017. The monthly fee increased from \$1,990 per month to \$2,100 per month for the period April 1, 2016 through March 31, 2017.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE (DEFICIT) - CASH BASIS - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 661,500	\$ 696,748	\$ 35,248
Contributions	250	-0-	(250)
Licenses and Permits	56,125	69,805	13,680
Fines and Forfeits	12,000	11,740	(260)
Interest, Rents, and Royalties	50,240	51,149	909
Intergovernmental Revenues	10,300	92,889	82,589
Charges for Services	17,038	32,146	15,108
Miscellaneous Revenues	2,200	420	(1,780)
Refund of Prior Year Expenditures	-0-	3,167	3,167
<b>TOTAL REVENUES</b>	<b>809,653</b>	<b>958,064</b>	<b>148,411</b>
<b><u>EXPENDITURES</u></b>			
General Government	141,773	218,890	(77,117)
Public Safety	525,516	609,621	(84,105)
Public Works - Highways	92,206	93,712	(1,506)
Public Works - Other	-0-	1,500	(1,500)
Culture and Recreation	68,131	113,476	(45,345)
<b>TOTAL EXPENDITURES</b>	<b>827,626</b>	<b>1,037,199</b>	<b>(209,573)</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b>(17,973)</b>	<b>(79,135)</b>	<b>(61,162)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers from Other Funds	17,973	63,530	45,557
Transfers to Other Funds	-0-	(8,388)	(8,388)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>17,973</b>	<b>55,142</b>	<b>37,169</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	<b>-0-</b>	<b>(23,993)</b>	<b>(23,993)</b>
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>	<b>-0-</b>	<b>(53,495)</b>	<b>(53,495)</b>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<b>\$ -0-</b>	<b>\$ (77,488)</b>	<b>\$ (77,488)</b>

**SEE INDEPENDENT AUDITOR'S REPORT**



**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL**  
**SANITATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>REVENUES</u></b>			
Interest, Rents, and Royalties	\$ 10	\$ 6	\$ (4)
Intergovernmental Revenues	<u>276,000</u>	<u>294,619</u>	<u>18,619</u>
TOTAL REVENUES	276,010	294,625	18,615
<b><u>EXPENDITURES</u></b>			
Public Works - Sanitation	<u>260,476</u>	<u>260,230</u>	<u>246</u>
TOTAL EXPENDITURES	<u>260,476</u>	<u>260,230</u>	<u>246</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	15,534	34,395	18,861
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers to Other Funds	<u>(15,534)</u>	<u>(31,000)</u>	<u>(15,466)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(15,534)	(31,000)	(15,466)
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	-0-	3,395	3,395
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>	<u>-0-</u>	<u>31,446</u>	<u>31,446</u>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<u>\$ -0-</u>	<u>\$ 34,841</u>	<u>\$ 34,841</u>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 790,400	\$ 880,179	\$ 89,779
Miscellaneous Revenue	-0-	24	24
Refund of Prior Year Expenditures	<u>-0-</u>	<u>1,158</u>	<u>1,158</u>
TOTAL OPERATING REVENUES	790,400	881,361	90,961
<b><u>OPERATING EXPENSES</u></b>			
Public Works	730,951	486,700	244,251
Salaries and Wages	55,899	71,655	(15,756)
Depreciation	<u>-0-</u>	<u>1,923</u>	<u>(1,923)</u>
TOTAL OPERATING EXPENSES	<u>786,850</u>	<u>560,278</u>	<u>226,572</u>
OPERATING INCOME	3,550	321,083	317,533
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Revenue, Rents, and Royalties	<u>800</u>	<u>686</u>	<u>(114)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	800	686	(114)
<b><u>TRANSFERS</u></b>			
Transfers from Other Funds	-0-	3,928,494	3,928,494
Transfers to Other Funds	<u>(4,350)</u>	<u>(3,212,074)</u>	<u>(3,207,724)</u>
TOTAL TRANSFERS	(4,350)	716,420	720,770
<b><u>CHANGE IN NET POSITION</u></b>	-0-	1,038,189	1,038,189
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	-0-	284,387	284,387
<b><u>PRIOR PERIOD ADJUSTMENT</u></b>	<u>-0-</u>	<u>19,286</u>	<u>19,286</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ -0-</u>	<u>\$ 1,341,862</u>	<u>\$ 1,341,862</u>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 737,500	\$ 767,680	\$ 30,180
Miscellaneous Revenue	-0-	850	850
Refund of Prior Year Expenditures	-0-	1,158	1,158
<b>TOTAL OPERATING REVENUES</b>	<b>737,500</b>	<b>769,688</b>	<b>32,188</b>
<b><u>OPERATING EXPENSES</u></b>			
Public Works	588,890	231,222	357,668
Salaries and Wages	141,637	167,567	(25,930)
Depreciation	-0-	339,496	(339,496)
<b>TOTAL OPERATING EXPENSES</b>	<b>730,527</b>	<b>738,285</b>	<b>(7,758)</b>
<b>OPERATING INCOME</b>	<b>6,973</b>	<b>31,403</b>	<b>24,430</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Revenue, Rents, and Royalties	-0-	12	12
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-0-</b>	<b>12</b>	<b>12</b>
<b><u>TRANSFERS</u></b>			
Transfers from Other Funds	-0-	3,457,302	3,457,302
Transfers to Other Funds	(6,973)	(272,964)	(265,991)
<b>TOTAL TRANSFERS</b>	<b>(6,973)</b>	<b>3,184,338</b>	<b>3,191,311</b>
<b><u>CHANGE IN NET POSITION</u></b>	<b>-0-</b>	<b>3,215,753</b>	<b>3,215,753</b>
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<b>-0-</b>	<b>1,178,200</b>	<b>1,178,200</b>
<b><u>PRIOR PERIOD ADJUSTMENT</u></b>	<b>-0-</b>	<b>752,986</b>	<b>752,986</b>
<b><u>NET POSITION - END OF YEAR</u></b>	<b>\$ -0-</b>	<b>\$ 5,146,939</b>	<b>\$ 5,146,939</b>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**BUDGETS**

The Borough prepares its annual budgets under the provisions of the Pennsylvania Borough Code. Annual appropriated budgets are adopted for the General, Sanitation, Sewer, and Water Funds. In accordance with those provisions, the following process is used to adopt the annual budgets:

Beginning at least 30 days prior to adoption of the budget, a proposed budget or annual estimate of revenues and expenditures for the ensuing year is prepared in a manner designated by the Borough Council (Council). Notice that the proposed budget is available for inspection is published indicating the proposed budget is available for inspection for 30 days.

After the expiration of the 30-day period, the Council may make revisions to the proposed budget. The budget is adopted by motion of Council and an ordinance levying taxes for the fiscal year is adopted not later than December 31<sup>st</sup>. Adoption of the budget by the Council constitutes appropriations for the expenditures for the fiscal year. The annual appropriated budgets are legally enacted and provide for a legal level of control at the department level, or, where no departmental segregation of a fund exists, the fund level. All annual appropriations lapse at fiscal year end.

**BUDGETARY NONCOMPLIANCE**

Expenditures exceeded appropriations for the year ended December 31, 2015 as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General	\$ 827,626	\$ 1,037,199	\$ 209,573
Enterprise			
Water	\$ 730,527	\$ 738,285	\$ 7,758

The following fund had a deficit fund balance at December 31, 2015:

General	\$ (77,488)
---------	-------------

A budget comparison is not presented for the Municipal Authority because the Municipal Authority changed its year end from April 30<sup>th</sup> to December 31<sup>st</sup> during 2015. Its budget had been prepared for the fiscal year ending April 30, 2015.

**BOROUGH OF ORWIGSBURG**  
**BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

	<u>2014</u>
Actuarially Determined Contribution	\$ -0-
Contributions in Relation to the Actuarially Determined Contribution*	<u>462</u>
Contribution Deficiency/(Excess)	<u>\$ (462)</u>
Covered-Employee Payroll	\$ 278,611
Contributions as a Percentage of Covered-Employee Payroll	0.17%

\*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution 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. Therefore, the Actuarially Determined Contribution for calendar year 2014 is based upon the January 1, 2011 actuarial valuation.

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary Increases: Age related scale with merit and inflation component
- COLA Increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

	<u><b>2014</b></u>
Actuarially Determined Contribution	\$ 92,683
Contributions in Relation to the Actuarially Determined Contribution*	<u>92,743</u>
Contribution Deficiency/(Excess)	<u>\$ (60)</u>
Covered-Employee Payroll	\$ 325,027
Contributions as a Percentage of Covered- Employee Payroll	28.53%

\*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution 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. Therefore, the Actuarially Determined Contribution for calendar year 2014 is based upon the January 1, 2011 actuarial valuation.

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary Increases: Age related scale with merit and inflation component
- COLA Increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**

	<b>Measurement Year Ending 12/31/2014</b>
<b><u>Total Pension Liability</u></b>	
Service cost (beginning of year)	\$ 53,735
Interest (includes interest on service cost)	65,566
Changes of benefit terms	-0-
Differences between expected and actual experience	(144,148)
Changes of assumptions	-0-
Transfers	-0-
Benefit payments, including refunds of member contributions	(442)
<b>Net change in total pension liability</b>	<b>\$ (25,289)</b>
 <b>Total pension liability - beginning</b>	 <b>1,138,592</b>
<b>Total pension liability - ending</b>	<b>\$ 1,113,303</b>
 <b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 462
Contributions - member	-0-
PMRS investment income	108,090
Market value investment income	(10,706)
Transfers	-0-
Benefit payments, including refunds of member contributions	(442)
PMRS administrative expense	(120)
Additional administrative expense	(4,145)
<b>Net change in plan fiduciary net position</b>	<b>\$ 93,139</b>
 <b>Plan fiduciary net position - beginning</b>	 <b>\$ 1,989,706</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 2,082,845</b>
<b>Net pension liability - ending</b>	<b>\$ (969,542)</b>

No information was available for 12/31/2015.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**

	<b>Measurement Year Ending 12/31/2014</b>
<b><u>Total Pension Liability</u></b>	
Service cost (beginning of year)	\$ 67,849
Interest (includes interest on service cost)	90,445
Changes of benefit terms	-0-
Differences between expected and actual experience	(14,351)
Changes of assumptions	-0-
Transfers	-0-
Benefit payments, including refunds of member contributions	(72,885)
<b>Net change in total pension liability</b>	<b>\$ 71,058</b>
 <b>Total pension liability - beginning</b>	 <b>1,612,561</b>
<b>Total pension liability - ending</b>	<b>\$ 1,683,619</b>
 <b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 92,743
Contributions - member	-0-
PMRS investment income	80,293
Market value investment income	(150,307)
Transfers	-0-
Benefit payments, including refunds of member contributions	(72,885)
PMRS administrative expense	(340)
Additional administrative expense	(3,079)
<b>Net change in plan fiduciary net position</b>	<b>\$ (53,575)</b>
 <b>Plan fiduciary net position - beginning</b>	 <b>\$ 1,467,499</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 1,413,924</b>
<b>Net pension liability - ending</b>	<b>\$ 269,695</b>

No information was available for 12/31/2015.

**SEE INDEPENDENT AUDITOR'S REPORT**



**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS  
LAST 4 BI-ANNUAL PERIODS**

Actuarial Valuation Date	<u>01/01/09</u>	<u>01/01/11</u>	<u>01/01/13</u>	<u>01/01/15</u>
Actuarial Value of Assets (a)	\$ 1,510,854	\$ 1,696,596	\$ 1,905,132	\$ 2,121,546
Entry-Age Actuarial Accrued Liabilities (AAL) (b)	\$ 1,079,162	\$ 804,501	\$ 1,027,665	\$ 1,113,303
Percentage Funded (a/b)	140.00%	211.67%	185.38%	190.56%
Unfunded AAL (UAAL) (b-a)	\$ (431,692)	\$ (892,095)	\$ (877,467)	\$ (1,008,243)
Annual Covered Payroll (c)	\$ 247,761	\$ 181,135	\$ 267,381	\$ 204,322
UAAL as a % of Covered Payroll ((b-a)/(c))	N/A	N/A	N/A	N/A

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS  
LAST 4 BI-ANNUAL PERIODS**

Actuarial Valuation Date	<u>01/01/09</u>	<u>01/01/11</u>	<u>01/01/13</u>	<u>01/01/15</u>
Actuarial Value of Assets (a)	\$ 977,037	\$ 1,172,215	\$ 1,186,930	\$ 1,449,262
Entry-Age Actuarial Accrued Liabilities (AAL) (b)	\$ 1,244,562	\$ 1,465,477	\$ 1,474,508	\$ 1,683,619
Percentage Funded (a/b)	78.50%	79.99%	80.50%	86.08%
Unfunded AAL (UAAL) (b-a)	\$ 267,525	\$ 293,262	\$ 287,578	\$ 234,357
Annual Covered Payroll (c)	\$ 316,572	\$ 302,001	\$ 311,926	\$ 302,949
UAAL as a % of Covered Payroll ((b-a)/(c))	84.51%	97.11%	92.19%	77.36%

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
DECEMBER 31, 2015**

**Schedule of Funding Progress**

						(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
		(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll
Actuarial Valuation	Date					
January 1, 2010		\$ -0-	\$ 80,086	0.00%	\$ 80,086	\$ 224,457
January 1, 2015		\$ -0-	\$ 64,992	0.00%	\$ 64,992	\$ 131,687
						35.68%
						49.35%

**Schedule of Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
December 31, 2011	\$ 5,432	\$ 9,248	58.74%
December 31, 2012	\$ 9,248	\$ 9,248	100.00%
December 31, 2013	\$ 9,248	\$ 9,248	100.00%
December 31, 2014	\$ 9,248	\$ 9,248	100.00%
December 31, 2015	\$ 18,496	\$ 7,976	231.90%

**SEE INDEPENDENT AUDITOR'S REPORT**

**SUPPLEMENTARY  
INFORMATION**

BOROUGH OF ORWIGSBURG  
COMBINING BALANCE SHEET - CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>SPECIAL REVENUE</u>		
	<u>INVESTMENT FUND</u>	<u>LIQUID FUEL TAX FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 15,694	\$ 232,437	\$ 248,131
TOTAL ASSETS	<u>\$ 15,694</u>	<u>\$ 232,437</u>	<u>\$ 248,131</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>	\$ -0-	\$ -0-	\$ -0-
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Investments	15,694	-0-	15,694
Assigned to:			
Public Works - Highway	<u>-0-</u>	<u>232,437</u>	<u>232,437</u>
TOTAL FUND BALANCES	<u>15,694</u>	<u>232,437</u>	<u>248,131</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,694</u>	<u>\$ 232,437</u>	<u>\$ 248,131</u>

SEE INDEPENDENT AUDITOR'S REPORT

**BOROUGH OF ST. ORWIGSBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>SPECIAL REVENUE</u>		
	<u>INVESTMENT</u> <u>FUND</u>	<u>LIQUID</u> <u>FUEL TAX</u> <u>FUND</u>	<u>TOTAL OTHER</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<b><u>REVENUES</u></b>			
Contributions	\$ 12,750	\$ -0-	\$ 12,750
Interest, Rents, and Royalties	47	63	110
Intergovernmental Revenues	<u>2,703</u>	<u>90,238</u>	<u>92,941</u>
TOTAL REVENUES	15,500	90,301	105,801
<b><u>EXPENDITURES</u></b>			
Public Works - Highways	-0-	36,388	36,388
Miscellaneous Expenditures	<u>9</u>	<u>-0-</u>	<u>9</u>
TOTAL EXPENDITURES	<u>9</u>	<u>36,388</u>	<u>36,397</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b> <b><u>OVER EXPENDITURES</u></b>	15,491	53,913	69,404
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers to Other Funds	<u>(39,975)</u>	<u>-0-</u>	<u>(39,975)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(39,975)</u>	<u>-0-</u>	<u>(39,975)</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b> <b><u>AND OTHER SOURCES OVER</u></b> <b><u>EXPENDITURES AND OTHER USES</u></b>	(24,484)	53,913	29,429
<b><u>FUND BALANCES - BEGINNING OF YEAR</u></b>	<u>40,178</u>	<u>178,524</u>	<u>218,702</u>
<b><u>FUND BALANCES - END OF YEAR</u></b>	<u>\$ 15,694</u>	<u>\$ 232,437</u>	<u>\$ 248,131</u>

**SEE INDEPENDENT AUDITOR'S REPORT**