

Audited
Financial
Statements

December 31,
2017

Borough of Orwigsburg

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INDEPENDENT AUDITOR'S REPORT

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, 2017, 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.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of December 31, 2017, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB liabilities on pages 38 through 42 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 fund financial statements on pages 44 - 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Carlisle, Pennsylvania
December 21, 2018

BOROUGH OF ORWIGSBURG
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 903,737	\$ 643,982	\$ 1,547,719
Investments	-	167,300	167,300
Accounts receivable, net of allowance	149,208	449,929	599,137
Escrow receivable	14,263	-	14,263
Due from other governments	225,000	-	225,000
Internal balances	45,347	(45,347)	-
Prepaid expenses	15,967	8,498	24,465
Total current assets	<u>1,353,522</u>	<u>1,224,362</u>	<u>2,577,884</u>
Noncurrent assets			
Capital assets not being depreciated:			
Land	216,220	84,612	300,832
Construction in progress	312,157	43,335	355,492
Capital assets net of accumulated depreciation:			
Buildings and improvements	1,038,781	455,812	1,494,593
Land improvements	31,127	9,079	40,206
Machinery, equipment and furniture	51,887	160,614	212,501
Recreation assets	116,403	-	116,403
Sewer plant	-	3,872,937	3,872,937
Sewage treatment system	-	3,232	3,232
Sewer line improvements	-	888,792	888,792
Vehicles	41,311	-	41,311
Water distribution system	-	3,932,370	3,932,370
Restricted cash	-	263,702	263,702
Net pension asset	935,389	-	935,389
Total noncurrent assets	<u>2,743,275</u>	<u>9,714,485</u>	<u>12,457,760</u>
Total assets	<u>4,096,797</u>	<u>10,938,847</u>	<u>15,035,644</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	<u>161,768</u>	<u>217,608</u>	<u>379,376</u>
Total assets and deferred outflows of resources	<u>\$ 4,258,565</u>	<u>\$ 11,156,455</u>	<u>\$ 15,415,020</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 33,233	\$ 37,048	\$ 70,281
Accrued payroll withholdings	18,115	-	18,115
Accrued interest payable	-	33,185	33,185
Escrow payable	3,000	9,316	12,316
Long-term liabilities: Due within one year			
Bonds and notes payable, net	45,113	556,337	601,450
Capital lease obligation	1,057	38,118	39,175
Total current liabilities	<u>100,518</u>	<u>674,004</u>	<u>774,522</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	110,447	5,554,072	5,664,519
Capital lease obligation	-	9,004	9,004
Compensated absences	75,197	-	75,197
Net pension obligation	139,642	345,970	485,612
Total OPEB obligation	<u>54,262</u>	<u>-</u>	<u>54,262</u>
Total noncurrent liabilities	<u>379,548</u>	<u>5,909,046</u>	<u>6,288,594</u>
Total liabilities	<u>480,066</u>	<u>6,583,050</u>	<u>7,063,116</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension obligation	<u>149,443</u>	<u>8,597</u>	<u>158,040</u>
NET POSITION			
Net investment in capital assets	1,651,269	3,029,550	4,680,819
Restricted	71,436	263,702	335,138
Unrestricted	<u>1,906,351</u>	<u>1,271,556</u>	<u>3,177,907</u>
Total Net Position	<u>3,629,056</u>	<u>4,564,808</u>	<u>8,193,864</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,258,565</u>	<u>\$ 11,156,455</u>	<u>\$ 15,415,020</u>

BOROUGH OF ORWIGSBURG
Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 333,462	\$ 134,861	\$ 55,059	\$ -	\$ (143,542)	\$ -	\$ (143,542)
Public safety	684,796	26,609	39,670	-	(618,517)	-	(618,517)
Public works - highways	145,885	9,032	11,124	109,292	(16,437)	-	(16,437)
Culture and recreation	166,170	600	-	272,500	106,930	-	106,930
Interest expense	5,226	-	-	-	(5,226)	-	(5,226)
Total governmental activities	<u>1,335,539</u>	<u>171,102</u>	<u>105,853</u>	<u>381,792</u>	<u>(676,792)</u>	<u>-</u>	<u>(676,792)</u>
Business-type activities							
Water	762,423	737,378	-	-	-	(25,045)	(25,045)
Sewer	744,919	834,062	-	-	-	89,143	89,143
Sanitation	266,239	299,354	-	-	-	33,115	33,115
Total business-type activities	<u>1,773,581</u>	<u>1,870,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,213</u>	<u>97,213</u>
Total primary government	<u>\$ 3,109,120</u>	<u>\$ 2,041,896</u>	<u>\$ 105,853</u>	<u>\$ 381,792</u>	<u>\$ (676,792)</u>	<u>\$ 97,213</u>	<u>\$ (579,579)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 415,560	\$ -	\$ 415,560
Real estate transfer tax					73,730	-	73,730
Earned income tax					379,563	-	379,563
Other taxes					87,089	-	87,089
Unrestricted investment earnings					1,280	3,595	4,875
Tap-in fees					11,519	-	11,519
Gain on sale of capital assets					5,514	-	5,514
Miscellaneous income					3,140	5,500	8,640
Transfers					42,405	(42,405)	-
Total general revenues and transfers					<u>1,019,800</u>	<u>(33,310)</u>	<u>986,490</u>
Change in net position					343,008	63,903	406,911
Net position - beginning, as restated					<u>3,286,048</u>	<u>4,500,905</u>	<u>7,786,953</u>
Net position - ending					<u>\$ 3,629,056</u>	<u>\$ 4,564,808</u>	<u>\$ 8,193,864</u>

BOROUGH OF ORWIGSBURG
Balance Sheet – Governmental Funds
December 31, 2017

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 191,513	\$ 656,848	\$ 55,376	\$ 903,737
Taxes receivable, net	149,158	-	-	149,158
Escrows receivable	14,263	-	-	14,263
Due from other governments	-	225,000	-	225,000
Due from other funds	45,543	-	4,535	50,078
Other receivables	50	-	-	50
Prepaid items	15,967	-	-	15,967
Total assets	<u>\$ 416,494</u>	<u>\$ 881,848</u>	<u>\$ 59,911</u>	<u>\$ 1,358,253</u>
LIABILITIES				
Accounts payable	\$ 23,938	\$ 9,295	\$ -	\$ 33,233
Due to other funds	4,731	-	-	4,731
Escrows payable	3,000	-	-	3,000
Accrued wages, benefits and withholdings	18,115	-	-	18,115
Total liabilities	<u>49,784</u>	<u>9,295</u>	<u>-</u>	<u>59,079</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	<u>25,120</u>	<u>-</u>	<u>-</u>	<u>25,120</u>
FUND BALANCES				
Nonspendable	15,967	-	-	15,967
Restricted	11,525	-	59,911	71,436
Committed	92,692	872,553	-	965,245
Unassigned	221,406	-	-	221,406
Total fund balances	<u>341,590</u>	<u>872,553</u>	<u>59,911</u>	<u>1,274,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 416,494</u>	<u>\$ 881,848</u>	<u>\$ 59,911</u>	<u>\$ 1,358,253</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017

Total fund balance - governmental funds \$ 1,274,054

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

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

Cost of assets	2,813,574	
Accumulated depreciation	<u>(1,005,688)</u>	1,807,886

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

25,120

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

Note payable	(155,560)	
Capital lease obligation	(1,057)	
Compensated absences	(75,197)	
Net pension asset (obligation), net	795,747	
Deferred outflows related to pension liability	161,768	
Deferred inflows related to pension liability	(149,443)	
OPEB obligation	<u>(54,262)</u>	521,996

Total net position - governmental activities

\$ 3,629,056

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2017

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 952,332	\$ -	\$ -	\$ 952,332
Licenses and permits	67,882	-	-	67,882
Local support	18,700	27,500	-	46,200
Fines and forfeits	15,112	-	-	15,112
Interest and rents	54,746	564	62	55,372
Intergovernmental	109,102	225,000	109,292	443,394
Charges for services	33,016	11,519	-	44,535
Miscellaneous	3,140	-	-	3,140
Total revenues	<u>1,254,030</u>	<u>264,583</u>	<u>109,354</u>	<u>1,627,967</u>
EXPENDITURES				
General government	245,042	21,790	-	266,832
Public safety				
Police department	596,490	-	-	596,490
Emergency services	50,529	-	-	50,529
Planning and zoning	58,491	-	-	58,491
Public works				
Highways	103,244	-	32,713	135,957
Other	11,604	-	-	11,604
Culture and recreation	187,706	298,530	-	486,236
Debt service	26,102	-	26,562	52,664
Total expenditures	<u>1,279,208</u>	<u>320,320</u>	<u>59,275</u>	<u>1,658,803</u>
Excess (deficiency) of revenues over expenditures	<u>(25,178)</u>	<u>(55,737)</u>	<u>50,079</u>	<u>(30,836)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	5,514	-	-	5,514
Refund of prior year revenue	(3,076)	-	-	(3,076)
Transfers in	24,987	92,514	100	117,601
Transfers out	-	(75,196)	-	(75,196)
Total other financing sources and uses	<u>27,425</u>	<u>17,318</u>	<u>100</u>	<u>44,843</u>
Net change in fund balances	2,247	(38,419)	50,179	14,007
Fund balances - beginning, as restated	<u>339,343</u>	<u>910,972</u>	<u>9,732</u>	<u>1,260,047</u>
Fund balances - ending	<u>\$ 341,590</u>	<u>\$ 872,553</u>	<u>\$ 59,911</u>	<u>\$ 1,274,054</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2017

Net change in fund balances - total governmental funds: \$ 14,007

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

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

Depreciation expense	(80,463)	
Capital outlays	<u>375,060</u>	294,597

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

2,661

Governmental funds report the payment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Repayment of long term obligations	<u>47,438</u>	47,438
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

OPEB obligation	(4,752)	
Net pension obligation and related deferred outflows and inflows	(1,694)	
Compensated absences	<u>(9,249)</u>	
		<u>(15,695)</u>

Change in net position - governmental activities \$ 343,008

BOROUGH OF ORWIGSBURG
Statement of Net Position – Proprietary Funds
December 31, 2017

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 564,302	\$ 50,357	\$ 29,323	\$ 643,982
Investments	167,300	-	-	167,300
Accounts receivable, net	224,755	210,664	14,510	449,929
Due from other funds	-	84,332	-	84,332
Prepaid expenses	3,967	4,031	500	8,498
Total assets	<u>960,324</u>	<u>349,384</u>	<u>44,333</u>	<u>1,354,041</u>
Noncurrent assets				
Capital assets not being depreciated:				
Construction in progress	43,335	-	-	43,335
Land	39,532	45,080	-	84,612
Capital assets being depreciated:				
Buildings and system	921,587	-	-	921,587
Equipment	103,955	97,119	-	201,074
Sewer plant	8,312,232	-	-	8,312,232
Water distribution system	-	8,465,258	-	8,465,258
Less accumulated depreciation	(4,490,280)	(4,087,035)	-	(8,577,315)
Restricted cash	263,702	-	-	263,702
Total noncurrent assets	<u>5,194,063</u>	<u>4,520,422</u>	<u>-</u>	<u>9,714,485</u>
Total assets	<u>6,154,387</u>	<u>4,869,806</u>	<u>44,333</u>	<u>11,068,526</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	106,491	106,491	4,626	217,608
Total assets and deferred outflows of resources	<u>\$ 6,260,878</u>	<u>\$ 4,976,297</u>	<u>\$ 48,959</u>	<u>\$ 11,286,134</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,744	\$ 5,053	\$ 2,251	\$ 37,048
Accrued wages payable	4,504	4,812	-	9,316
Accrued interests payable	18,421	14,764	-	33,185
Due to other funds	109,195	18,343	2,141	129,679
Long-term liabilities: Due within one year				
Bonds and notes payable, net	265,712	290,625	-	556,337
Capital lease obligation	19,059	19,059	-	38,118
Total current liabilities	<u>446,635</u>	<u>352,656</u>	<u>4,392</u>	<u>803,683</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	3,022,492	2,531,580	-	5,554,072
Capital lease obligation	4,502	4,502	-	9,004
Net pension liability	169,308	169,308	7,354	345,970
Total noncurrent liabilities	<u>3,196,302</u>	<u>2,705,390</u>	<u>7,354</u>	<u>5,909,046</u>
Total liabilities	<u>3,642,937</u>	<u>3,058,046</u>	<u>11,746</u>	<u>6,712,729</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	4,210	4,206	181	8,597
NET POSITION				
Net investment in capital assets	1,354,894	1,674,656	-	3,029,550
Restricted	263,702	-	-	263,702
Unrestricted	995,135	239,389	37,032	1,271,556
Total net position	<u>2,613,731</u>	<u>1,914,045</u>	<u>37,032</u>	<u>4,564,808</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,260,878</u>	<u>\$ 4,976,297</u>	<u>\$ 48,959</u>	<u>\$ 11,286,134</u>

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
OPERATING REVENUES				
Charges for services	\$ 834,062	\$ 737,378	\$ 299,354	\$ 1,870,794
Total operating revenues	<u>834,062</u>	<u>737,378</u>	<u>299,354</u>	<u>1,870,794</u>
OPERATING EXPENSES				
Personal services	207,971	195,514	7,400	410,885
Contractual and professional services	42,750	21,539	245,597	309,886
Maintenance	91,694	34,541	-	126,235
Supplies and administrative expense	54,634	65,084	10,242	129,960
Insurance premiums	13,240	14,205	-	27,445
Utilities	63,815	34,009	-	97,824
Bad debt expense	11,000	11,000	3,000	25,000
Depreciation	183,695	324,733	-	508,428
Total operating expenses	<u>668,799</u>	<u>700,625</u>	<u>266,239</u>	<u>1,635,663</u>
Operating income	<u>165,263</u>	<u>36,753</u>	<u>33,115</u>	<u>235,131</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	1,277	-	-	1,277
Other nonoperating revenues	4,924	576	-	5,500
Interest expense	(74,961)	(60,639)	-	(135,600)
Total nonoperating revenues (expenses)	<u>(68,760)</u>	<u>(60,063)</u>	<u>-</u>	<u>(128,823)</u>
Income (loss) before transfers	96,503	(23,310)	33,115	106,308
Transfers in	3,748	149,680	-	153,428
Transfers out	(130,030)	(40,803)	(25,000)	(195,833)
Change in net position	(29,779)	85,567	8,115	63,903
Total net position - beginning, as restated	<u>2,643,510</u>	<u>1,828,478</u>	<u>28,917</u>	<u>4,500,905</u>
Total net position - ending	<u>\$ 2,613,731</u>	<u>\$ 1,914,045</u>	<u>\$ 37,032</u>	<u>\$ 4,564,808</u>

BOROUGH OF ORWIGSBURG
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 842,965	\$ 746,086	\$ 301,380	\$ 1,890,431
Payments to suppliers for goods and services	(282,217)	(293,804)	(265,484)	(841,505)
Payments to and on behalf of employees	(145,713)	(145,440)	(7,482)	(298,635)
Net cash provided by operating activities	<u>415,035</u>	<u>306,842</u>	<u>28,414</u>	<u>750,291</u>
Cash flows from capital and related financing activities				
Acquisition/construction of capital assets	(48,182)	(11,988)	-	(60,170)
Principal paid on capital lease	(19,015)	(19,015)	-	(38,030)
Principal paid on long-term debt	(265,000)	(285,000)	-	(550,000)
Interest and capital charges on fiscal debt	(76,336)	(61,977)	-	(138,313)
Net cash (used) by capital and related financing activities	<u>(408,533)</u>	<u>(377,980)</u>	<u>-</u>	<u>(786,513)</u>
Cash flows from non-capital financing activities				
Transfer from other funds	3,748	149,680	-	153,428
Transfer to other funds	(37,418)	(40,803)	(25,000)	(103,221)
Net cash provided (used) by non-capital financing activities	<u>(33,670)</u>	<u>108,877</u>	<u>(25,000)</u>	<u>50,207</u>
Cash flows from investing activities				
Interest and dividend received	585	-	-	585
Net cash provided by investing activities	<u>585</u>	<u>-</u>	<u>-</u>	<u>585</u>
Net increase (decrease) in cash and cash equivalents	(26,583)	37,739	3,414	14,570
Cash and cash equivalents - beginning of the year	<u>854,587</u>	<u>12,618</u>	<u>25,909</u>	<u>893,114</u>
Cash and cash equivalents - end of the year	<u>\$ 828,004</u>	<u>\$ 50,357</u>	<u>\$ 29,323</u>	<u>\$ 907,684</u>
Reconciliation of income from operations to net cash provided by operating activities				
Operating income	\$ 165,263	\$ 36,753	\$ 33,115	\$ 235,131
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	183,695	324,733	-	508,428
Other nonoperating revenues	4,924	576	-	5,500
(Increase) decrease in:				
Accounts receivable	3,979	8,132	2,026	14,137
Due from other funds	-	(85,237)	-	(85,237)
Prepaid expenses	-	-	(500)	(500)
Increase (decrease) in:				
Accounts payable	7,408	(28,189)	(6,145)	(26,926)
Due to other funds	18,339	18,343	(1,249)	35,433
Net pension liability	31,427	31,731	1,167	64,325
Net cash provided by operating activities	<u>\$ 415,035</u>	<u>\$ 306,842</u>	<u>\$ 28,414</u>	<u>\$ 750,291</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 564,302	\$ 50,357	\$ 29,323	\$ 643,982
Restricted cash	<u>263,702</u>	<u>-</u>	<u>-</u>	<u>263,702</u>
	<u>\$ 828,004</u>	<u>\$ 50,357</u>	<u>\$ 29,323</u>	<u>\$ 907,684</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Reporting Entity

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

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

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

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **The Municipal Authority of the Borough of Orwigsburg** (the “Authority”) is governed by a board appointed by Borough Council. The Authority owns the sewer plant which services the Borough of Orwigsburg entirely. The Authority was formed for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Authority are operated and maintained by the Borough under the provisions of a long-term capital lease.
- Members of the Authority Board are appointed by the Borough, but the Borough has no power to remove a member of a board of an authority organized under the Municipality Authorities Act. The Authority has no employees. The operation of the sewer system is carried out by Borough employees.
- The activities are reflected in the Enterprise Funds and combined with the Borough sewer fund for reporting purposes.

Joint Ventures

Blue Mountain Recreation Authority

The Borough is one of ten members participating in the operation of the Blue Mountain Recreation Authority (the “Recreation Authority”). The Recreation Authority is operated, administered, and managed by a joint operating committee consisting of twenty members with two being appointed by the Borough. These members are appointed by their respective governing body and at least one member from each body shall be a member of the governing body appointing them. During 2017, the Borough paid \$ 37,951 for their share of these services.

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

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

The Borough reports the following major governmental funds:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

The Borough reports the following non-major governmental funds:

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

Proprietary Funds

The Borough reports the following major enterprise funds:

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

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

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

Fiduciary Funds

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

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities, and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

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

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

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

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

Basis of Accounting

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Cash and Cash Equivalents

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

Prepaid Items/Expenses

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

Statement of Cash Flows

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

Capital Assets

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

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

BOROUGH OF ORWIGSBURG
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Land improvements	15 - 40
Buildings and improvements	10 - 40
Equipment	8 - 15
Sewer plant	40
Sewer treatment system	15
Water distribution system	15 - 40
Vehicles	5 - 8

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.

Deferred Outflows and Inflows of Resources

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

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

Net Position

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

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

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance – Governmental Funds

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

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

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

Fund Balance Flow Assumptions

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

Interfund Activity

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

Borough Council adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of each year and must be reappropriated. There were no budget revisions during the year ended December 31, 2017. During 2017, the Borough overspent the budgeted expenditures of the general fund, however this is not expected to result in any negative implications to the Borough.

Long-Term Obligations

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

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

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

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

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

Pension Plans

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

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS

The Commonwealth of Pennsylvania's "Borough Code" and Act 10 of 2016 define allowable investments for Borough funds as follows:

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2017, \$ 773,712 of the Borough's bank balance of \$ 1,927,745 was covered by federal depository insurance and \$ 1,154,033 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.

Included in this amount is \$ 167,300 of certificates of deposit, which are classified as investments on the statement on net position.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - Investments

Pennsylvania Local Government Investment Trust (PLGIT) investments are shown as cash and cash equivalents in these financial statements. Investments are carried at amortized cost. PLGIT investments of \$ 104,836 are considered an external investment pool. These funds operate similar to a money market fund and seek to maintain a consistent net asset value of \$ 1 per share. PLGIT portfolio funds are invested in United States Treasury bills; obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations.

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

At December 31, 2017, the Borough's investments in PLGIT were rated AAAM by Standard and Poor's Investors Services.

Policies followed by PLGIT

Regulatory Oversight

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

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

Valuation of Investments

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

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 3 TAXES

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

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

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

NOTE 4 TAXES RECEIVABLE

Taxes receivable are stated at the amount management expects to collect from outstanding balances. The Borough has established an allowance for uncollectible accounts based on an evaluation of historical collections. Taxes receivable in the balance sheet- governmental funds consists of the following as of December 31, 2017:

Comcast Franchise Fee	\$ 16,693
Earned Income	69,076
Local Services Tax	13,765
Real Estate	23,801
Occupational	2,458
Per Capita	6,633
Real Estate Transfer	3,365
Delinquent real estate tax	4,837
Delinquent per capita	8,311
Delinquent occupational tax	3,219
Allowance for uncollectible accounts	<u>(3,000)</u>
Total taxes receivable, net	149,158
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(124,038)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 25,120</u>

The Borough's allowance for doubtful accounts at December 31, 2017 for the proprietary funds totaled \$ 11,000 for the Sewer Fund, \$ 11,000 for the Water Fund, and \$ 3,000 for the Sanitation Fund. This is based on an evaluation of historical collections.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
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NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consist of the following at December 31, 2017:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 45,543	\$ 4,731
Highway Aid	4,535	-
Proprietary Funds		
Sewer	-	109,195
Water	84,332	18,343
Sanitation	-	2,141
	<u>\$ 134,410</u>	<u>\$ 134,410</u>

The outstanding balances between funds result mainly from the allocation of pension expenses, payroll transactions, and amounts held for debt service.

Interfund transfers consist of the following during 2017:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 24,987	\$ -
Capital Reserve	92,514	75,196
Highway Aid	100	-
Proprietary Funds		
Sewer	3,748	130,030
Water	149,680	40,803
Sanitation	-	25,000
	<u>\$ 271,029</u>	<u>\$ 271,029</u>

The transfer from the Sewer Fund to the General Fund was for reimbursement of excess debt service payments. The transfers from the Proprietary Funds to the Capital Reserve Fund were for future capital purchases. The transfer from the Capital Reserve Fund to the Highway Aid Fund was for a prior year correction. The transfers from the Proprietary Funds to the General Fund were for reimbursement of operating expenses. The transfers from the Capital Reserve to the General, Sewer and Water Funds were for reimbursement of capital purchases and debt services.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 6 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 312,157	\$ -	\$ 312,157
Land	216,220	-	-	216,220
Capital assets being depreciated				
Land improvements	125,473	-	-	125,473
Buildings and improvements	1,375,764	50,881	-	1,426,645
Equipment	124,166	12,022	-	136,188
Recreation assets	240,191	-	-	240,191
Vehicles	356,700	-	-	356,700
Total cost	<u>2,438,514</u>	<u>375,060</u>	<u>-</u>	<u>2,813,574</u>
Less accumulated depreciation				
Land improvements	(91,550)	(2,796)	-	(94,346)
Building and improvements	(345,715)	(42,149)	-	(387,864)
Equipment	(77,264)	(7,037)	-	(84,301)
Recreation assets	(111,931)	(11,857)	-	(123,788)
Vehicles	(298,765)	(16,624)	-	(315,389)
Total accumulated depreciation	<u>(925,225)</u>	<u>(80,463)</u>	<u>-</u>	<u>(1,005,688)</u>
Capital assets, net	<u>\$ 1,513,289</u>	<u>\$ 294,597</u>	<u>\$ -</u>	<u>\$ 1,807,886</u>
Business-Type Activities				
Cost				
Capital assets not being depreciated				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	-	43,335	-	43,335
Capital assets being depreciated				
Land improvements	60,098	-	-	60,098
Buildings	2,547,132	-	-	2,547,132
Equipment	184,239	16,835	-	201,074
Sewer line improvements	917,857	-	-	917,857
Sewer treatment system	3,730	-	-	3,730
Sewer plant	8,312,232	-	-	8,312,232
Water distribution system	5,858,028	-	-	5,858,028
Total cost	<u>17,967,928</u>	<u>60,170</u>	<u>-</u>	<u>18,028,098</u>
Less accumulated depreciation				
Land improvements	(49,808)	(1,211)	-	(51,019)
Buildings	(2,017,867)	(73,453)	-	(2,091,320)
Equipment	(20,927)	(19,533)	-	(40,460)
Sewer line improvements	(10,708)	(18,357)	-	(29,065)
Sewer treatment system	(249)	(249)	-	(498)
Sewer plant	(4,284,377)	(154,918)	-	(4,439,295)
Water distribution system	(1,684,951)	(240,707)	-	(1,925,658)
Total accumulated depreciation	<u>(8,068,887)</u>	<u>(508,428)</u>	<u>-</u>	<u>(8,577,315)</u>
Capital assets, net	<u>\$ 9,899,041</u>	<u>\$ (448,258)</u>	<u>\$ -</u>	<u>\$ 9,450,783</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2017 was charged as follows in the Statement of Activities:

Governmental Activities		
General Government	\$	5,633
Highways and Streets		1,762
Public Safety		18,092
Recreation		54,976
	\$	<u>80,463</u>
Business-Type Activities		
Sewer	\$	183,695
Water		324,733
	\$	<u>508,428</u>

NOTE 7 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Notes						
(C) 2016 Ford SUV Loan	\$ 27,370	\$ -	\$ (14,822)	\$ 12,548	\$ 12,548	\$ -
(D) Curbs Loan	82,531	-	(7,476)	75,055	7,703	67,352
(E) Streets Loan	92,085	-	(24,128)	67,957	24,862	43,095
Subtotal - notes	<u>201,986</u>	<u>-</u>	<u>(46,426)</u>	<u>155,560</u>	<u>45,113</u>	<u>110,447</u>
Capital lease payable	2,068	-	(1,011)	1,057	1,057	-
Compensated absences	65,948	52,227	(42,978)	75,197	-	75,197
Total long-term liabilities						
Governmental Activities	<u>\$ 270,002</u>	<u>\$ 52,227</u>	<u>\$ (90,415)</u>	<u>\$ 231,814</u>	<u>\$ 46,170</u>	<u>\$ 185,644</u>
Business-Type Activities						
Bonds						
(A) 2015 GO Bonds - Sewer	\$ 3,545,000	\$ -	\$ (265,000)	\$ 3,280,000	\$ 265,000	\$ 3,015,000
(B) 2015 GO Bonds - Water	3,100,000	-	(285,000)	2,815,000	290,000	2,525,000
Bond (Discount)/Premium	16,746	-	(1,337)	15,409	1,337	14,072
Subtotal - bonds	<u>6,661,746</u>	<u>-</u>	<u>(551,337)</u>	<u>6,110,409</u>	<u>556,337</u>	<u>5,554,072</u>
Capital lease payable	85,154	-	(38,032)	47,122	38,118	9,004
Total long-term liabilities						
Business-Type Activities	<u>\$ 6,746,900</u>	<u>\$ -</u>	<u>\$ (589,369)</u>	<u>\$ 6,157,531</u>	<u>\$ 594,455</u>	<u>\$ 5,563,076</u>

(A) On May 20, 2015, the Borough issued \$ 7,485,000 of revenue bonds – Series of 2015, of which \$ 3,985,000 related to the Sewer Fund. The Bonds were issued for the refunding of the two Municipal Authority of the Borough of Orwigsburg’s PENNVEST loans that were guaranteed by the Borough and were being paid by the Borough’s Sewer Fund. Principal payments are due in annual installments through October 1, 2029, interest rates vary from 0.65% to 3.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

- (B) On May 20, 2015, the Borough issued \$ 7,485,000 of revenue bonds – Series of 2015, of which \$ 3,500,000 related to the Water Fund. The Bonds were issued for the refunding of the Water Fund’s PENNVEST loan. Principal payments are due in annual installments through October 1, 2026, interest rates vary from 0.65% to 3.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.
- (C) 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 a fixed rate of 1.69%. Total monthly payments of principal and interest in the amount of \$ 1,264 are due monthly through October 16, 2018. The note is secured by the vehicle.
- (D) On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 85,000. The loan was used to pay for curbing on South Warren Street. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$ 821 are due monthly through August 23, 2026. The note is secured by Borough deposits.
- (E) On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 100,000. The loan was used to pay for the South Warren/South Wayne Streets project. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$ 2,213 are due monthly through August 23, 2020. The note is secured by Borough deposits.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2017.

Governmental Activities						
	2016 Ford SUV Loan		Curbs Loan		Streets Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 12,548	\$ 99	\$ 7,703	\$ 2,147	\$ 24,862	\$ 1,700
2019	-	-	7,937	1,913	25,618	943
2020	-	-	8,179	1,671	17,477	200
2021	-	-	8,427	1,423	-	-
2022	-	-	8,684	1,166	-	-
2023-2027	-	-	34,125	1,964	-	-
2028-2030	-	-	-	-	-	-
	<u>\$ 12,548</u>	<u>\$ 99</u>	<u>\$ 75,055</u>	<u>\$ 10,284</u>	<u>\$ 67,957</u>	<u>\$ 2,843</u>

Business-Type Activities						
	2015 GO Bond (Sewer Portion)		2015 GO Bond (Water Portion)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 265,000	\$ 73,686	\$ 290,000	\$ 59,056	\$ 600,113	\$ 136,688
2019	270,000	68,386	295,000	53,256	598,555	124,498
2020	265,000	62,986	300,000	47,356	590,656	112,213
2021	270,000	57,686	305,000	41,356	583,427	100,465
2022	275,000	52,286	310,000	35,256	593,684	88,708
2023-2027	1,505,000	174,197	1,315,000	75,622	2,854,125	251,783
2028-2030	430,000	14,750	-	-	430,000	14,750
	<u>\$ 3,280,000</u>	<u>\$ 503,977</u>	<u>\$ 2,815,000</u>	<u>\$ 311,902</u>	<u>\$ 6,250,560</u>	<u>\$ 829,105</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Subsequent Events

On February 21, 2018, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 41,261. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.69%. Total monthly payments of principal and interest in the amount of \$ 1,194 are due monthly through February 21, 2021.

Capital Leases

The Borough is financing the purchase of a John Deere zero-turn mower and a John Deere skid-excavator. At December 31, 2017, the leased assets have a gross capitalized value of \$ 167,746 and accumulated amortization of \$ 35,579, leaving a net book value of \$ 132,167 that is included in capital assets. Amortization expense of \$ 17,050 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2017, is as follows:

	Governmental Activities	Business-Type Activities		Total
	General Fund	Sewer Fund	Water Fund	
2018	\$ 1,084	\$ 19,085	\$ 19,085	\$ 39,254
2019	-	4,502	4,502	9,004
	1,084	23,587	23,587	48,258
Amount representing interest	(27)	(26)	(26)	(79)
	<u>\$ 1,057</u>	<u>\$ 23,561</u>	<u>\$ 23,561</u>	<u>\$ 48,179</u>

NOTE 8 PENSION PLANS

Summary of Significant Accounting Policies

Plan Description

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

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

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Plan Membership

At January 1, 2017, the date of the latest valuation, Plan membership consisted of:

	Police	Non-Uniform
Inactive employees or beneficiaries currently receiving benefits	1	8
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	3	6
Total Membership	5	15

Benefits Provided

Police

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

Non-Uniform

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

Funding Policy and Contributions

Act 205

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

	Police	Non-Uniform
Annual required contribution	\$ -	\$ 89,726
Contributions made - employer	-	89,726

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 PENSION PLANS (CONTINUED)

Net Pension (Asset) Liability

The Borough's net pension (asset)/liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of January 1, 2017. The beginning of year total pension (asset)/liability was based on the January 1, 2015 actuarial valuation and the end of year total pension (asset)/liability was based on the January 1, 2017 actuarial valuation. The components of the Borough's net pension (asset)/liability are as follows at December 31, 2017:

	Police	Non-Uniform	Total
Total Pension Liability	\$ 1,294,609	\$ 1,980,488	\$ 3,275,097
Plan Fiduciary Net Position	2,229,998	1,494,876	3,724,874
Net Pension (Asset)/Liability	<u>\$ (935,389)</u>	<u>\$ 485,612</u>	<u>\$ (449,777)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability	172.25%	75.48%	113.73%

Changes in the Net Pension (Asset)/Liability

The changes in the Authority's net pension (asset)/liability are as follows for the year ended December 31, 2017:

	POLICE PENSION PLAN			NON-UNIFORM PLAN		
	Increase(Decrease)			Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Beginning Balance	\$ 1,209,340	\$ 2,065,320	\$ (855,980)	\$ 1,767,347	\$ 1,405,009	\$ 362,338
Changes for the year:						
Service cost	30,197	-	30,197	58,865	-	58,865
Interest	68,175	-	68,175	98,072	-	98,072
Changes of benefits	-	-	-	-	-	-
Changes of assumptions*	35,717	-	35,717	59,118	-	59,118
Differences between expected and actual experience	(48,820)	-	(48,820)	84,419	-	84,419
Contributions - employer	-	-	-	-	87,238	(87,238)
Contributions - PMRS assessment	-	-	-	-	360	(360)
Contributions - member	-	-	-	-	-	-
PMRS investment income	-	118,666	(118,666)	-	80,554	(80,554)
Market value investment income	-	51,926	(51,926)	-	13,334	(13,334)
Transfers	-	-	-	-	-	-
Benefit payments	-	-	-	(87,333)	(87,333)	-
PMRS administrative expense	-	(100)	100	-	(340)	340
Additional administrative expense	-	(5,814)	5,814	-	(3,946)	3,946
Net changes	<u>\$ 85,269</u>	<u>\$ 164,678</u>	<u>\$ (79,409)</u>	<u>\$ 213,141</u>	<u>\$ 89,867</u>	<u>\$ 123,274</u>
Ending Balance	<u>\$ 1,294,609</u>	<u>\$ 2,229,998</u>	<u>\$ (935,389)</u>	<u>\$ 1,980,488</u>	<u>\$ 1,494,876</u>	<u>\$ 485,612</u>

* - Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2017 using the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Projected Salary Increases	Age related scale with merit and inflation component
Inflation	2.80%
Investment Rate of Return	5.25% *
Cost-of-Living Adjustments	3.00%, for those eligible
Asset Valuation Method	Based upon the municipal reserves

Healthy life mortality rates, pre-retirement was based on RP-2000 sex-distinct non-annuitant table projected 15 years with Scale AA for males and a five-year setback for females. Healthy life mortality rates, post-retirement was based on RP-2000 sex-distinct mortality tables projected 5 years with scale AA for males and 10 years for females. Disabled life mortality rates were RP-2000 with ten years set forward for males and females.

The actuarial assumptions used in the January 1, 2017 valuation were based on the PMRS Experience Study for the period completed in 2015.

* - Effective with the December 31, 2016 measurement date, the investment rate of return assumption decreased from 5.50% to 5.25%.

Expected Rate of Return

The Plan's long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. The Plan has developed the following target allocation across asset categories:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25.0%	6.4%
Domestic Equities (small capitalized firms)	15.0%	7.0%
International Equities (developed markets)	15.0%	3.7%
International Equities (emerging markets)	10.0%	7.9%
Real Estate	20.0%	7.0%
Fixed income	15.0%	2.4%
Total Portfolio	<u>100.0%</u>	<u>5.8%</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 PENSION PLANS (CONTINUED)

Discount Rate

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

Discount Rate Sensitivity

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

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Police pension plan	\$ (806,334)	\$ (935,389)	\$ (1,042,943)
Non-Uniform pension plan	753,103	485,612	265,001

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$ 146,430. At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police Pension Plan		Non-Uniform Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 142,749	\$ 63,314	\$ 5,741	\$ 63,314	\$ 148,490
Changes in assumptions	30,615	5,044	53,553	-	84,168	5,044
Net difference between projected and actual earnings on pension plan investments	38,815	-	98,847	-	137,662	-
Changes in proportions - governmental activities/ business-type activities	-	-	4,506	4,506	4,506	4,506
Contributions subsequent to the measurement date	-	-	89,726	-	89,726	-
Total	\$ 69,430	\$ 147,793	\$ 309,946	\$ 10,247	\$ 379,376	\$ 158,040

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 PENSION PLANS (CONTINUED)

The \$ 89,726 reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, will be recognized in pension expense as follows for the years ending December 31:

	Police Pension Plan	Non-Uniform Pension Plan	Total
Year Ended December 31:			
2018	\$ 197	\$ 79,944	\$ 80,141
2019	197	79,944	80,141
2020	(1,944)	52,752	50,808
2021	(27,302)	(2,667)	(29,969)
2022	(16,917)	-	(16,917)
Thereafter	(32,594)	-	(32,594)
	<u>\$ (78,363)</u>	<u>\$ 209,973</u>	<u>\$ 131,610</u>

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Borough's Other Post-Employment Benefits (OPEB) Plan is a single-employer defined benefit providing medical reimbursement to all police officers hired before January 1, 2009 who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has no retirees receiving benefits as of January 1, 2015.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost is calculated based on annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation to the plan:

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	2017
Annual required contribution (ARC)	\$ 7,976
Estimated interest on net OPEB obligation	2,228
	<u>(5,430)</u>
Annual OPEB cost	4,774
Contributions made - estimated	<u>(22)</u>
Increase in net OPEB liability	4,752
Net OPEB liability - Beginning of year	<u>49,510</u>
Net OPEB liability - End of year	<u>\$ 54,262</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the preceding two years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 4,774	\$ 22	0.46%	\$ 54,262
12/31/2016	5,103	22	0.43%	49,510
12/31/2015	5,454	22	0.40%	44,429

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$ 64,992, and there were no assets set aside in an irrevocable trust, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 64,992. The covered payroll was \$ 131,687, and the ratio of the UAAL to covered payroll was 49.35%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions 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. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of share benefit cost between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

In the January 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.5% investment rate of return, and the value of projected benefits of individuals is allocated as a level annual dollar amount, entry age is calculated based upon date of hire, and exit ages are based upon the actuarial assumptions as to termination, disability, death or retirement. The actuarial value of assets will be determined using market value. The UAAL is being amortized based on a level dollar 12 year open period.

NOTE 10 FUND BALANCE/NET POSITION

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable				
Prepays	\$ 15,967	\$ -	\$ -	\$ 15,967
Total nonspendable	<u>15,967</u>	<u>-</u>	<u>-</u>	<u>15,967</u>
Committed				
Capital projects	-	872,553	-	872,553
Future OPEB costs	92,692	-	-	92,692
Total committed	<u>92,692</u>	<u>872,553</u>	<u>-</u>	<u>965,245</u>
Restricted				
Future road projects/equipment	-	-	59,911	59,911
Parks and recreation	4,296	-	-	4,296
Police department	7,229	-	-	7,229
Total restricted	<u>11,525</u>	<u>-</u>	<u>59,911</u>	<u>71,436</u>
Unassigned	<u>221,406</u>	<u>-</u>	<u>-</u>	<u>221,406</u>
Total fund balances	<u>\$ 341,590</u>	<u>\$ 872,553</u>	<u>\$ 59,911</u>	<u>\$ 1,274,054</u>

Net position is restricted for the following purposes at December 31, 2017:

Governmental activities (see above)	\$ 71,436
Future capital improvements	<u>263,702</u>
	<u>\$ 335,138</u>

NOTE 11 RESTATEMENTS

A restatement was necessary in the Governmental Fund Financial Statements to convert the Borough from a modified cash basis to a modified accrual basis of accounting. Also, various restatements were necessary for correction of errors and correct reporting of government-wide and fund level information. As a result, the beginning net position and fund balance amounts reflect the changes as of December 31, 2016 resulting from the addition of the previously unrecorded information.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 11 RESTATEMENTS (CONTINUED)

Below is a listing of prior period adjustments made for the year ending December 31, 2016.

Governmental Activities

	Governmental Activities	General Fund	Debt/Sinking Fund	Investment Fund	Capital Reserve Fund	Highway Aid Fund
Fund balance/net position, as originally stated, December 31, 2016	\$ (3,106,633)	\$ 155,822	\$ 84,149	\$ 24,493	\$ 910,972	\$ 9,670
Restatement for conversion from a modified cash basis to modified accrual basis for fund level	-	74,941	-	-	-	-
Restatement of Sanitation Fund as a proprietary fund and report on an accrual basis of accounting	(30,659)	-	-	-	-	-
Restatement for correction of prior year payroll accrual	11,047	-	-	-	-	-
Restatement for interest earned on Highway Aid Fund loan previously reported in General Fund	-	(62)	-	-	-	62
Restatement for previously unrecorded compensated absences of police department	(28,117)	-	-	-	-	-
Restatement for incorrect recording of pension liability	169,547	-	-	-	-	-
Restatement for correction of accumulated depreciation	4,238	-	-	-	-	-
Restatement for correction of taxes receivable	99,298	-	-	-	-	-
Restatement for correction of OPEB obligation	(27,700)	-	-	-	-	-
Restatement to move bond payable to business-type activities from governmental activities	6,661,745	-	-	-	-	-
Restatement to move bond fund from governmental activities to business-type activities	(466,718)	-	-	-	-	-
Restatement for move debt/sinking fund and investment fund to General Fund	-	108,642	(84,149)	(24,493)	-	-
Net position/Fund balance, as restated, as of December 31, 2016	<u>\$ 3,286,048</u>	<u>\$ 339,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910,972</u>	<u>\$ 9,732</u>
Change in net position for December 31, 2016 as result of restatements	<u>\$ 197,654</u>	<u>\$ 74,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62</u>

	Business-type Activities	Sewer Fund	Bond Fund	Water Fund	Sanitation Fund	Municipal Authority
Fund balance/net position, as originally stated, December 31, 2016	\$ 10,430,749	\$ 1,408,970	\$ 466,718	\$ 4,826,295	\$ 22,519	\$ 4,195,484
Restatement of Sanitation Fund as a proprietary fund and report on an accrual basis of accounting	30,659	-	-	-	8,140	-
Restatement for correction of prior year payroll accrual	(297)	-	-	(297)	-	-
Restatement to record unbilled revenue on proprietary funds	367,922	185,442	-	182,480	-	-
Restatement to allocate pension liability to proprietary funds	(81,950)	(40,104)	-	(40,104)	(1,742)	-
Restatement for previously unrecorded accrued interest on bonds	(34,561)	(19,084)	-	(15,477)	-	-
Restatement for amounts incorrectly recorded as construction in progress	(16,589)	-	-	(16,589)	-	-
Restatement to move bond payable to business-type activities from governmental activities	(6,661,746)	(3,553,916)	-	(3,107,830)	-	-
Restatement to move bond fund from governmental activities to business-type activities	466,718	466,718	(466,718)	-	-	-
Restatement to include Authority as blended component unit	-	4,195,484	-	-	-	-
Net position/Fund balance, as restated, as of December 31, 2016	<u>\$ 4,500,905</u>	<u>\$ 2,643,510</u>	<u>\$ -</u>	<u>\$ 1,828,478</u>	<u>\$ 28,917</u>	<u>\$ 4,195,484</u>
Change in net position for December 31, 2016 as result of restatements	<u>\$ 265,184</u>	<u>\$ 126,254</u>	<u>\$ -</u>	<u>\$ 110,013</u>	<u>\$ 6,398</u>	<u>\$ -</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements
December 31, 2017

NOTE 12 RENTAL INCOME

The Borough has a long-term lease for the use of office space within Borough Hall. The future amounts to be received under the current noncancelable terms of the lease for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 23,866
2019	24,582
2020	25,320
2021	6,376
	<u>80,144</u>

NOTE 13 GRANTS

On May 18, 2015, the Borough was approved for a Keystone Communities Program Grant in the amount of \$225,000 with an original grant period of July 1, 2014 through June 30, 2017 which was then extended to October 31, 2017. The grant was used to fund streetscape and parking lot improvements at Community Memorial Hall. As of December 31, 2017, the monies have not been received by the Borough.

NOTE 14 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 2017.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

NOTE 16 SUBSEQUENT EVENTS

On February 21, 2018, the Borough purchased a new Ford Explorer for the Police Department. The Explorer has been financed for three years at the rate of 2.69%. Thirty-six payments beginning on March 31, 2018 in the amount of \$ 1,194.

Subsequent to December 31, 2017, the Borough entered into a contract for \$ 69,299 relating to improvements for the Veterans Memorial Outdoor Basketball project, as well as two contracts totaling \$ 187,576 relating to construction of the new Borough maintenance building.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 872,100	\$ 872,100	\$ 952,332	\$ 80,232
Licenses and permits	61,050	61,050	67,882	6,832
Local support	250	250	18,700	18,450
Fines and forfeits	11,000	11,000	15,112	4,112
Interest earnings	50	50	654	604
Rents	52,850	52,850	54,092	1,242
Intergovernmental	6,800	6,800	109,102	102,302
Charges for services	29,300	29,300	33,016	3,716
Miscellaneous	1,500	1,500	3,140	1,640
Total revenues	<u>1,034,900</u>	<u>1,034,900</u>	<u>1,254,030</u>	<u>219,130</u>
EXPENDITURES				
General government	213,834	203,834	245,042	(41,208)
Public safety	608,884	608,884	705,510	(96,626)
Public works	98,452	108,452	114,848	(6,396)
Culture and recreation	118,880	118,880	187,706	(68,826)
Debt service	9,850	9,850	26,102	(16,252)
Total expenditures	<u>1,049,900</u>	<u>1,049,900</u>	<u>1,279,208</u>	<u>(229,308)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>(25,178)</u>	<u>(10,178)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	5,514	(5,514)
Refund of prior year revenue	-	-	(3,076)	3,076
Transfers in (out)	15,000	15,000	24,987	9,987
Total other financing sources and uses	<u>15,000</u>	<u>15,000</u>	<u>27,425</u>	<u>7,549</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,247</u>	<u>\$ 2,247</u>

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

Police Pension Plan	2017	2016	2015
Total pension liability			
Service cost	\$ 30,197	\$ 38,967	\$ 53,735
Interest	68,175	63,375	65,566
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	(48,820)	-	(144,148)
Changes of assumptions	35,717	(6,305)	-
Benefit payments, including refunds of employee contributions	-	-	(442)
Net change in total pension liability	85,269	96,037	(25,289)
Total pension liability - beginning	1,209,340	1,113,303	1,138,592
Total pension liability - ending (a)	\$ 1,294,609	\$ 1,209,340	\$ 1,113,303
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ 462
Contributions - employee	-	-	-
Net investment income	170,592	(12,667)	97,384
Benefit payments, including refunds of employee contributions	-	-	(442)
Administrative expense	(5,914)	(4,858)	(4,265)
Net change in plan fiduciary net position	164,678	(17,525)	93,139
Plan fiduciary net position - beginning	2,065,320	2,082,845	1,989,706
Plan fiduciary net position - ending (b)	\$ 2,229,998	\$ 2,065,320	\$ 2,082,845
Borough's net position (asset)/liability - ending (a-b)	\$ (935,389)	\$ (855,980)	\$ (969,542)
Plan fiduciary net position as a percentage of the total pension liability	172.3%	170.8%	187.1%
Covered payroll	\$ 203,808	\$ 218,600	\$ 278,611
Borough's net pension liability as a percentage of covered payroll	(459.0)%	(391.6)%	(348.0)%

NOTES

* This schedule will be expanded to show multi-year trends as information becomes available in the future.

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

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

Non-Uniform Pension Plan	2017	2016	2015
Total pension liability			
Service cost	\$ 58,865	\$ 56,130	\$ 67,849
Interest	98,072	93,482	90,445
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	84,419	-	(14,351)
Changes of assumptions	59,118	15,359	-
Benefit payments, including refunds of employee contributions	<u>(87,333)</u>	<u>(81,243)</u>	<u>(72,885)</u>
Net change in total pension liability	213,141	83,728	71,058
Total pension liability - beginning	<u>1,767,347</u>	<u>1,683,619</u>	<u>1,612,561</u>
Total pension liability - ending (a)	<u>\$ 1,980,488</u>	<u>\$ 1,767,347</u>	<u>\$ 1,683,619</u>
Plan fiduciary net position			
Contributions - employer	\$ 87,598	\$ 93,899	\$ 92,743
Contributions - employee	-	-	-
Contributions - PMRS assessment	-	320	-
Net investment income	93,888	(18,929)	(70,014)
Benefit payments, including refunds of employee contributions	(87,333)	(81,243)	(72,885)
Administrative expenses	<u>(4,286)</u>	<u>(2,962)</u>	<u>(3,419)</u>
Net change in plan fiduciary net position	89,867	(8,915)	(53,575)
Plan fiduciary net position - beginning	<u>1,405,009</u>	<u>1,413,924</u>	<u>1,467,499</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,494,876</u>	<u>\$ 1,405,009</u>	<u>\$ 1,413,924</u>
Borough's net position (asset)/liability - ending (a-b)	<u>\$ 485,612</u>	<u>\$ 362,338</u>	<u>\$ 269,695</u>
Plan fiduciary net position as a percentage of the total pension liability	75.5%	79.5%	84.0%
Covered payroll	\$ 274,271	\$ 263,041	\$ 325,027
Borough's net pension liability as a percentage of covered payroll	177.1%	137.7%	83.0%

NOTES

* This schedule will be expanded to show multi-year trends as information becomes available in the future.

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

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

Police	2017	2016	2015	2014
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>462</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (462)</u>
Covered-employee payroll	\$ 192,709	\$ 203,808	\$ 218,600	\$ 278,611
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.17%
Non-Uniform	2017	2016	2015	2014
Actuarially determined contributions	\$ 89,726	\$ 87,578	\$ 94,219	\$ 92,683
Contribution in relation to the actuarially determined contributions	<u>89,726</u>	<u>87,598</u>	<u>94,219</u>	<u>92,743</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ (60)</u>
Covered-employee payroll	\$ 253,720	\$ 274,271	\$ 263,041	\$ 325,027
Contributions as a percentage of covered employee payroll	35.36%	31.94%	35.82%	28.53%

NOTES

Valuation Date:

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

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization period	Level dollar based on amortization period Act 205
Asset valuation method	Based upon municipal reserves
Discount rate	5.25%
Inflation	3.00%
Salary increases	Age related scale with merit and inflation component
COLA increases	3.0% for those eligible for COLA
Pre-retirement mortality	Males – RP-2000 with one-year setback Females-RP-2000 with five-year setback
Post-retirement mortality	Sex-distinct RP-2000 combined healthy mortality

Historical change in assumptions:

2015- Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.

2016 – Investment return assumption was decreased from 5.5% to 5.25%.

* This schedule will be expanded to show multi-year trends as information becomes available in the future.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Funding Progress - Other Postemployment Benefits (Unaudited)

Valuation Date	Actuarial Value of Asset	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
1/1/2015	\$ -	\$ 64,992	\$ 64,992	0.00%	\$ 131,687	49.35%
1/1/2010	\$ -	\$ 80,086	\$ 80,086	0.00%	\$ 224,457	35.68%

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Combining Statement of Net Position – Sewer Fund and Municipal Authority
December 31, 2017

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 413,060	\$ 151,242	\$ -	\$ 564,302
Investments	167,300	-	-	167,300
Accounts receivable, net	224,755	-	-	224,755
Prepaid expenses	3,967	-	-	3,967
Total assets	<u>809,082</u>	<u>151,242</u>	<u>-</u>	<u>960,324</u>
Noncurrent assets				
Capital assets not being depreciated:				
Construction in progress	43,335	-	-	43,335
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	921,587	-	-	921,587
Equipment	103,955	-	-	103,955
Sewer plant	-	8,312,232	-	8,312,232
Less accumulated depreciation	(50,985)	(4,439,295)	-	(4,490,280)
Restricted cash	263,702	-	-	263,702
Total noncurrent assets	<u>1,281,594</u>	<u>3,912,469</u>	<u>-</u>	<u>5,194,063</u>
Total assets	<u>2,090,676</u>	<u>4,063,711</u>	<u>-</u>	<u>6,154,387</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	106,491	-	-	106,491
Total assets and deferred outflows of resources	<u>\$ 2,197,167</u>	<u>\$ 4,063,711</u>	<u>\$ -</u>	<u>\$ 6,260,878</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,744	\$ -	\$ -	\$ 29,744
Accrued wages payable	4,504	-	-	4,504
Accrued interest payable	18,421	-	-	18,421
Due to other funds	109,195	-	-	109,195
Long-term liabilities: Due within one year				
Bonds and notes payable, net	265,712	-	-	265,712
Capital lease obligation	19,059	-	-	19,059
Total current liabilities	<u>446,635</u>	<u>-</u>	<u>-</u>	<u>446,635</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	3,022,492	-	-	3,022,492
Capital lease obligation	4,502	-	-	4,502
Net pension liability	169,308	-	-	169,308
Total noncurrent liabilities	<u>3,196,302</u>	<u>-</u>	<u>-</u>	<u>3,196,302</u>
Total liabilities	<u>3,642,937</u>	<u>-</u>	<u>-</u>	<u>3,642,937</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	4,210	-	-	4,210
NET POSITION				
Net investment in capital assets	(2,557,575)	3,912,469	-	1,354,894
Restricted	263,702	-	-	263,702
Unrestricted	843,893	151,242	-	995,135
Total net position	<u>(1,449,980)</u>	<u>4,063,711</u>	<u>-</u>	<u>2,613,731</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,197,167</u>	<u>\$ 4,063,711</u>	<u>\$ -</u>	<u>\$ 6,260,878</u>

BOROUGH OF ORWIGSBURG
Combining Statement of Revenue, Expenses, and Changes in Net Position – Sewer Fund
and Municipal Authority
Year Ended December 31, 2017

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
OPERATING REVENUES				
Charges for services	\$ 834,062	\$ -	\$ -	\$ 834,062
Total operating revenues	<u>834,062</u>	<u>-</u>	<u>-</u>	<u>834,062</u>
OPERATING EXPENSES				
Personal services	195,479	12,492	-	207,971
Contractual and professional services	27,081	15,669	-	42,750
Maintenance	91,694	-	-	91,694
Supplies	54,634	-	-	54,634
Insurance premiums	13,240	-	-	13,240
Utilities	63,815	-	-	63,815
Bad debt expense	11,000	-	-	11,000
Depreciation	28,777	154,918	-	183,695
Total operating expenses	<u>485,720</u>	<u>183,079</u>	<u>-</u>	<u>668,799</u>
Operating income (loss)	<u>348,342</u>	<u>(183,079)</u>	<u>-</u>	<u>165,263</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	1,239	38	-	1,277
Other nonoperating revenues	4,056	868	-	4,924
Intergovernmental revenues (expenses)	(50,400)	50,400	-	-
Interest expense	(74,961)	-	-	(74,961)
Total nonoperating revenues (expenses)	<u>(120,066)</u>	<u>51,306</u>	<u>-</u>	<u>(68,760)</u>
Income (loss) before transfers	228,276	(131,773)	-	96,503
Transfers in	3,748	-	-	3,748
Transfers out	(130,030)	-	-	(130,030)
Change in net position	101,994	(131,773)	-	(29,779)
Total net position - beginning, as restated	<u>(1,551,974)</u>	<u>4,195,484</u>	<u>-</u>	<u>2,643,510</u>
Total net position - ending	<u>\$ (1,449,980)</u>	<u>\$ 4,063,711</u>	<u>\$ -</u>	<u>\$ 2,613,731</u>