

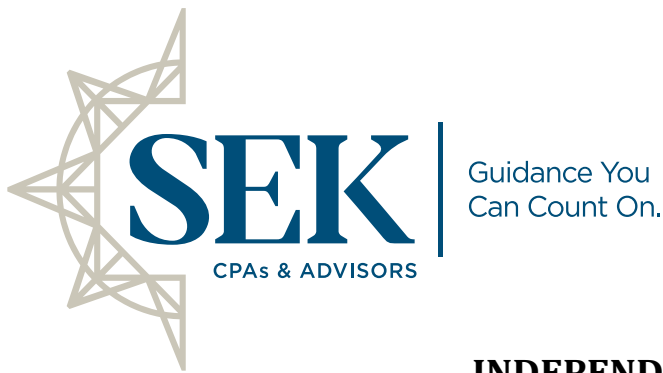
Audited
Financial
Statements

December 31,
2019

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, 2019, 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, 2019, 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

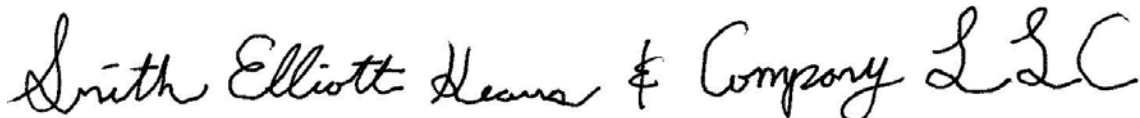
Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB liabilities on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a required 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 43 - 44 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
April 2, 2020

BOROUGH OF ORWIGSBURG
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,779,549	\$ 373,230	\$ 2,152,779
Investments	200,596	-	200,596
Accounts receivable, net of allowance	180,745	519,791	700,536
Escrow receivable	9,944	-	9,944
Internal balances	36,978	(36,978)	-
Prepaid expenses	8,114	7,309	15,423
Total current assets	<u>2,215,926</u>	<u>863,352</u>	<u>3,079,278</u>
Noncurrent assets			
Capital assets not being depreciated			
Land	216,220	84,612	300,832
Construction in progress	32,618	-	32,618
Capital assets net of accumulated depreciation			
Buildings and improvements	984,863	980,055	1,964,918
Land improvements	424,623	-	424,623
Equipment	193,844	245,713	439,557
Recreation assets	95,314	-	95,314
Sewer plant	-	3,565,836	3,565,836
Sewer line improvements	-	852,078	852,078
Vehicles	88,205	40,816	129,021
Water distribution system	-	3,473,651	3,473,651
Restricted cash	-	9,763	9,763
Net pension asset	872,992	-	872,992
Total noncurrent assets	<u>2,908,679</u>	<u>9,252,524</u>	<u>12,161,203</u>
Total assets	<u>5,124,605</u>	<u>10,115,876</u>	<u>15,240,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension asset/liability	245,958	225,112	471,070
Total assets and deferred outflows of resources	<u>\$ 5,370,563</u>	<u>\$ 10,340,988</u>	<u>\$ 15,711,551</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 26,921	\$ 30,137	\$ 57,058
Accrued payroll withholdings	26,509	11,680	38,189
Accrued interest payable	-	27,434	27,434
Escrow payable	7,641	-	7,641
Long-term liabilities: Due within one year			
Bonds and notes payable, net	33,511	566,337	599,848
Capital lease payable	-	33,184	33,184
Total current liabilities	<u>94,582</u>	<u>668,772</u>	<u>763,354</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	827,271	4,421,398	5,248,669
Capital lease payable	-	46,492	46,492
Compensated absences	143,425	-	143,425
Net pension liability	209,913	431,751	641,664
Total OPEB liability	<u>50,850</u>	<u>-</u>	<u>50,850</u>
Total noncurrent liabilities	<u>1,231,459</u>	<u>4,899,641</u>	<u>6,131,100</u>
Total liabilities	<u>1,326,041</u>	<u>5,568,413</u>	<u>6,894,454</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension asset/liability	103,753	22,809	126,562
NET POSITION			
Net investment in capital assets	1,174,905	4,175,350	5,350,255
Restricted	1,754,566	9,763	1,764,329
Unrestricted	<u>1,011,298</u>	<u>564,653</u>	<u>1,575,951</u>
Total Net Position	<u>3,940,769</u>	<u>4,749,766</u>	<u>8,690,535</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,370,563</u>	<u>\$ 10,340,988</u>	<u>\$ 15,711,551</u>

BOROUGH OF ORWIGSBURG
Statement of Activities
Year Ended December 31, 2019

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		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 283,112	\$ 139,532	\$ 87,048	\$ -	\$ (56,532)	\$ -	\$ (56,532)
Public safety	834,351	30,099	32,981	-	(771,271)	-	(771,271)
Public works - highways	177,968	9,394	116,981	-	(51,593)	-	(51,593)
Culture and recreation	254,946	300	-	24,000	(230,646)	-	(230,646)
Interest expense	2,651	-	-	-	(2,651)	-	(2,651)
Total governmental activities	<u>1,553,028</u>	<u>179,325</u>	<u>237,010</u>	<u>24,000</u>	<u>(1,112,693)</u>	<u>-</u>	<u>(1,112,693)</u>
Business-type activities							
Water	843,156	801,518	-	-	-	(41,638)	(41,638)
Sewer	894,103	967,931	-	-	-	73,828	73,828
Sanitation	307,282	298,711	-	-	-	(8,571)	(8,571)
Total business-type activities	<u>2,044,541</u>	<u>2,068,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,619</u>	<u>23,619</u>
Total primary government	<u>\$ 3,597,569</u>	<u>\$ 2,247,485</u>	<u>\$ 237,010</u>	<u>\$ 24,000</u>	<u>\$ (1,112,693)</u>	<u>\$ 23,619</u>	<u>\$ (1,089,074)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 730,604	\$ -	\$ 730,604
Real estate transfer tax					129,514	-	129,514
Earned income tax					403,194	-	403,194
Other taxes					93,337	-	93,337
Investment earnings					4,894	153	5,047
Miscellaneous income					2,880	886	3,766
Tap-in fees					17,278	-	17,278
Transfers					(496,185)	496,185	-
Total general revenues and transfers					<u>885,516</u>	<u>497,224</u>	<u>1,382,740</u>
Change in net position					(227,177)	520,843	293,666
Net position - beginning					4,167,946	4,228,923	8,396,869
Net position - ending					<u>\$ 3,940,769</u>	<u>\$ 4,749,766</u>	<u>\$ 8,690,535</u>

BOROUGH OF ORWIGSBURG
Balance Sheet – Governmental Funds
December 31, 2019

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 981,163	\$ 619,453	\$ 178,933	\$ 1,779,549
Investments	-	200,596	-	200,596
Taxes receivable, net	180,745	-	-	180,745
Escrows receivable	9,944	-	-	9,944
Due from other funds	38,029	-	-	38,029
Prepaid items	8,114	-	-	8,114
Total assets	<u>\$ 1,217,995</u>	<u>\$ 820,049</u>	<u>\$ 178,933</u>	<u>\$ 2,216,977</u>
LIABILITIES				
Accounts payable	\$ 26,334	\$ 587	\$ -	\$ 26,921
Due to other funds	1,051	-	-	1,051
Escrows payable	7,641	-	-	7,641
Accrued wages, benefits and withholdings	26,509	-	-	26,509
Total liabilities	<u>61,535</u>	<u>587</u>	<u>-</u>	<u>62,122</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	<u>51,088</u>	<u>-</u>	<u>-</u>	<u>51,088</u>
FUND BALANCES				
Nonspendable	8,114	-	-	8,114
Restricted	756,171	819,462	178,933	1,754,566
Committed	102,266	-	-	102,266
Unassigned	238,821	-	-	238,821
Total fund balances	<u>1,105,372</u>	<u>819,462</u>	<u>178,933</u>	<u>2,103,767</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,217,995</u>	<u>\$ 820,049</u>	<u>\$ 178,933</u>	<u>\$ 2,216,977</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total fund balance - governmental funds \$ 2,103,767

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	3,307,989	
Accumulated depreciation	<u>(1,272,302)</u>	2,035,687

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.

51,088

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	(860,782)	
Compensated absences	(143,425)	
Net pension asset (liability), net	663,079	
Deferred outflows related to pension liability	245,958	
Deferred inflows related to pension liability	(103,753)	
Total OPEB liability	<u>(50,850)</u>	(249,773)

Total net position - governmental activities \$ 3,940,769

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2019

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 1,355,274	\$ -	\$ -	\$ 1,355,274
Licenses and permits	65,134	-	-	65,134
Local support	12,000	-	-	12,000
Fines and forfeits	22,667	-	-	22,667
Interest and rents	62,953	2,602	43	65,598
Intergovernmental	133,963	-	116,981	250,944
Charges for services	29,924	17,278	-	47,202
Miscellaneous	2,976	-	-	2,976
Total revenues	<u>1,684,891</u>	<u>19,880</u>	<u>117,024</u>	<u>1,821,795</u>
EXPENDITURES				
General government	276,114	11,722	-	287,836
Public safety				
Police department	729,222	-	-	729,222
Emergency services	54,659	-	-	54,659
Planning and zoning	59,706	-	-	59,706
Public works				
Highways	133,484	51,857	-	185,341
Other	10,769	-	-	10,769
Culture and recreation	182,509	-	-	182,509
Debt service	24,182	18,315	-	42,497
Total expenditures	<u>1,470,645</u>	<u>81,894</u>	<u>-</u>	<u>1,552,539</u>
Excess (deficiency) of revenues over expenditures	<u>214,246</u>	<u>(62,014)</u>	<u>117,024</u>	<u>269,256</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	784,940	-	-	784,940
Transfers in	20,499	317,670	-	338,169
Transfers out	<u>(317,670)</u>	<u>(516,684)</u>	<u>-</u>	<u>(834,354)</u>
Total other financing sources (uses)	<u>487,769</u>	<u>(199,014)</u>	<u>-</u>	<u>288,755</u>
Net change in fund balances	702,015	(261,028)	117,024	558,011
Fund balances - beginning	<u>403,357</u>	<u>1,080,490</u>	<u>61,909</u>	<u>1,545,756</u>
Fund balances - ending	<u>\$ 1,105,372</u>	<u>\$ 819,462</u>	<u>\$ 178,933</u>	<u>\$ 2,103,767</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, 2019

Net change in fund balances - total governmental funds: \$ 558,011

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	(148,301)	
Capital outlays	<u>187,923</u>	39,622

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.

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

Issuance of long term obligation	(784,940)	
Repayment of long term obligations	<u>39,846</u>	(745,094)

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:

Total OPEB liability	(3,330)	
Net pension liability and related deferred outflows and inflows	(38,296)	
Compensated absences	<u>(38,311)</u>	(79,937)

Change in net position - governmental activities \$ (227,157)

BOROUGH OF ORWIGSBURG
Statement of Net Position – Proprietary Funds
December 31, 2019

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 326,155	\$ 12,140	\$ 34,935	\$ 373,230
Accounts receivable, net	269,288	233,801	16,702	519,791
Due from other funds	-	73,186	-	73,186
Prepaid expenses	<u>3,367</u>	<u>3,442</u>	<u>500</u>	<u>7,309</u>
Total assets	<u>598,810</u>	<u>322,569</u>	<u>52,137</u>	<u>973,516</u>
Noncurrent assets				
Capital assets not being depreciated:				
Land	39,532	45,080	-	84,612
Capital assets being depreciated:				
Buildings and system	1,581,540	-	-	1,581,540
Equipment	167,175	170,015	-	337,190
Sewer plant	8,312,232	-	-	8,312,232
Vehicles	26,113	26,113	-	52,226
Water distribution system	-	8,492,142	-	8,492,142
Less accumulated depreciation	(4,868,373)	(4,748,808)	-	(9,617,181)
Restricted cash	<u>9,763</u>	<u>-</u>	<u>-</u>	<u>9,763</u>
Total noncurrent assets	<u>5,267,982</u>	<u>3,984,542</u>	<u>-</u>	<u>9,252,524</u>
Total assets	<u>5,866,792</u>	<u>4,307,111</u>	<u>52,137</u>	<u>10,226,040</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	<u>98,777</u>	<u>101,235</u>	<u>25,100</u>	<u>225,112</u>
Total assets and deferred outflows of resources	<u>\$ 5,965,569</u>	<u>\$ 4,408,346</u>	<u>\$ 77,237</u>	<u>\$ 10,451,152</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 25,098	\$ 3,760	\$ 1,279	\$ 30,137
Accrued wages payable	5,116	6,564	-	11,680
Accrued interests payable	15,660	11,774	-	27,434
Due to other funds	85,492	11,471	13,201	110,164
Long-term liabilities: Due within one year				
Bonds and notes payable, net	265,712	300,625	-	566,337
Capital lease payable	<u>16,592</u>	<u>16,592</u>	<u>-</u>	<u>33,184</u>
Total current liabilities	<u>413,670</u>	<u>350,786</u>	<u>14,480</u>	<u>778,936</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	2,486,068	1,935,330	-	4,421,398
Capital lease payable	23,246	23,246	-	46,492
Net pension liability	<u>194,185</u>	<u>199,018</u>	<u>38,548</u>	<u>431,751</u>
Total noncurrent liabilities	<u>2,703,499</u>	<u>2,157,594</u>	<u>38,548</u>	<u>4,899,641</u>
Total liabilities	<u>3,117,169</u>	<u>2,508,380</u>	<u>53,028</u>	<u>5,678,577</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	<u>11,647</u>	<u>11,162</u>	<u>-</u>	<u>22,809</u>
NET POSITION				
Net investment in capital assets	2,466,601	1,708,749	-	4,175,350
Restricted	9,763	-	-	9,763
Unrestricted	<u>360,389</u>	<u>180,055</u>	<u>24,209</u>	<u>564,653</u>
Total net position	<u>2,836,753</u>	<u>1,888,804</u>	<u>24,209</u>	<u>4,749,766</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,965,569</u>	<u>\$ 4,408,346</u>	<u>\$ 77,237</u>	<u>\$ 10,451,152</u>

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
OPERATING REVENUES				
Charges for services	\$ 967,931	\$ 801,518	\$ 298,711	\$ 2,068,160
Total operating revenues	<u>967,931</u>	<u>801,518</u>	<u>298,711</u>	<u>2,068,160</u>
OPERATING EXPENSES				
Personal services	304,231	248,888	49,740	602,859
Contractual and professional services	68,504	52,228	249,280	370,012
Maintenance	119,134	42,361	-	161,495
Supplies and administrative expense	67,673	67,688	8,262	143,623
Insurance premiums	14,021	14,927	-	28,948
Utilities	61,697	29,973	-	91,670
Depreciation	192,605	334,702	-	527,307
Total operating expenses	<u>827,865</u>	<u>790,767</u>	<u>307,282</u>	<u>1,925,914</u>
Operating income (loss)	<u>140,066</u>	<u>10,751</u>	<u>(8,571)</u>	<u>142,246</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	153	-	-	153
Other nonoperating revenues	886	-	-	886
Interest expense	(66,238)	(52,389)	-	(118,627)
Total nonoperating revenues (expenses)	<u>(65,199)</u>	<u>(52,389)</u>	<u>-</u>	<u>(117,588)</u>
Income (loss) before transfers	74,867	(41,638)	(8,571)	24,658
Transfers in	423,913	72,272	-	496,185
Transfers out	-	-	-	-
Change in net position	498,780	30,634	(8,571)	520,843
Total net position - beginning	<u>2,337,973</u>	<u>1,858,170</u>	<u>32,780</u>	<u>4,228,923</u>
Total net position - ending	<u>\$ 2,836,753</u>	<u>\$ 1,888,804</u>	<u>\$ 24,209</u>	<u>\$ 4,749,766</u>

BOROUGH OF ORWIGSBURG
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 941,093	\$ 776,079	\$ 298,913	\$ 2,016,085
Payments to suppliers for goods and services	(389,586)	(197,579)	(257,535)	(844,700)
Payments to and on behalf of employees	(294,990)	(254,531)	(37,147)	(586,668)
Net cash provided by operating activities	<u>256,517</u>	<u>323,969</u>	<u>4,231</u>	<u>584,717</u>
Cash flows from capital and related financing activities				
Acquisition/construction of capital assets	(399,460)	(76,237)	-	(475,697)
Principal paid on capital lease	(15,178)	(15,178)	-	(30,356)
Principal incurred on capital lease	50,514	50,514	-	101,028
Principal paid on long-term debt	(270,000)	(295,000)	-	(565,000)
Interest and capital charges on fiscal debt	(68,386)	(54,554)	-	(122,940)
Net cash used by capital and related financing activities	<u>(702,510)</u>	<u>(390,455)</u>	<u>-</u>	<u>(1,092,965)</u>
Cash flows from non-capital financing activities				
Transfer from other funds	423,913	72,272	-	496,185
Net cash provided by non-capital financing activities	<u>423,913</u>	<u>72,272</u>	<u>-</u>	<u>496,185</u>
Cash flows from investing activities				
Interest and dividend received	153	-	-	153
Net cash provided by investing activities	<u>153</u>	<u>-</u>	<u>-</u>	<u>153</u>
Net increase (decrease) in cash and cash equivalents	(21,927)	5,786	4,231	(11,910)
Cash and cash equivalents - beginning of the year	<u>357,845</u>	<u>6,354</u>	<u>30,704</u>	<u>394,903</u>
Cash and cash equivalents - end of the year	<u>\$ 335,918</u>	<u>\$ 12,140</u>	<u>\$ 34,935</u>	<u>\$ 382,993</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities				
Operating income (loss)	\$ 140,066	\$ 10,751	\$ (8,571)	\$ 142,246
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	192,605	334,702	-	527,307
Other nonoperating revenues	886	-	-	886
(Increase) decrease in:				
Accounts receivable	(27,724)	(25,439)	202	(52,961)
Due from other funds	-	12,433	-	12,433
Prepaid expenses	331	305	-	636
Increase (decrease) in:				
Accounts payable	3,329	(3,140)	7	196
Due to other funds	(85,836)	(40,174)	6,677	(119,333)
Net pension liability	32,860	34,531	5,916	73,307
Net cash provided by operating activities	<u>\$ 256,517</u>	<u>\$ 323,969</u>	<u>\$ 4,231</u>	<u>\$ 584,717</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 326,155	\$ 12,140	\$ 34,935	\$ 373,230
Restricted cash	<u>9,763</u>	<u>-</u>	<u>-</u>	<u>9,763</u>
	<u>\$ 335,918</u>	<u>\$ 12,140</u>	<u>\$ 34,935</u>	<u>\$ 382,993</u>

BOROUGH OF ORWIGSBURG

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Reporting Entity

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

- The Municipal Authority of the Borough of Orwigsburg (the “Authority”) is governed by a board appointed by Borough Council. The Authority owns 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 2019, the Borough incurred \$ 39,835 for their share of these services.

Fund Accounting

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

Governmental Funds

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

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 blended component unit Municipal Authority.

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and 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
Notes to Financial Statements

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
Recreation assets	5 - 30
Sewer plant	40
Sewer line improvements	50
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. The final budget amounts shown in the financial statements are the final authorized amount as revised during the year.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pensions

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

Classification of Revenues

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, \$ 765,034 of the Borough's bank balance of \$ 2,310,271 was covered by federal depository insurance and \$ 1,545,237 was exposed to custodial credit risk. This balance is uninsured but is collateralized by securities held by the pledging financial institution not in the Borough's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

Included in this amount is \$ 200,596 of certificates of deposit, which are classified as investments on the Statement on Net Position.

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 \$ 115,005 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, 2019, 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.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 3 TAXES

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

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

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

NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Taxes receivable are stated at the amount management expects to collect from outstanding balances. The Borough has established an allowance for uncollectible accounts based on an evaluation of historical collections. Taxes receivable in the balance sheet- governmental funds consists of the following as of December 31, 2019:

Comcast franchise fee	\$ 16,217
Earned income	79,505
Local services tax	15,425
Real estate	40,381
Occupational	2,489
Per capita	6,711
Real estate transfer	5,326
Delinquent real estate tax	1,042
Delinquent per capita	12,059
Delinquent occupational tax	4,590
Allowance for uncollectible accounts	<u>(3,000)</u>
Total taxes receivable, net	180,745
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(129,657)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 51,088</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (CONTINUED)

The Borough's allowance for doubtful accounts at December 31, 2019 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.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consist of the following at December 31, 2019:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 38,029	\$ 1,051
Proprietary Funds		
Sewer	-	85,492
Water	73,186	11,471
Sanitation	-	13,201
	<u>\$ 111,215</u>	<u>\$ 111,215</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 2019:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 20,499	\$ 317,670
Capital Reserve	317,670	516,684
Proprietary Funds		
Sewer	423,913	-
Water	72,272	-
	<u>\$ 834,354</u>	<u>\$ 834,354</u>

The transfers from the General Fund to the Capital Reserve Fund were for future capital purchases and projects. The transfers from the Capital Reserve Fund to the General, Water and Sewer Funds were for future capital projects.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 6 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Capital assets not being depreciated				
Land	\$ 216,220	\$ -	\$ -	\$ 216,220
Construction in progress	-	32,618	-	32,618
Capital assets being depreciated				
Land improvements	569,136	6,929	-	576,065
Buildings and improvements	1,459,340	9,044	-	1,468,384
Equipment	234,418	89,806	-	324,224
Recreation assets	242,991	-	-	242,991
Vehicles	397,961	49,526	-	447,487
Total cost	<u>3,120,066</u>	<u>187,923</u>	<u>-</u>	<u>3,307,989</u>
Less accumulated depreciation				
Land improvements	(118,203)	(33,239)	-	(151,442)
Building and improvements	(434,271)	(49,250)	-	(483,521)
Equipment	(98,785)	(31,595)	-	(130,380)
Recreation assets	(135,680)	(11,997)	-	(147,677)
Vehicles	(337,062)	(22,220)	-	(359,282)
Total accumulated depreciation	<u>(1,124,001)</u>	<u>(148,301)</u>	<u>-</u>	<u>(1,272,302)</u>
Capital assets, net	<u>\$ 1,996,065</u>	<u>\$ 39,622</u>	<u>\$ -</u>	<u>\$ 2,035,687</u>
Business-Type Activities				
Cost				
Capital assets not being depreciated				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	313,594	336,369	(649,963)	-
Capital assets being depreciated				
Buildings and improvements	2,610,978	659,953	-	3,270,931
Equipment	236,160	101,030	-	337,190
Sewer plant	8,315,962	-	-	8,315,962
Sewer line improvements	917,857	-	-	917,857
Vehicles	47,054	5,172	-	52,226
Water distribution system	5,858,028	23,136	-	5,881,164
Total cost	<u>18,384,245</u>	<u>1,125,660</u>	<u>(649,963)</u>	<u>18,859,942</u>
Less accumulated depreciation				
Buildings and improvements	(2,217,045)	(73,831)	-	(2,290,876)
Equipment	(62,514)	(28,963)	-	(91,477)
Sewer plant	(4,594,960)	(155,166)	-	(4,750,126)
Sewer line improvements	(47,422)	(18,357)	-	(65,779)
Vehicles	(1,568)	(9,842)	-	(11,410)
Water distribution system	(2,166,365)	(241,148)	-	(2,407,513)
Total accumulated depreciation	<u>(9,089,874)</u>	<u>(527,307)</u>	<u>-</u>	<u>(9,617,181)</u>
Capital assets, net	<u>\$ 9,294,371</u>	<u>\$ 598,353</u>	<u>\$ (649,963)</u>	<u>\$ 9,242,761</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2019 was charged as follows in the Statement of Activities:

Governmental Activities	
General Government	\$ 11,004
Highways and Streets	23,996
Public Safety	29,123
Recreation	84,178
	<u>\$ 148,301</u>
Business-Type Activities	
Sewer	\$ 192,605
Water	334,702
	<u>\$ 527,307</u>

NOTE 7 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct Borrowing						
(C) Curbs Loan	\$ 67,335	\$ -	\$ (7,937)	\$ 59,398	\$ 8,178	\$ 51,220
(D) Streets Loan	18,221	-	(18,221)	-	-	-
(E) 2018 Ford SUV Loan	30,132	-	(13,688)	16,444	14,061	2,383
(F) General Obligation Note	-	750,000	-	750,000	-	750,000
(G) 2020 Ford SUV Loan	-	34,940	-	34,940	11,272	23,668
Subtotal - notes	<u>115,688</u>	<u>784,940</u>	<u>(39,846)</u>	<u>860,782</u>	<u>33,511</u>	<u>827,271</u>
Compensated absences	<u>105,114</u>	<u>48,022</u>	<u>(9,711)</u>	<u>143,425</u>	<u>-</u>	<u>143,425</u>
Total long-term liabilities						
Governmental Activities	<u>\$ 220,802</u>	<u>\$ 832,962</u>	<u>\$ (49,557)</u>	<u>\$ 1,004,207</u>	<u>\$ 33,511</u>	<u>\$ 970,696</u>
Business-Type Activities						
Bonds						
(A) 2015 GO Bonds - Sewer	\$ 3,015,000	\$ -	\$ (270,000)	\$ 2,745,000	\$ 265,000	\$ 2,480,000
(B) 2015 GO Bonds - Water	2,525,000	-	(295,000)	2,230,000	300,000	1,930,000
Bond (Discount)/Premium	<u>14,072</u>	<u>-</u>	<u>(1,337)</u>	<u>12,735</u>	<u>1,337</u>	<u>11,398</u>
Subtotal - bonds	<u>5,554,072</u>	<u>-</u>	<u>(566,337)</u>	<u>4,987,735</u>	<u>566,337</u>	<u>4,421,398</u>
Capital lease payable	<u>9,004</u>	<u>101,030</u>	<u>(30,358)</u>	<u>79,676</u>	<u>33,184</u>	<u>46,492</u>
Total long-term liabilities						
Business-Type Activities	<u>\$ 5,563,076</u>	<u>\$ 101,030</u>	<u>\$ (596,695)</u>	<u>\$ 5,067,411</u>	<u>\$ 599,521</u>	<u>\$ 4,467,890</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

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 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.
- (D) 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. The loan was fully satisfied during the year ended December 31, 2019.
- (E) 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% 1Total monthly payments of principal and interest in the amount of \$ 1,194 are due monthly through February 21, 2021. The note is secured by the vehicle.
- (F) On December 17, 2019, the Borough secured a note from Manufacturers and Traders Trust Company in the amount of \$ 750,000. The loan is to be used to fund improvement to the Veterans Memorial Community Hall and will be repaid will grant funds received from the Commonwealth of Pennsylvania. The note bears a variable interest rate at LIBOR plus 1.413%, with a floor of 2.45% and a ceiling of 4.5%. The interest rate was 2.956% at December 31, 2019. Interest payments are to be paid quarterly starting March 15, 2020 through final maturity on December 31, 2021. The note is secured by the full faith, credit, and taxing power of the Borough as well as proceeds from the RACP Grant.
- (G) The loan bears interest at a fixed rate of 2.99%. Total monthly payments of principal and interest in the amount of \$ 1,017 are due monthly through December 27, 2022. The note is secured by the vehicle.
- (H) On December 13, 2019, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 34,940. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.99%. Total monthly payments of principal and interest in the amount of \$ 1,017 are due monthly through December 27, 2022. The note is secured by the vehicle.

Upon default of the Notes or Bond the financial institution has normal remedies as outlined in the note or bond agreements.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2019.

Governmental Activities									
Direct Borrowing									
	Curbs Loan		2018 Ford SUV Loan		General Obligation Note		2020 Ford SUV Loan		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 8,179	\$ 1,671	\$ 14,061	\$ 270	\$ -	\$ 33,750	\$ 11,272	\$ 934	
2021	8,427	1,423	2,383	5	750,000	35,250	11,657	549	
2022	8,684	1,166	-	-	-	-	12,011	195	
2023	8,948	902	-	-	-	-	-	-	
2024	9,220	630	-	-	-	-	-	-	
2025-2029	15,940	432	-	-	-	-	-	-	
	<u>\$ 59,398</u>	<u>\$ 6,224</u>	<u>\$ 16,444</u>	<u>\$ 275</u>	<u>\$ 750,000</u>	<u>\$ 69,000</u>	<u>\$ 34,940</u>	<u>\$ 1,678</u>	

Business-Type Activities						
Bonds						
	2015 GO Bond (Sewer Portion)		2015 GO Bond (Water Portion)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 265,000	\$ 62,986	\$ 300,000	\$ 47,356	\$ 598,512	\$ 146,967
2021	270,000	57,686	305,000	41,356	1,347,467	136,269
2022	275,000	52,286	310,000	35,256	605,695	88,903
2023	225,000	46,786	320,000	29,056	553,948	76,744
2024	305,000	42,286	325,000	22,656	639,220	65,572
2025-2029	1,405,000	99,875	670,000	23,910	2,090,940	124,217
	<u>\$ 2,745,000</u>	<u>\$ 361,905</u>	<u>\$ 2,230,000</u>	<u>\$ 199,590</u>	<u>\$ 5,835,782</u>	<u>\$ 638,672</u>

Capital Leases

The Borough is financing the purchase of a John Deere loader backhoe. At December 31, 2019, the leased assets have a gross capitalized value of \$ 101,030 and accumulated amortization of \$ 4,490, leaving a net book value of \$ 96,540 that is included in capital assets. Amortization expense of \$ 4,490 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2019, is as follows:

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
2020	\$ 17,964	\$ 17,964	\$ 35,928
2021	17,964	17,964	35,928
2022	5,989	5,988	11,977
Amount representing interest	(2,079)	(2,078)	(4,157)
	<u>\$ 39,838</u>	<u>\$ 39,838</u>	<u>\$ 79,676</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.

NOTE 8 PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Plan Description (Continued)

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.

Plan Membership

At January 1, 2018, the date of the latest valuation, Plan membership consisted of:

	Police	Non-Uniform
Inactive employees or beneficiaries currently receiving benefits	2	8
Inactive employees entitled to but not yet receiving benefits	0	1
Active employees	5	7
Total Membership	7	16

Benefits Provided

Police

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

Non-Uniform

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

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

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	\$ -	\$ 134,987
Contributions made - employer	-	134,987

Net Pension (Asset) Liability

The Borough’s net pension (asset)/liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of January 1, 2018. The components of the Borough’s net pension (asset)/liability are as follows at December 31, 2019:

	Police	Non-Uniform	Total
Total Pension Liability	\$ 1,429,816	\$ 2,324,100	\$ 3,753,916
Plan Fiduciary Net Position	<u>2,302,808</u>	<u>1,682,436</u>	<u>3,985,244</u>
Net Pension (Asset)/Liability	<u>\$ (872,992)</u>	<u>\$ 641,664</u>	<u>\$ (231,328)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability	161.06%	72.39%	106.16%

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

Changes in the Net Pension (Asset)/Liability

The changes in the Authority's net pension (asset)/liability are as follows for the year ended December 31, 2019:

	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	\$ 1,278,785	\$ 2,473,526	\$ (1,194,741)	\$ 2,056,067	\$ 1,755,336	\$ 300,731
Changes for the year:						
Service cost	61,773	-	61,773	82,524	-	82,524
Interest	69,446	-	69,446	109,884	-	109,884
Changes of benefits	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Differences between expected and actual experience	55,835	-	55,835	167,916	-	167,916
Contributions - employer	-	-	-	-	94,834	(94,834)
Contributions - PMRS assessment	-	-	-	-	340	(340)
Contributions - member	-	-	-	-	-	-
PMRS investment income	-	128,314	(128,314)	-	85,654	(85,654)
Market value investment income	-	(257,163)	257,163	-	(157,275)	157,275
Transfers	-	-	-	-	-	-
Benefit payments	(36,023)	(36,023)	-	(92,291)	(92,291)	-
PMRS administrative expense	-	(120)	120	-	(340)	340
Additional administrative expense	-	(5,726)	5,726	-	(3,822)	3,822
Net changes	<u>\$ 151,031</u>	<u>\$ (170,718)</u>	<u>\$ 321,749</u>	<u>\$ 268,033</u>	<u>\$ (72,900)</u>	<u>\$ 340,933</u>
Ending Balance	<u>\$ 1,429,816</u>	<u>\$ 2,302,808</u>	<u>\$ (872,992)</u>	<u>\$ 2,324,100</u>	<u>\$ 1,682,436</u>	<u>\$ 641,664</u>

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2018 using the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2018
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, 2018 valuation were based on the PMRS Experience Study for the period completed in 2015.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

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%	4.6%
Domestic Equities (small capitalized firms)	15.0%	7.3%
International Equities (developed markets)	15.0%	3.5%
International Equities (emerging markets)	10.0%	8.3%
Real Estate	20.0%	5.4%
Fixed income	15.0%	1.1%
Total Portfolio	100.0%	4.8%

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	\$ (669,694)	\$ (872,992)	\$ (1,040,018)
Non-Uniform pension plan	957,705	641,664	379,784

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

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

For the year ended December 31, 2019, the Borough recognized pension expense of \$ 243,571. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Police Pension Plan</u>		<u>Non-Uniform Pension Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,859	\$ 99,970	\$ 147,042	\$ -	\$ 194,901	\$ 99,970
Changes in assumptions	20,410	3,783	17,851	-	38,261	3,783
Net difference between projected and actual earnings on pension plan investments	53,575	-	26,517	-	80,092	-
Changes in proportions - governmental activities/business-type activities	-	-	22,809	22,809	22,809	22,809
Contributions subsequent to the measurement date	20	-	134,987	-	135,007	-
Total	<u>\$ 121,864</u>	<u>\$ 103,753</u>	<u>\$ 349,206</u>	<u>\$ 22,809</u>	<u>\$ 471,070</u>	<u>\$ 126,562</u>

The \$ 135,007 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, 2019. 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:

	<u>Police Pension Plan</u>	<u>Non-Uniform Pension Plan</u>	<u>Total</u>
Year Ended December 31:			
2020	\$ 5,216	\$ 89,373	\$ 94,589
2021	(20,143)	33,957	13,814
2022	(9,756)	36,625	26,869
2023	42,490	31,455	73,945
2024	(7,068)	-	(7,068)
Thereafter	7,352	-	7,352
	<u>\$ 18,091</u>	<u>\$ 191,410</u>	<u>\$ 209,501</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, 2018 who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$ 500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. A retiree hired prior to January 1, 2009 may use the reimbursement for his and/or his spouse's coverage. A retiree hired between January 1, 2009 and December 31, 2016 may only apply the \$ 500 toward his own coverage (not the spouse's). Retirees are responsible for the charged premium in excess of \$ 500 per month. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has no retirees receiving benefits as of January 1, 2018.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan Membership

Membership in the Plan consisted of the following at January 1, 2018, the date of the latest actuarial valuation:

Active participants	3
Vested former participants	-
Retired participants	-
	<u>3</u>
	<u>3</u>

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

The Borough's total OPEB liability was measured as of January 1, 2018 based on the actuarial assumptions in the January 1, 2018 valuation. No assets are accumulated in a trust that meets the criteria of GASB standards. At December 31, 2019, the Borough reported a total OPEB liability of \$ 50,850. As of December 31, 2019, the Borough reported no deferred inflows or outflows of resources.

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

For the year ended December 31, 2019, the Borough recognized OPEB expense of \$ 3,382.

Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning Balance	\$ 47,520
Changes for the year:	
Service cost	1,781
Interest	1,601
Changes in assumption	-
Benefit payments	<u>(52)</u>
Net changes	<u>3,330</u>
Ending Balance	<u>\$ 50,850</u>

Actuarial Methods and Assumptions

The total OPEB liability was determined based on an actuarial valuation dated January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.25%

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are calculated at 2.75%.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled live.
Mortality Improvement	Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
Withdrawal	None assumed.
Retirement Age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.

Discount Rate

The discount rate used to measure the OPEB liability was 3.25% for the Plan. The Plan is not funded, therefore, a rate similar to the S&P 20 year tax-exempt general obligation municipal bond rate of is used as the applicable discount rate.

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

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

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total OPEB Liability	\$ 54,595	\$ 50,850	\$ 47,472

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

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 Reserve Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable				
Prepays	\$ 8,114	\$ -	\$ -	\$ 8,114
Total nonspendable	<u>8,114</u>	<u>-</u>	<u>-</u>	<u>8,114</u>
Restricted				
Capital projects	750,000	819,462	-	1,569,462
Future road projects/equipment	-	-	178,933	178,933
Parks and recreation	3,475	-	-	3,475
Police department	<u>2,696</u>	<u>-</u>	<u>-</u>	<u>2,696</u>
Total restricted	<u>756,171</u>	<u>819,462</u>	<u>178,933</u>	<u>1,754,566</u>
Committed				
Future OPEB costs	<u>102,266</u>	<u>-</u>	<u>-</u>	<u>102,266</u>
Total committed	<u>102,266</u>	<u>-</u>	<u>-</u>	<u>102,266</u>
Unassigned				
	<u>238,821</u>	<u>-</u>	<u>-</u>	<u>238,821</u>
Total fund balances	<u>\$ 1,105,372</u>	<u>\$ 819,462</u>	<u>\$ 178,933</u>	<u>\$ 2,103,767</u>

Net position is restricted for the following purposes at December 31, 2019:

Restricted for:

Governmental activities (see above)	\$ 1,754,566
Future capital improvements	<u>9,763</u>
	<u>\$ 1,764,329</u>

NOTE 11 RENTAL INCOME

The Borough has a long-term lease for the use of office space within Borough Hall. The Borough had total rental income of \$ 24,872 under the lease for the year ended December 31, 2019. The future amounts to be received under the current noncancelable terms of the lease for the next two years are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 25,320
2021	<u>6,376</u>
	<u>\$ 31,696</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 12 RISK MANAGEMENT

In conjunction with its normal operations, the Borough is exposed to various risks related to the damage or destruction of its assets from both natural and manmade occurrences, tort liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Borough carries various insurance policies to reduce the overall exposure of risks to the Borough. There were no settlements in excess of insurance coverage in 2019.

NOTE 13 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 14 RELATED PARTY TRANSACTIONS

Operating Lease

A lease with the Municipal Authority was effective May 20, 2015 through October 31, 2029, or upon earlier retirement of the Series of 2015 Bonds. Terms of the lease required monthly payments to the Borough of \$ 4,200 for payment of the Authority's administrative expenses. The Municipal Authority's activity is included in Sewer Fund on the fund financial statements and included in business-type activities of the government-wide statements. Therefore, there is no effect on the financial statements because the activity is eliminated when the Authority and Sewer Fund are recorded together.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 1,173,915	\$ 1,173,915	\$ 1,355,274	\$ 181,359
Licenses and permits	63,250	63,250	65,134	1,884
Local support	-	-	12,000	12,000
Fines and forfeits	12,500	12,500	22,667	10,167
Interest earnings	70	70	2,249	2,179
Rents	60,850	60,850	60,704	(146)
Intergovernmental	103,250	103,250	133,963	30,713
Charges for services	32,055	32,055	29,924	(2,131)
Miscellaneous	1,700	1,700	2,976	1,276
Total revenues	<u>1,447,590</u>	<u>1,447,590</u>	<u>1,684,891</u>	<u>237,301</u>
EXPENDITURES				
General government	328,904	336,947	276,114	60,833
Public safety	823,621	831,734	843,587	(11,853)
Public works	168,974	173,140	144,253	28,887
Culture and recreation	164,241	170,256	182,509	(12,253)
Debt service	41,850	41,850	24,182	17,668
Total expenditures	<u>1,527,590</u>	<u>1,553,927</u>	<u>1,470,645</u>	<u>83,282</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(106,337)</u>	<u>214,246</u>	<u>320,583</u>
OTHER FINANCING SOURCES (USES)				
Issues of long term debt	-	-	784,940	784,940
Transfers in (out)	-	-	(297,171)	(297,171)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>487,769</u>	<u>487,769</u>
Net change in fund balances	<u>\$ (80,000)</u>	<u>\$ (106,337)</u>	<u>\$ 702,015</u>	<u>\$ 808,352</u>

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

Police Pension Plan	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 61,773	\$ 47,043	\$ 30,197	\$ 38,967	\$ 53,735
Interest	69,446	67,070	68,175	63,375	65,566
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experiences	55,835	-	(48,820)	-	(144,148)
Changes of assumptions	-	-	35,717	(6,305)	-
Benefit payments, including refunds of employee contributions	(36,023)	(129,937)	-	-	(442)
Net change in total pension liability	151,031	(15,824)	85,269	96,037	(25,289)
Total pension liability - beginning	1,278,785	1,294,609	1,209,340	1,113,303	1,138,592
Total pension liability - ending (a)	\$ 1,429,816	\$ 1,278,785	\$ 1,294,609	\$ 1,209,340	\$ 1,113,303
Plan fiduciary net position					
Contributions - employer	\$ -	\$ 40	\$ -	\$ -	\$ 462
Contributions - employee	-	-	-	-	-
Net investment income	(128,849)	378,938	170,592	(12,667)	97,384
Benefit payments, including refunds of employee contributions	(36,023)	(129,937)	-	-	(442)
Administrative expense	(5,846)	(5,513)	(5,914)	(4,858)	(4,265)
Net change in plan fiduciary net position	(170,718)	243,528	164,678	(17,525)	93,139
Plan fiduciary net position - beginning	2,473,526	2,229,998	2,065,320	2,082,845	1,989,706
Plan fiduciary net position - ending (b)	\$ 2,302,808	\$ 2,473,526	\$ 2,229,998	\$ 2,065,320	\$ 2,082,845
Borough's net position (asset)/liability - ending (a-b)	\$ (872,992)	\$ (1,194,741)	\$ (935,389)	\$ (855,980)	\$ (969,542)
Plan fiduciary net position as a percentage of the total pension liability	161.1%	193.4%	172.3%	170.8%	187.1%
Covered payroll	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Borough's net pension (asset) liability as a percentage of covered payroll	(227.7)%	(409.2)%	(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	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 82,524	\$ 61,181	\$ 58,865	\$ 56,130	\$ 67,849
Interest	109,884	104,844	98,072	93,482	90,445
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experiences	167,916	-	84,419	-	(14,351)
Changes of assumptions	-	-	59,118	15,359	-
Benefit payments, including refunds of employee contributions	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Net change in total pension liability	268,033	75,579	213,141	83,728	71,058
Total pension liability - beginning	2,056,067	1,980,488	1,767,347	1,683,619	1,612,561
Total pension liability - ending (a)	\$ 2,324,100	\$ 2,056,067	\$ 1,980,488	\$ 1,767,347	\$ 1,683,619
Plan fiduciary net position					
Contributions - employer	\$ 95,174	\$ 89,766	\$ 87,598	\$ 93,899	\$ 92,743
Contributions - employee	-	-	-	-	-
Contributions - PMRS assessment	-	-	-	320	-
Net investment income	(71,621)	265,212	93,888	(18,929)	(70,014)
Benefit payments, including refunds of employee contributions	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Administrative expenses	(4,162)	(4,072)	(4,286)	(2,962)	(3,419)
Net change in plan fiduciary net position	(72,900)	260,460	89,867	(8,915)	(53,575)
Plan fiduciary net position - beginning	1,755,336	1,494,876	1,405,009	1,413,924	1,467,499
Plan fiduciary net position - ending (b)	\$ 1,682,436	\$ 1,755,336	\$ 1,494,876	\$ 1,405,009	\$ 1,413,924
Borough's net position liability - ending (a-b)	\$ 641,664	\$ 300,731	\$ 485,612	\$ 362,338	\$ 269,695
Plan fiduciary net position as a percentage of the total pension liability	72.4%	85.4%	75.5%	79.5%	84.0%
Covered payroll	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Borough's net pension liability as a percentage of covered payroll	159.4%	100.8%	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	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	20	-	-	-	-	462
Contribution excess (deficiency)	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (462)</u>
Covered payroll	\$ 215,701	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Contributions as a percentage of covered payroll	0.01%	0.00%	0.00%	0.00%	0.00%	0.17%
Non-Uniform	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 134,987	\$ 95,174	\$ 89,726	\$ 87,578	\$ 94,219	\$ 92,683
Contribution in relation to the actuarially determined contributions	134,987	95,174	89,766	87,598	94,219	92,743
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ (60)</u>
Covered payroll	\$ 277,953	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Contributions as a percentage of covered payroll	48.56%	23.65%	30.08%	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	2.80%
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 Changes in Total OPEB Liability and Related Ratios (Unaudited)
Last 10 Fiscal Years

Other Postemployment Benefit Plan	2019	2018
Total OPEB liability		
Service cost	\$ 1,781	\$ 1,733
Interest	1,601	1,496
Changes of benefit terms	-	-
Differences between expected and actual experiences	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(52)	(25)
Net change in total OPEB liability	3,330	3,204
Total OPEB liability - beginning	47,520	44,316
Total OPEB liability - ending	<u>\$ 50,850</u>	<u>\$ 47,520</u>
Covered payroll	\$ 225,988	\$ 225,988
Borough's net OPEB liability as a percentage of covered payroll	22.5%	21.0%

NOTES

Methods and Assumptions used to Determine Total OPEB Liability:

Actuarial cost method	Entry age normal
Investment rate of return	3.25%
Salary	2.75%
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled live.
Mortality improvement	Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
Withdrawal	None assumed
Retirement age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.

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

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Combining Statement of Net Position – Sewer Fund and Municipal Authority
December 31, 2019

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 185,748	\$ 140,407	\$ -	\$ 326,155
Accounts receivable, net	269,288	-	-	269,288
Prepaid expenses	3,367	-	-	3,367
Total assets	<u>458,403</u>	<u>140,407</u>	<u>-</u>	<u>598,810</u>
Noncurrent assets				
Capital assets not being depreciated:				
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	1,581,540	-	-	1,581,540
Equipment	167,175	-	-	167,175
Sewer plant	-	8,312,232	-	8,312,232
Vehicles	26,113	-	-	26,113
Less accumulated depreciation	(119,243)	(4,749,130)	-	(4,868,373)
Restricted cash	9,763	-	-	9,763
Total noncurrent assets	<u>1,665,348</u>	<u>3,602,634</u>	<u>-</u>	<u>5,267,982</u>
Total assets	<u>2,123,751</u>	<u>3,743,041</u>	<u>-</u>	<u>5,866,792</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	98,777	-	-	98,777
Total assets and deferred outflows of resources	<u>\$ 2,222,528</u>	<u>\$ 3,743,041</u>	<u>\$ -</u>	<u>\$ 5,965,569</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 25,098	\$ -	\$ -	\$ 25,098
Accrued wages payable	5,116	-	-	5,116
Accrued interest payable	15,660	-	-	15,660
Due to other funds	85,492	-	-	85,492
Long-term liabilities: Due within one year				
Bonds and notes payable, net	265,712	-	-	265,712
Capital lease payable	16,592	-	-	16,592
Total current liabilities	<u>413,670</u>	<u>-</u>	<u>-</u>	<u>413,670</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	2,486,068	-	-	2,486,068
Capital lease payable	23,246	-	-	23,246
Net pension liability	194,185	-	-	194,185
Total noncurrent liabilities	<u>2,703,499</u>	<u>-</u>	<u>-</u>	<u>2,703,499</u>
Total liabilities	<u>3,117,169</u>	<u>-</u>	<u>-</u>	<u>3,117,169</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	11,647	-	-	11,647
NET POSITION				
Net investment in capital assets	(1,112,787)	3,602,634	-	2,489,847
Restricted	9,763	-	-	9,763
Unrestricted	196,736	140,407	-	337,143
Total net position	<u>(906,288)</u>	<u>3,743,041</u>	<u>-</u>	<u>2,836,753</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,222,528</u>	<u>\$ 3,743,041</u>	<u>\$ -</u>	<u>\$ 5,965,569</u>

BOROUGH OF ORWIGSBURG
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Sewer
Fund and Municipal Authority
Year Ended December 31, 2019

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
OPERATING REVENUES				
Charges for services	\$ 967,931	\$ -	\$ -	\$ 967,931
Total operating revenues	<u>967,931</u>	<u>-</u>	<u>-</u>	<u>967,931</u>
OPERATING EXPENSES				
Personal services	242,014	62,217	-	304,231
Contractual and professional services	53,084	15,420	-	68,504
Maintenance	119,134	-	-	119,134
Supplies	67,673	-	-	67,673
Insurance premiums	14,021	-	-	14,021
Utilities	61,697	-	-	61,697
Depreciation	37,688	154,917	-	192,605
Total operating expenses	<u>595,311</u>	<u>232,554</u>	<u>-</u>	<u>827,865</u>
Operating income (loss)	<u>372,620</u>	<u>(232,554)</u>	<u>-</u>	<u>140,066</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	84	69	-	153
Other nonoperating revenues	-	886	-	886
Intergovernmental revenues (expenses)	(50,400)	50,400	-	-
Interest expense	(66,238)	-	-	(66,238)
Total nonoperating revenues (expenses)	<u>(116,554)</u>	<u>51,355</u>	<u>-</u>	<u>(65,199)</u>
Income (loss) before transfers	256,066	(181,199)	-	74,867
Transfers in	423,913	-	-	423,913
Transfers out	-	-	-	-
Change in net position	679,979	(181,199)	-	498,780
Total net position - beginning	<u>(1,586,267)</u>	<u>3,924,240</u>	<u>-</u>	<u>2,337,973</u>
Total net position - ending	<u>\$ (906,288)</u>	<u>\$ 3,743,041</u>	<u>\$ -</u>	<u>\$ 2,836,753</u>