

Audited  
Financial  
Statements

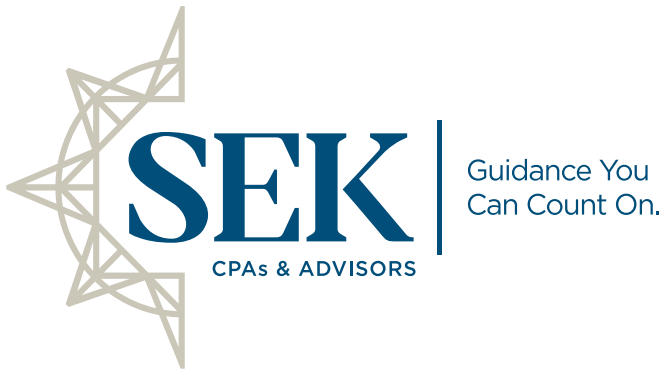
December 31,  
2020

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# 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, 2020, 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 opinion.

## ***BASIS FOR QUALIFIED OPINION***

As explained in Notes 1 and 8 to the financial statements, the pension asset (liability) and the deferred inflow of resources, deferred outflow of resources and expenses related to pension asset (liability) for Borough of Orwigsburg are not properly recorded in the financial statements. Accounting principles generally accepted in the United States of American require the pension asset (liability) and related deferred inflow of resources and deferred outflow of resources to be measured based on a date no earlier than the end of the employer's prior fiscal year. The effects on the accompanying financial statements of the failure to use the proper measurement date for the pension asset (liability) and related deferred inflow of resources and deferred outflow of resources have not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of not properly recording the pension asset (liability) and related deferred inflows of resources and deferred outflows of resources as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Borough of Orwigsburg, as of December 31, 2020, and the changes in its financial position and its cash flows 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 40 through 44 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 45 - 46 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.

*Smith Elliott Hearn & Company LLC*

Carlisle, Pennsylvania  
April 27, 2021

**BOROUGH OF ORWIGSBURG**  
**Statement of Net Position**  
**December 31, 2020**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,297,288	\$ 588,015	\$ 1,885,303
Accounts receivable, net of allowance	190,732	495,812	686,544
Escrow receivable	4,208	-	4,208
Internal balances	5,633	(5,633)	-
Prepaid expenses	7,635	7,145	14,780
Total current assets	<u>1,505,496</u>	<u>1,085,339</u>	<u>2,590,835</u>
<b>Noncurrent assets</b>			
Capital assets not being depreciated			
Land	291,228	84,612	375,840
Construction in progress	39,856	112,819	152,675
Capital assets net of accumulated depreciation			
Buildings and improvements	935,512	920,399	1,855,911
Land improvements	391,383	-	391,383
Equipment	199,354	237,076	436,430
Recreation assets	117,344	-	117,344
Sewer plant	-	3,410,671	3,410,671
Sewer line improvements	-	833,721	833,721
Vehicles	58,555	30,370	88,925
Water distribution system	-	3,303,371	3,303,371
Restricted cash	-	6,419,333	6,419,333
Net pension asset	872,992	-	872,992
Total noncurrent assets	<u>2,906,224</u>	<u>15,352,372</u>	<u>18,258,596</u>
Total assets	<u>4,411,720</u>	<u>16,437,711</u>	<u>20,849,431</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension asset/liability	245,958	225,112	471,070
Deferred outflows related to OPEB liability	989	-	989
Total deferred outflows of resources	<u>246,947</u>	<u>225,112</u>	<u>472,059</u>
Total assets and deferred outflows of resources	<u>\$ 4,658,667</u>	<u>\$ 16,662,823</u>	<u>\$ 21,321,490</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 37,854	\$ 117,433	\$ 155,287
Accrued payroll withholdings	29,645	12,292	41,937
Accrued interest payable	4,807	85,225	90,032
Escrow payable	7,083	-	7,083
Long-term liabilities: Due within one year			
Bonds and notes payable, net	22,195	270,719	292,914
Capital lease payable	-	34,622	34,622
Compensated absences	25,427	-	25,427
Total current liabilities	<u>127,011</u>	<u>520,291</u>	<u>647,302</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	55,072	10,940,719	10,995,791
Capital lease payable	-	11,870	11,870
Compensated absences	161,779	-	161,779
Net pension liability	209,913	431,751	641,664
Total OPEB liability	<u>58,256</u>	<u>-</u>	<u>58,256</u>
Total noncurrent liabilities	<u>485,020</u>	<u>11,384,340</u>	<u>11,869,360</u>
Total liabilities	<u>612,031</u>	<u>11,904,631</u>	<u>12,516,662</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension asset/liability	103,753	22,809	126,562
Deferred inflow related to OPEB liability	2,692	-	2,692
Total deferred inflows of resources	<u>106,445</u>	<u>22,809</u>	<u>129,254</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,955,965	4,094,442	6,050,407
Restricted	1,124,950	-	1,124,950
Unrestricted	859,276	640,941	1,500,217
Total Net Position	<u>3,940,191</u>	<u>4,735,383</u>	<u>8,675,574</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,658,667</u>	<u>\$ 16,662,823</u>	<u>\$ 21,321,490</u>

**BOROUGH OF ORWIGSBURG**  
**Statement of Activities**  
**Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government</b>							
Governmental activities							
General government	\$ 346,426	\$ 137,517	\$ 93,553	\$ -	\$ (115,356)	\$ -	\$ (115,356)
Public safety	885,499	31,319	44,352	-	(809,828)	-	(809,828)
Public works - highways	549,458	9,561	113,961	-	(425,936)	-	(425,936)
Culture and recreation	202,355	300	-	-	(202,055)	-	(202,055)
Interest expense	24,553	-	-	-	(24,553)	-	(24,553)
Total governmental activities	<u>2,008,291</u>	<u>178,697</u>	<u>251,866</u>	<u>-</u>	<u>(1,577,728)</u>	<u>-</u>	<u>(1,577,728)</u>
Business-type activities							
Water	709,775	780,278	-	-	-	70,503	70,503
Sewer	1,092,671	913,564	-	-	-	(179,107)	(179,107)
Sanitation	286,540	321,538	-	-	-	34,998	34,998
Total business-type activities	<u>2,088,986</u>	<u>2,015,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,606)</u>	<u>(73,606)</u>
Total primary government	<u>\$ 4,097,277</u>	<u>\$ 2,194,077</u>	<u>\$ 251,866</u>	<u>\$ -</u>	<u>(1,577,728)</u>	<u>(73,606)</u>	<u>(1,651,334)</u>
<b>General revenues and transfers:</b>							
Taxes:							
Property taxes, levied for general purposes					755,179	-	755,179
Real estate transfer tax					70,568	-	70,568
Earned income tax					409,295	-	409,295
Other taxes					88,503	-	88,503
Investment earnings					2,762	3,261	6,023
Miscellaneous income					3,644	2,422	6,066
Tap-in fees					6,919	-	6,919
Gain on sale of capital asset					293,820	-	293,820
Transfers					(53,540)	53,540	-
Total general revenues and transfers					<u>1,577,150</u>	<u>59,223</u>	<u>1,636,373</u>
Change in net position					(578)	(14,383)	(14,961)
Net position - beginning					<u>3,940,769</u>	<u>4,749,766</u>	<u>8,690,535</u>
Net position - ending					<u>\$ 3,940,191</u>	<u>\$ 4,735,383</u>	<u>\$ 8,675,574</u>

**BOROUGH OF ORWIGSBURG**  
**Balance Sheet – Governmental Funds**  
**December 31, 2020**

	General Fund	Capital Reserve Fund	Liquid Fuels Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 191,747	\$ 1,101,064	\$ 4,477	\$ 1,297,288
Taxes receivable, net	190,732	-	-	190,732
Escrows receivable	4,208	-	-	4,208
Due from other funds	21,780	12,000	-	33,780
Prepaid items	7,635	-	-	7,635
Total assets	<u>\$ 416,102</u>	<u>\$ 1,113,064</u>	<u>\$ 4,477</u>	<u>\$ 1,533,643</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 37,854	\$ -	\$ -	\$ 37,854
Due to other funds	28,147	-	-	28,147
Escrows payable	7,083	-	-	7,083
Accrued interest	4,807	-	-	4,807
Accrued wages, benefits and withholdings	29,645	-	-	29,645
Total liabilities	<u>107,536</u>	<u>-</u>	<u>-</u>	<u>107,536</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	<u>49,242</u>	<u>-</u>	<u>-</u>	<u>49,242</u>
<b>FUND BALANCES</b>				
Nonspendable	7,635	-	-	7,635
Restricted	7,409	1,113,064	4,477	1,124,950
Committed	102,753	-	-	102,753
Unassigned	141,527	-	-	141,527
Total fund balances	<u>259,324</u>	<u>1,113,064</u>	<u>4,477</u>	<u>1,376,865</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 416,102</u>	<u>\$ 1,113,064</u>	<u>\$ 4,477</u>	<u>\$ 1,533,643</u>



**BOROUGH OF ORWIGSBURG**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2020**

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**Total fund balance - governmental funds** \$ 1,376,865

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	3,465,173	
Accumulated depreciation	<u>(1,431,941)</u>	
		2,033,232

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. 49,242

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	(77,267)	
Compensated absences	(187,206)	
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>(58,256)</u>	
		482,555

**Total net position - governmental activities** \$ 3,941,894

**BOROUGH OF ORWIGSBURG**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended December 31, 2020**

	General Fund	Capital Reserve Fund	Liquid Fuels Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,324,062	\$ -	\$ -	\$ 1,324,062
Licenses and permits	68,391	-	-	68,391
Local support	2,024	-	-	2,024
Fines and forfeits	18,873	-	-	18,873
Interest and rents	55,677	2,053	72	57,802
Intergovernmental	116,410	-	113,961	230,371
Charges for services	35,993	6,919	-	42,912
Miscellaneous	24,844	-	-	24,844
Total revenues	<u>1,646,274</u>	<u>8,972</u>	<u>114,033</u>	<u>1,769,279</u>
<b>EXPENDITURES</b>				
General government	297,002	392	-	297,394
Public safety				
Police department	671,606	11,171	-	682,777
Emergency services	58,100	-	-	58,100
Planning and zoning	89,957	-	-	89,957
Public works				
Highways	250,355	118,721	288,489	657,565
Other	12,681	-	-	12,681
Culture and recreation	129,919	-	-	129,919
Debt service	808,068	-	-	808,068
Total expenditures	<u>2,317,688</u>	<u>130,284</u>	<u>288,489</u>	<u>2,736,461</u>
Excess (deficiency) of revenues over expenditures	<u>(671,414)</u>	<u>(121,312)</u>	<u>(174,456)</u>	<u>(967,182)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	293,820	-	293,820
Transfers in	-	174,634	-	174,634
Transfers out	<u>(174,634)</u>	<u>(53,540)</u>	<u>-</u>	<u>(228,174)</u>
Total other financing sources (uses)	<u>(174,634)</u>	<u>414,914</u>	<u>-</u>	<u>240,280</u>
Net change in fund balances	(846,048)	293,602	(174,456)	(726,902)
Fund balances - beginning	<u>1,105,372</u>	<u>819,462</u>	<u>178,933</u>	<u>2,103,767</u>
Fund balances - ending	<u>\$ 259,324</u>	<u>\$ 1,113,064</u>	<u>\$ 4,477</u>	<u>\$ 1,376,865</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, 2020**

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**Net change in fund balances - total governmental funds** \$ (726,902)

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	(159,639)	
Capital outlays	<u>157,184</u>	(2,455)

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. (1,846)

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:

Repayment of long term obligations		783,515
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Total OPEB liability	(9,109)	
Compensated absences	<u>(43,781)</u>	<u>(52,890)</u>

**Change in net position - governmental activities** \$ (578)

**BOROUGH OF ORWIGSBURG**  
**Statement of Net Position – Proprietary Funds**  
**December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Sanitation</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 324,856	\$ 206,982	\$ 56,177	\$ 588,015
Accounts receivable, net	258,429	223,080	14,303	495,812
Due from other funds	-	41,462	2,136	43,598
Prepaid expenses	3,304	3,341	500	7,145
Total assets	<u>586,589</u>	<u>474,865</u>	<u>73,116</u>	<u>1,134,570</u>
<b>Noncurrent assets</b>				
Capital assets not being depreciated:				
Construction in progress	112,819	-	-	112,819
Land	39,532	45,080	-	84,612
Capital assets being depreciated:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	190,325	170,015	-	360,340
Sewer plant	8,312,232	-	-	8,312,232
Vehicles	26,113	26,113	-	52,226
Water distribution system	-	8,499,144	-	8,499,144
Less accumulated depreciation	(5,080,738)	(5,019,526)	-	(10,100,264)
Restricted cash	6,419,333	-	-	6,419,333
Total noncurrent assets	<u>11,631,546</u>	<u>3,720,826</u>	<u>-</u>	<u>15,352,372</u>
Total assets	<u>12,218,135</u>	<u>4,195,691</u>	<u>73,116</u>	<u>16,486,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	98,777	101,235	25,100	225,112
Total assets and deferred outflows of resources	<u>\$ 12,316,912</u>	<u>\$ 4,296,926</u>	<u>\$ 98,216</u>	<u>\$ 16,712,054</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 105,849	\$ 11,123	\$ 461	\$ 117,433
Accrued wages payable	6,671	5,621	-	12,292
Accrued interests payable	73,728	11,497	-	85,225
Due to other funds	49,231	-	-	49,231
Long-term liabilities: Due within one year				
Bonds and notes payable, net	160,009	110,710	-	270,719
Capital lease payable	17,311	17,311	-	34,622
Total current liabilities	<u>412,799</u>	<u>156,262</u>	<u>461</u>	<u>569,522</u>
<b>Noncurrent liabilities</b>				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	8,967,816	1,972,903	-	10,940,719
Capital lease payable	5,935	5,935	-	11,870
Net pension liability	194,185	199,018	38,548	431,751
Total noncurrent liabilities	<u>9,167,936</u>	<u>2,177,856</u>	<u>38,548</u>	<u>11,384,340</u>
Total liabilities	<u>9,580,735</u>	<u>2,334,118</u>	<u>39,009</u>	<u>11,953,862</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	11,647	11,162	-	22,809
<b>NET POSITION</b>				
Net investment in capital assets	2,480,475	1,613,967	-	4,094,442
Unrestricted	244,055	337,679	59,207	640,941
Total net position	<u>2,724,530</u>	<u>1,951,646</u>	<u>59,207</u>	<u>4,735,383</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,316,912</u>	<u>\$ 4,296,926</u>	<u>\$ 98,216</u>	<u>\$ 16,712,054</u>

**BOROUGH OF ORWIGSBURG**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Proprietary Funds**  
**Year Ended December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Sanitation</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 913,564	\$ 780,278	\$ 321,538	\$ 2,015,380
Total operating revenues	<u>913,564</u>	<u>780,278</u>	<u>321,538</u>	<u>2,015,380</u>
<b>OPERATING EXPENSES</b>				
Personal services	222,856	197,179	31,954	451,989
Contractual and professional services	147,448	50,552	247,528	445,528
Maintenance	73,110	41,607	-	114,717
Supplies and administrative expense	59,094	51,555	7,058	117,707
Insurance premiums	14,462	14,892	-	29,354
Utilities	54,927	34,670	-	89,597
Depreciation	212,365	270,718	-	483,083
Total operating expenses	<u>784,262</u>	<u>661,173</u>	<u>286,540</u>	<u>1,731,975</u>
Operating income (loss)	<u>129,302</u>	<u>119,105</u>	<u>34,998</u>	<u>283,405</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	3,261	-	-	3,261
Other nonoperating revenues	918	1,504	-	2,422
Interest expense	(308,409)	(48,602)	-	(357,011)
Total nonoperating revenues (expenses)	<u>(304,230)</u>	<u>(47,098)</u>	<u>-</u>	<u>(351,328)</u>
Income (loss) before transfers	(174,928)	72,007	34,998	(67,923)
Transfers in	174,482	111,777	-	286,259
Transfers out	(111,777)	(120,942)	-	(232,719)
Change in net position	(112,223)	62,842	34,998	(14,383)
Total net position - beginning	<u>2,836,753</u>	<u>1,888,804</u>	<u>24,209</u>	<u>4,749,766</u>
Total net position - ending	<u>\$ 2,724,530</u>	<u>\$ 1,951,646</u>	<u>\$ 59,207</u>	<u>\$ 4,735,383</u>

**BOROUGH OF ORWIGSBURG**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Sanitation</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 925,341	\$ 792,503	\$ 323,937	\$ 2,041,781
Payments to suppliers for goods and services	(281,878)	(154,088)	(257,794)	(693,760)
Payments to and on behalf of employees	(243,911)	(209,593)	(44,901)	(498,405)
Net cash provided by operating activities	<u>399,552</u>	<u>428,822</u>	<u>21,242</u>	<u>849,616</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition/construction of capital assets	(166,359)	(7,002)	-	(173,361)
Principal paid on capital lease	(16,592)	(16,592)	-	(33,184)
Proceeds from issuance of debt	9,389,295	2,292,435	-	11,681,730
Principal paid on long-term debt	(2,998,000)	(2,437,000)	-	(5,435,000)
Interest and capital charges on fiscal debt	(265,591)	(56,656)	-	(322,247)
Net cash provided (used) by capital and related financing activities	<u>5,942,753</u>	<u>(224,815)</u>	<u>-</u>	<u>5,717,938</u>
<b>Cash flows from non-capital financing activities</b>				
Transfer to other funds	(111,777)	(120,942)	-	(232,719)
Transfer from other funds	174,482	111,777	-	286,259
Net cash provided (used) by non-capital financing activities	<u>62,705</u>	<u>(9,165)</u>	<u>-</u>	<u>53,540</u>
<b>Cash flows from investing activities</b>				
Interest and dividend received	3,261	-	-	3,261
Net cash provided by investing activities	<u>3,261</u>	<u>-</u>	<u>-</u>	<u>3,261</u>
Net increase in cash and cash equivalents	6,408,271	194,842	21,242	6,624,355
Cash and cash equivalents - beginning of the year	<u>335,918</u>	<u>12,140</u>	<u>34,935</u>	<u>382,993</u>
Cash and cash equivalents - end of the year	<u>\$ 6,744,189</u>	<u>\$ 206,982</u>	<u>\$ 56,177</u>	<u>\$ 7,007,348</u>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents	\$ 324,856	\$ 206,982	\$ 56,177	\$ 588,015
Restricted cash	6,419,333	-	-	6,419,333
	<u>\$ 6,744,189</u>	<u>\$ 206,982</u>	<u>\$ 56,177</u>	<u>\$ 7,007,348</u>
<b>Reconciliation of income (loss) from operations to net cash provided by operating activities</b>				
Operating income (loss)	\$ 129,302	\$ 119,105	\$ 34,998	\$ 283,405
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	212,365	270,718	-	483,083
Other nonoperating revenues	918	1,504	-	2,422
(Increase) decrease in:				
Accounts receivable	10,859	10,721	2,399	23,979
Due from other funds	-	31,724	(2,390)	29,334
Prepaid expenses	63	101	-	164
Increase (decrease) in:				
Accounts payable	80,751	7,363	(818)	87,296
Due to other funds	(36,261)	(11,471)	(12,947)	(60,679)
Net pension liability	1,555	(943)	-	612
Net cash provided by operating activities	<u>\$ 399,552</u>	<u>\$ 428,822</u>	<u>\$ 21,242</u>	<u>\$ 849,616</u>

# **BOROUGH OF ORWIGSBURG**

## **Notes to Financial Statements**

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

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#### ***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)**

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***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 2020, the Borough incurred \$ 40,655 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)**

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***Fund Accounting (Continued)***

***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)**

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***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)**

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***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.

Accounting principles generally accepted in the United States of America require the pension asset (liability) and related deferred inflows of resources and deferred outflows of resources to be measured based on a date no earlier than the end of the employer's prior fiscal year. The pension asset (liability) and related deferred inflows of resources, and deferred outflows of resources reported for the year ended December 31, 2020 is based on information from the pension plan as of December 31, 2018 because current information was unavailable from the plan. The effects of this departure could not be determined.

***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.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Depreciation 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 various item that qualifies for reporting in this category for the various amounts related to pension asset (liabilities) and OPEB liability. These amounts will be amortized in future periods.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position***

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

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

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

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

**Net Position Flow Assumption**

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

***Fund Balance – Governmental Funds***

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

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

**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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

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

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

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

***Fund Balance Flow Assumptions***

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

***Interfund Activity***

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

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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Use of Estimates***

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

***Budgets and Budgetary Accounting***

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

During 2020, the Borough overspent the budgeted expenditures of the general fund, which is a violation of the Borough Code, but is not expected to result in any negative implications to the Borough.

***Long-Term Obligations***

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

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

***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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Pension Plans***

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

***Other Postemployment Benefits Other Than Pensions***

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

***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.

***Risks and Uncertainties***

The COVID-19 outbreak in the United States and around the world have caused business disruption through mandated and voluntary closings of many businesses throughout our community. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and extent of the economic impact. Therefore, it is reasonable to expect that some of the Borough's revenue sources derived from various tax revenues and the ability of the customers to pay for services provided could be impacted, however, the degree of such impact is uncertain at this time.

**NOTE 2 DEPOSITS AND INVESTMENTS**

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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.



**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2020, \$ 564,600 of the Borough's bank balance of \$ 1,792,109 was covered by federal depository insurance and \$ 1,227,509 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.

***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 \$ 6,551,170 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, 2020, the Borough's investments in PLGIT were rated AAAM by Standard and Poor's Investors Services.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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***Policies followed by PLGIT***

**Regulatory Oversight**

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

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

**Valuation of Investments**

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

**NOTE 3 TAXES**

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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.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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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, 2020:

Comcast franchise fee	\$	16,918
Earned income		81,735
Local services tax		13,039
Real estate		28,769
Occupational		2,475
Per capita		6,710
Real estate transfer		13,975
Delinquent real estate tax		10,761
Delinquent per capita		14,016
Delinquent occupational tax		5,334
Allowance for uncollectible accounts		<u>(3,000)</u>
Total taxes receivable, net		190,732
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(141,490)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	\$	<u>49,242</u>

The Borough's allowance for doubtful accounts at December 31, 2020 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 and delinquent collections.

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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Interfund receivables and payables consist of the following at December 31, 2020:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
<hr/>		
Governmental Funds		
General Fund	\$ 21,780	\$ 28,147
Capital Reserve	12,000	-
Proprietary Funds		
Sewer	-	49,231
Water	41,462	-
Sanitation	2,136	-
	<u>\$ 77,378</u>	<u>\$ 77,378</u>

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

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Interfund transfers consist of the following during 2020:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds</b>		
General Fund	\$ -	\$ 174,634
Capital Reserve	174,634	53,540
<b>Proprietary Funds</b>		
Sewer	174,482	111,777
Water	111,777	120,942
	<u>\$ 460,893</u>	<u>\$ 460,893</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 Sewer Fund were for current capital purchases and projects. The transfers between the Sewer and Water Funds were made for the current year's debt issuance and related payments.

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2020:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Cost				
Capital assets not being depreciated				
Land	\$ 216,220	\$ 75,008	\$ -	\$ 291,228
Construction in progress	32,618	41,073	(33,835)	39,856
Capital assets being depreciated				
Land improvements	576,065	-	-	576,065
Buildings and improvements	1,468,384	-	-	1,468,384
Equipment	324,224	41,103	-	365,327
Recreation assets	242,991	33,835	-	276,826
Vehicles	447,487	-	-	447,487
Total cost	<u>3,307,989</u>	<u>191,019</u>	<u>(33,835)</u>	<u>3,465,173</u>
Less accumulated depreciation				
Land improvements	(151,442)	(33,240)	-	(184,682)
Building and improvements	(483,521)	(49,351)	-	(532,872)
Equipment	(130,380)	(35,593)	-	(165,973)
Recreation assets	(147,677)	(11,805)	-	(159,482)
Vehicles	(359,282)	(29,650)	-	(388,932)
Total accumulated depreciation	<u>(1,272,302)</u>	<u>(159,639)</u>	<u>-</u>	<u>(1,431,941)</u>
<b>Capital assets, net</b>	<u>\$ 2,035,687</u>	<u>\$ 31,380</u>	<u>\$ (33,835)</u>	<u>\$ 2,033,232</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-Type Activities</b>				
Cost				
Capital assets not being depreciated				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	-	112,819	-	112,819
Capital assets being depreciated				
Buildings and improvements	3,270,931	30,390	-	3,301,321
Equipment	337,190	23,150	-	360,340
Sewer plant	8,315,962	-	-	8,315,962
Sewer line improvements	917,857	-	-	917,857
Vehicles	52,226	-	-	52,226
Water distribution system	<u>5,881,164</u>	<u>7,002</u>	-	<u>5,888,166</u>
Total cost	<u>18,859,942</u>	<u>173,361</u>	-	<u>19,033,303</u>
Less accumulated depreciation				
Buildings and improvements	(2,290,876)	(90,046)	-	(2,380,922)
Equipment	(91,477)	(31,787)	-	(123,264)
Sewer plant	(4,750,126)	(155,165)	-	(4,905,291)
Sewer line improvements	(65,779)	(18,357)	-	(84,136)
Vehicles	(11,410)	(10,446)	-	(21,856)
Water distribution system	<u>(2,407,513)</u>	<u>(177,282)</u>	-	<u>(2,584,795)</u>
Total accumulated depreciation	<u>(9,617,181)</u>	<u>(483,083)</u>	-	<u>(10,100,264)</u>
<b>Capital assets, net</b>	<u>\$ 9,242,761</u>	<u>\$ (309,722)</u>	<u>\$ -</u>	<u>\$ 8,933,039</u>

Depreciation expense for the year ended December 31, 2020 was charged as follows in the Statement of Activities:

Governmental Activities	
General Government	\$ 14,032
Public Works - Highway	24,333
Public Safety	38,602
Culture and Recreation	82,672
	<u>\$ 159,639</u>
Business-Type Activities	
Sewer	\$ 212,365
Water	270,718
	<u>\$ 483,083</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 7 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended December 31, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities</b>						
Direct Borrowing						
(E) Curbs Loan	\$ 59,398	\$ -	\$ (8,161)	\$ 51,237	\$ 8,427	\$ 42,810
(F) 2018 Ford SUV Loan	16,444	-	(14,061)	2,383	2,383	-
(G) General Obligation Note	750,000	-	(750,000)	-	-	-
(H) 2020 Ford SUV Loan	34,940	-	(11,293)	23,647	11,385	12,262
Subtotal - notes	<u>860,782</u>	<u>-</u>	<u>(783,515)</u>	<u>77,267</u>	<u>22,195</u>	<u>55,072</u>
Compensated absences	<u>143,425</u>	<u>43,781</u>	<u>-</u>	<u>187,206</u>	<u>25,427</u>	<u>161,779</u>
Total long-term liabilities						
Governmental Activities	<u>\$ 1,004,207</u>	<u>\$ 43,781</u>	<u>\$ (783,515)</u>	<u>\$ 264,473</u>	<u>\$ 47,622</u>	<u>\$ 216,851</u>
<b>Business-Type Activities</b>						
Bonds						
(A) 2015 GO Bonds - Sewer	\$ 2,745,000	\$ -	\$ (2,745,000)	\$ -	\$ -	\$ -
(B) 2015 GO Bonds - Water	2,230,000	-	(2,230,000)	-	-	-
(C) 2020 GO Bonds - Sewer	-	8,648,500	(253,000)	8,395,500	126,500	8,269,000
(D) 2020 GO Bonds - Water	-	2,191,500	(207,000)	1,984,500	103,500	1,881,000
Bond (Discount)/Premium	12,735	841,730	(23,027)	831,438	40,719	790,719
Subtotal - bonds	<u>4,987,735</u>	<u>11,681,730</u>	<u>(5,458,027)</u>	<u>11,211,438</u>	<u>270,719</u>	<u>10,940,719</u>
Capital lease payable	<u>79,676</u>	<u>-</u>	<u>(33,184)</u>	<u>46,492</u>	<u>34,622</u>	<u>11,870</u>
Total long-term liabilities						
Business-Type Activities	<u>\$ 5,067,411</u>	<u>\$ 11,681,730</u>	<u>\$ (5,491,211)</u>	<u>\$ 11,257,930</u>	<u>\$ 305,341</u>	<u>\$ 10,952,589</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. The Bonds were currently refunded with the 2020 Bond issuance.
- (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. The Bonds were currently refunded with the 2020 Bond issuance.
- (C) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 8,648,500 related to the Sewer Fund. The Bonds were issued for the refunding of the Sewer Fund’s portion of the 2015 revenue bonds and to fund various capital projects of the Borough. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.
- (D) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 2,191,500 related to the Water Fund. The Bonds were issued for the refunding of the Water Fund’s portion of the 2015 revenue bonds. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

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- (E) 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.
- (F) On February 21, 2018, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 41,261. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.69%. Total monthly payments of principal and interest in the amount of \$ 1,194 are due monthly through February 21, 2021. The note is secured by the vehicle with a net book value of \$ 17,880.
- (G) 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 was paid in full during the year ending December 31, 2020.
- (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 with a net book value of \$ 36,769.

As a result of the revenue bonds – Series of 2015 refunding, the Borough had the following:

(1) Cash flow loss	\$ (11,833)
(2) Economic loss	\$ (15,121)

Upon default of the Notes or Bond the financial institution has normal remedies as outlined in the note or bond agreements and will be due immediately.

***Subsequent Event***

On February 26, 2021, the Borough issued General Obligation Note, Series of 2021 with Manufacturers and Traders Trust Company in the amount of \$ 750,000. The loan is to be used to fund improvement to the Veterans Memorial Community Hall and will be repaid will grant funds received from the Commonwealth of Pennsylvania. The loan bears interest at a variable rate equal to 2.00% above the one-month LIBOR, with a floor of 2.1875% and a ceiling of 4.50%. Principal and interest is due quarterly and is due the earlier of December 31, 2023 or one year from date of completion of the project.

**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, 2020.

<b>Governmental Activities</b>							
<b>Direct Borrowing</b>							
	<b>Curbs Loan</b>		<b>2018 Ford SUV Loan</b>			<b>2020 Ford SUV Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
2021	\$ 8,427	\$ 1,423	\$ 2,383	\$ 5		\$ 11,657	\$ 549
2022	8,684	1,166	-	-		11,990	195
2023	8,948	902	-	-		-	-
2024	9,220	630	-	-		-	-
2025	9,501	350	-	-		-	-
2026-2030	6,457	82	-	-		-	-
2031-2035	-	-	-	-		-	-
2036-2040	-	-	-	-		-	-
2041-2045	-	-	-	-		-	-
	<u>\$ 51,237</u>	<u>\$ 4,553</u>	<u>\$ 2,383</u>	<u>\$ 5</u>		<u>\$ 23,647</u>	<u>\$ 744</u>

<b>Business-Type Activities</b>							
<b>Bonds</b>							
	<b>2020 GO Bond (Sewer Portion)</b>		<b>2020 GO Bond (Water Portion)</b>			<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
2021	\$ 126,500	\$ 294,910	\$ 103,500	\$ 45,990		\$ 252,467	\$ 342,877
2022	172,750	293,646	137,250	44,956		330,674	339,963
2023	173,250	290,190	141,750	42,210		323,948	333,302
2024	176,000	287,592	144,000	40,084		329,220	328,306
2025	178,750	284,952	146,250	37,924		334,501	323,226
2026-2030	932,250	1,381,020	762,750	153,834		1,701,457	1,534,936
2031-2035	1,401,000	1,239,030	549,000	47,970		1,950,000	1,287,000
2036-2040	2,360,000	865,600	-	-		2,360,000	865,600
2041-2045	2,875,000	353,800	-	-		2,875,000	353,800
	<u>\$ 8,395,500</u>	<u>\$ 5,290,740</u>	<u>\$ 1,984,500</u>	<u>\$ 412,968</u>		<u>\$ 10,457,267</u>	<u>\$ 5,709,010</u>

**Capital Leases**

The Borough is financing the purchase of a John Deere loader backhoe. At December 31, 2020, the leased assets have a gross capitalized value of \$ 101,030 and accumulated amortization of \$ 11,226 leaving a net book value of \$ 89,804 that is included in capital assets. Amortization expense of \$ 6,735 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2020, is as follows:

	<b>Business-Type Activities</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
2021	\$ 17,964	\$ 17,964	\$ 35,928
2022	5,989	5,988	11,977
Amount representing interest	(707)	(706)	(1,413)
	<u>\$ 23,246</u>	<u>\$ 23,246</u>	<u>\$ 46,492</u>



**NOTE 8 PENSION PLANS**

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***Summary of Significant Accounting Policies***

**Plan Description**

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

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

For the year ended December 31, 2020, PMRS was unable to provide updated pension information for the measurement date of December 31, 2019. Therefore, all reported information in these financial statements, including the pension asset (liability), related deferred inflows and outflows of resources, footnote disclosures and required supplementary information schedules are based on information from PMRS as of December 31, 2018. This is a departure from Generally Accepted Accounting Principles.

**Plan Membership**

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

	<b>Police</b>	<b>Non-Uniform</b>
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.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 8 PENSION PLANS (CONTINUED)**

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**Non-Uniform**

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

***Funding Policy and Contributions***

**Act 205**

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

	<b>Police</b>	<b>Non-Uniform</b>
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:

	<b>Police</b>	<b>Non-Uniform</b>	<b>Total</b>
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, 2020:

	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)
<b>Beginning Balance</b>	\$ 1,278,785	\$ 2,473,526	\$ (1,194,741)	\$ 2,056,067	\$ 1,755,336	\$ 300,731
<b>Changes for the year:</b>						
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
<b>Net changes</b>	<b>\$ 151,031</b>	<b>\$ (170,718)</b>	<b>\$ 321,749</b>	<b>\$ 268,033</b>	<b>\$ (72,900)</b>	<b>\$ 340,933</b>
<b>Ending Balance</b>	<b>\$ 1,429,816</b>	<b>\$ 2,302,808</b>	<b>\$ (872,992)</b>	<b>\$ 2,324,100</b>	<b>\$ 1,682,436</b>	<b>\$ 641,664</b>

***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:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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	<u>100.0%</u>	<u>4.8%</u>

***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.

	<b>Current</b>		
	<b>1% Decrease 4.25%</b>	<b>Discount Rate 5.25%</b>	<b>1% Increase 6.25%</b>
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, 2020, the Borough recognized pension expense of \$ 128,350. At December 31, 2020, 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, 2020. 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>
<b>Year Ended December 31:</b>			
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	<u>7,352</u>	<u>-</u>	<u>7,352</u>
	<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 who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$ 500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. A retiree hired prior to January 1, 2009 may use the reimbursement for his and/or his spouse's coverage. A retiree hired after January 1, 2009 may only apply the \$ 500 toward his own coverage (not the spouse's). Retirees are responsible for the charged premium in excess of \$ 500 per month. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has no retirees receiving benefits as of January 1, 2020.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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***Plan Membership***

Membership in the Plan consisted of the following at January 1, 2020, the date of the latest actuarial valuation:

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

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

The Borough's total OPEB liability was measured as of January 1, 2020 based on the actuarial assumptions in the January 1, 2020 valuation. No assets are accumulated in a trust that meets the criteria of GASB standards. At December 31, 2020, the Borough reported a total OPEB liability of \$ 58,256.

For the year ended December 31, 2020, the Borough recognized OPEB expense of \$ 9,171.

At December 31, 2020, the Borough reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,690
Changes in assumptions	988	-
Total	<u>\$ 988</u>	<u>\$ 2,690</u>

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

	<b>Amount</b>
<b>Year Ended December 31:</b>	
2021	\$ (107)
2022	(107)
2023	(107)
2024	(107)
2025	(107)
Thereafter	<u>(1,167)</u>
	<u><u>\$ (1,702)</u></u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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*Changes in the Total OPEB Liability*

	<b>Total OPEB Liability</b>
<b>Beginning Balance</b>	\$ 50,850
<b>Changes for the year:</b>	
Service cost	4,611
Interest	1,698
Change in benefit terms	2,969
Changes in assumption	1,051
Differences between expected and actual experience	(2,860)
Benefit payments	(63)
Net changes	<u>7,406</u>
<b>Ending Balance</b>	<u><u>\$ 58,256</u></u>

*Actuarial Methods and Assumptions*

The total OPEB liability was determined based on an actuarial valuation dated January 1, 2020, 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	3.00%
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.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

***Discount Rate***

The discount rate used to measure the OPEB liability was 3.00% 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	\$ 63,771	\$ 58,256	\$ 53,338

**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	Liquid Fuels Fund	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	\$ 7,635	\$ -	\$ -	\$ 7,635
Total nonspendable	<u>7,635</u>	<u>-</u>	<u>-</u>	<u>7,635</u>
Restricted				
Capital projects	-	1,113,064	-	1,113,064
Future road projects/equipment	-	-	4,477	4,477
Parks and recreation	3,777	-	-	3,777
Police department	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>3,632</u>
Total restricted	<u>7,409</u>	<u>1,113,064</u>	<u>4,477</u>	<u>1,124,950</u>
Committed				
Future OPEB costs	<u>102,753</u>	<u>-</u>	<u>-</u>	<u>102,753</u>
Total committed	<u>102,753</u>	<u>-</u>	<u>-</u>	<u>102,753</u>
Unassigned	<u>141,527</u>	<u>-</u>	<u>-</u>	<u>141,527</u>
Total fund balances	<u>\$ 259,324</u>	<u>\$ 1,113,064</u>	<u>\$ 4,477</u>	<u>\$ 1,376,865</u>



**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 10 FUND BALANCE/NET POSITION (CONTINUED)**

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Net position is restricted for the following purposes at December 31, 2020:

Restricted for:  
Governmental activities (see above)      \$ 1,124,950

**NOTE 11 RENTAL INCOME**

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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, 2020. The future amounts to be received under the current noncancelable terms of the lease are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ <u>19,127</u>

**NOTE 12 RISK MANAGEMENT**

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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 2020 or the previous three years.

**NOTE 13 RELATED PARTY TRANSACTIONS**

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***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, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,289,600	\$ 1,289,600	\$ 1,324,062	\$ 34,462
Licenses and permits	64,200	64,200	68,391	4,191
Local support	-	-	2,024	2,024
Fines and forfeits	25,000	25,000	18,873	(6,127)
Interest earnings	140	140	637	497
Rents	68,050	68,050	55,040	(13,010)
Intergovernmental	103,900	103,900	116,410	12,510
Charges for services	50,255	50,255	35,993	(14,262)
Miscellaneous	8,500	8,500	24,844	16,344
Total revenues	<u>1,609,645</u>	<u>1,609,645</u>	<u>1,646,274</u>	<u>36,629</u>
<b>EXPENDITURES</b>				
General government	141,247	141,247	297,002	(155,755)
Public safety	869,621	869,621	819,663	49,958
Public works	431,727	431,727	263,036	168,691
Culture and recreation	149,200	149,200	129,919	19,281
Debt service	9,850	9,850	808,068	(798,218)
Total expenditures	<u>1,601,645</u>	<u>1,601,645</u>	<u>2,317,688</u>	<u>(716,043)</u>
Excess (deficiency) of revenues over expenditures	<u>8,000</u>	<u>8,000</u>	<u>(671,414)</u>	<u>(679,414)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(8,000)</u>	<u>(8,000)</u>	<u>(174,634)</u>	<u>(166,634)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (846,048)</u>	<u>\$ (846,048)</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**

<b>Police Pension Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>					
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)
<b>Net change in total pension liability</b>	151,031	(15,824)	85,269	96,037	(25,289)
<b>Total pension liability - beginning</b>	1,278,785	1,294,609	1,209,340	1,113,303	1,138,592
<b>Total pension liability - ending (a)</b>	<u>\$ 1,429,816</u>	<u>\$ 1,278,785</u>	<u>\$ 1,294,609</u>	<u>\$ 1,209,340</u>	<u>\$ 1,113,303</u>
<b>Plan fiduciary net position</b>					
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)
<b>Net change in plan fiduciary net position</b>	(170,718)	243,528	164,678	(17,525)	93,139
<b>Plan fiduciary net position - beginning</b>	2,473,526	2,229,998	2,065,320	2,082,845	1,989,706
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,302,808</u>	<u>\$ 2,473,526</u>	<u>\$ 2,229,998</u>	<u>\$ 2,065,320</u>	<u>\$ 2,082,845</u>
<b>Borough's net position (asset)/liability - ending (a-b)</b>	<u>\$ (872,992)</u>	<u>\$ (1,194,741)</u>	<u>\$ (935,389)</u>	<u>\$ (855,980)</u>	<u>\$ (969,542)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	161.1%	193.4%	172.3%	170.8%	187.1%
<b>Covered payroll</b>	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
<b>Borough's net pension (asset) liability as a percentage of covered payroll</b>	(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. Information for 2020 was available from PMRS.

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

<b>Non-Uniform Pension Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>					
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)
<b>Net change in total pension liability</b>	<b>268,033</b>	<b>75,579</b>	<b>213,141</b>	<b>83,728</b>	<b>71,058</b>
<b>Total pension liability - beginning</b>	<b>2,056,067</b>	<b>1,980,488</b>	<b>1,767,347</b>	<b>1,683,619</b>	<b>1,612,561</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,324,100</b>	<b>\$ 2,056,067</b>	<b>\$ 1,980,488</b>	<b>\$ 1,767,347</b>	<b>\$ 1,683,619</b>
<b>Plan fiduciary net position</b>					
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)
<b>Net change in plan fiduciary net position</b>	<b>(72,900)</b>	<b>260,460</b>	<b>89,867</b>	<b>(8,915)</b>	<b>(53,575)</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,755,336</b>	<b>1,494,876</b>	<b>1,405,009</b>	<b>1,413,924</b>	<b>1,467,499</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,682,436</b>	<b>\$ 1,755,336</b>	<b>\$ 1,494,876</b>	<b>\$ 1,405,009</b>	<b>\$ 1,413,924</b>
<b>Borough's net position liability - ending (a-b)</b>	<b>\$ 641,664</b>	<b>\$ 300,731</b>	<b>\$ 485,612</b>	<b>\$ 362,338</b>	<b>\$ 269,695</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>72.4%</b>	<b>85.4%</b>	<b>75.5%</b>	<b>79.5%</b>	<b>84.0%</b>
<b>Covered payroll</b>	<b>\$ 402,472</b>	<b>\$ 298,385</b>	<b>\$ 274,271</b>	<b>\$ 263,041</b>	<b>\$ 325,027</b>
<b>Borough's net pension liability as a percentage of covered payroll</b>	<b>159.4%</b>	<b>100.8%</b>	<b>177.1%</b>	<b>137.7%</b>	<b>83.0%</b>

**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. Information for 2020 was available from PMRS.

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

<b>Police</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
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%
<b>Non-Uniform</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
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. Information for 2020 was available from PMRS.

**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)**  
**Last 10 Fiscal Years**

<b>Other Postemployment Benefit Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>			
Service cost	\$ 4,611	\$ 1,781	\$ 1,733
Interest	1,698	1,601	1,496
Changes of benefit terms	2,969	-	-
Differences between expected and actual experiences	(2,860)	-	-
Changes of assumptions	1,051	-	-
Benefit payments, including refunds of employee contributions	(63)	(52)	(25)
<b>Net change in total OPEB liability</b>	<b>7,406</b>	<b>3,330</b>	<b>3,204</b>
<b>Total OPEB liability - beginning</b>	<b>50,850</b>	<b>47,520</b>	<b>44,316</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 58,256</u></b>	<b><u>\$ 50,850</u></b>	<b><u>\$ 47,520</u></b>
<b>Covered payroll</b>	<b>\$ 449,245</b>	<b>\$ 225,988</b>	<b>\$ 225,988</b>
<b>Borough's total OPEB liability as a percentage of covered payroll</b>	<b>13.0%</b>	<b>22.5%</b>	<b>21.0%</b>

**NOTES**

Methods and Assumptions used to Determine Total OPEB Liability:

Actuarial cost method	Entry age normal
Investment rate of return	3.00%
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.

Historical change in assumptions:

2020- Assumed discount rate reduced from 3.25% to 3.00%.

Historical change in benefits:

2020- Eligibility was expanded to apply to all officers. (Previously only those hired before 1/1/2017 were eligible.)

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, 2020**

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 171,074	\$ 153,782	\$ -	\$ 324,856
Accounts receivable, net	258,429	-	-	258,429
Prepaid expenses	3,304	-	-	3,304
Total assets	<u>432,807</u>	<u>153,782</u>	<u>-</u>	<u>586,589</u>
<b>Noncurrent assets</b>				
Capital assets not being depreciated:				
Construction in progress	112,819	-	-	112,819
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	190,325	-	-	190,325
Sewer plant	-	8,312,232	-	8,312,232
Vehicles	26,113	-	-	26,113
Less accumulated depreciation	(176,691)	(4,904,047)	-	(5,080,738)
Restricted cash	6,419,333	-	-	6,419,333
Total noncurrent assets	<u>8,183,829</u>	<u>3,447,717</u>	<u>-</u>	<u>11,631,546</u>
Total assets	<u>8,616,636</u>	<u>3,601,499</u>	<u>-</u>	<u>12,218,135</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	98,777	-	-	98,777
Total assets and deferred outflows of resources	<u>\$ 8,715,413</u>	<u>\$ 3,601,499</u>	<u>\$ -</u>	<u>\$ 12,316,912</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 105,849	\$ -	\$ -	\$ 105,849
Accrued wages payable	6,671	-	-	6,671
Accrued interest payable	73,728	-	-	73,728
Due to other funds	49,231	-	-	49,231
Long-term liabilities: Due within one year				
Bonds and notes payable, net	160,009	-	-	160,009
Capital lease payable	17,311	-	-	17,311
Total current liabilities	<u>412,799</u>	<u>-</u>	<u>-</u>	<u>412,799</u>
<b>Noncurrent liabilities</b>				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	8,967,816	-	-	8,967,816
Capital lease payable	5,935	-	-	5,935
Net pension liability	194,185	-	-	194,185
Total noncurrent liabilities	<u>9,167,936</u>	<u>-</u>	<u>-</u>	<u>9,167,936</u>
Total liabilities	<u>9,580,735</u>	<u>-</u>	<u>-</u>	<u>9,580,735</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	11,647	-	-	11,647
<b>NET POSITION</b>				
Net investment in capital assets	(967,242)	3,447,717	-	2,480,475
Unrestricted	90,273	153,782	-	244,055
Total net position	<u>(876,969)</u>	<u>3,601,499</u>	<u>-</u>	<u>2,724,530</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,715,413</u>	<u>\$ 3,601,499</u>	<u>\$ -</u>	<u>\$ 12,316,912</u>

**BOROUGH OF ORWIGSBURG**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Sewer**  
**Fund and Municipal Authority**  
**Year Ended December 31, 2020**

	Enterprise Funds			Total
	Sewer	Municipal Authority	Eliminations	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 913,564	\$ -	\$ -	\$ 913,564
Total operating revenues	<u>913,564</u>	<u>-</u>	<u>-</u>	<u>913,564</u>
<b>OPERATING EXPENSES</b>				
Personal services	209,205	13,651	-	222,856
Contractual and professional services	123,128	24,320	-	147,448
Maintenance	73,110	-	-	73,110
Supplies	59,094	-	-	59,094
Insurance premiums	14,462	-	-	14,462
Utilities	54,927	-	-	54,927
Depreciation	57,448	154,917	-	212,365
Total operating expenses	<u>591,374</u>	<u>192,888</u>	<u>-</u>	<u>784,262</u>
Operating income (loss)	<u>322,190</u>	<u>(192,888)</u>	<u>-</u>	<u>129,302</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	3,233	28	-	3,261
Other nonoperating revenues	-	918	-	918
Intergovernmental revenues (expenses)	(50,400)	50,400	-	-
Interest expense	(308,409)	-	-	(308,409)
Total nonoperating revenues (expenses)	<u>(355,576)</u>	<u>51,346</u>	<u>-</u>	<u>(304,230)</u>
Income (loss) before transfers	(33,386)	(141,542)	-	(174,928)
Transfers in	174,482	-	-	174,482
Transfers out	(111,777)	-	-	(111,777)
Change in net position	29,319	(141,542)	-	(112,223)
Total net position - beginning	<u>(906,288)</u>	<u>3,743,041</u>	<u>-</u>	<u>2,836,753</u>
Total net position - ending	<u>\$ (876,969)</u>	<u>\$ 3,601,499</u>	<u>\$ -</u>	<u>\$ 2,724,530</u>