

ANNUAL REPORT OF MUNICIPAL AUTHORITIES 2015
 Commonwealth of Pennsylvania
 Department of Community and Economic Development
 Governor's Center for Local Government Services
 4th Floor Commonwealth Keystone Building
 Harrisburg, Pennsylvania 17120-0225
 1-888-223-6837
 FAX # 717-783-1402

FACE SHEET

	Current Information	Corrected Information
Authority Name	ORWIGSBURG BOROUGH MUNICIPAL AUTHORITY	_____
Authority Address	P.O. BOX 128 ORWIGSBURG, PA 17961	_____ _____ _____ _____
Telephone Number	(570) 366-3103	_____
Fax Number		_____
Name of Contact Person	RODNEY SCHAEFFER	_____
E-Mail Address		_____
Title	CHAIRMAN	_____

Filing Status	_____	Authority Type	11 Local Government Facilities
1 Active	_____	04 Sewer	
2 Inactive	_____		
5 Terminated	_____		
Date Authority Organized (year)	1963	Date Authority Terminates (year)	2049
Fiscal Year Ends (month/day)	04/30 12/31	Number of Employees	
		(full time equivalent)	0
		(part time equivalent)	0

SIGNATURE *Rod Schaeffer*
 TITLE *Authority Chairman* PHONE *(570) 366-0865*

(SEE REVERSE SIDE FOR GEOGRAPHICAL AREAS SERVED BY AUTHORITY)

**OPERATING AUTHORITIES BALANCE SHEET
FISCAL YEAR ENDING DEC 2015**

ASSETS			
CURRENT ASSETS			
Cash	<u>37,899</u>		
Investments	<u> </u>		
Accounts receivable			
Other current assets	<u>47,922</u>		
TOTAL CURRENT ASSETS		<u>85,821</u>	
RESTRICTED ASSETS/TRUST FUNDS			
CAPITAL ASSETS			
Property, plant & equipment, at cost	<u>8,351,764</u>		
Less accumulated depreciation	<u>(4,129,460)</u>		
NET CAPITAL ASSETS		<u>4,222,304</u>	
TOTAL ASSETS			<u>4,308,125</u>
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable	<u> </u>		
Accrued interest payable	<u> </u>		
Current portion of long-term debt	<u> </u>		
Other current liabilities	<u> </u>		
TOTAL CURRENT LIABILITIES		<u>-</u>	
LONG-TERM DEBT - less current portion		<u>-</u>	
FUND BALANCE			
Reserved	<u> </u>		
Unreserved	<u>4,308,125</u>		
TOTAL FUND BALANCE		<u>4,308,125</u>	
TOTAL LIABILITIES & FUND BALANCE			<u>4,308,125</u>

NOTE: The Authority changed their fiscal year-end from 04/30 to 12/31 during 2015.

**SEWER / WATER
FINANCING AUTHORITIES
STATEMENT OF INCOME AND EXPENDITURES**

OPERATING REVENUES		
Interest income	<u>4,424</u>	
Lease rental payments	<u>33,534</u>	
Other operating revenues	<u>15,000</u>	
TOTAL OPERATING REVENUES		<u>52,958</u>
OPERATING EXPENSES		
Administration - Salaries		
- Other Costs	<u>14,704</u>	
Depreciation	<u>154,917</u>	
Other operating expenses	<u>2,214</u>	
TOTAL OPERATING EXPENSES		<u>171,835</u>
OPERATING INCOME (LOSS)		<u>(118,877)</u>
NONOPERATING REVENUES		
Capital Grants - State		
- Federal		
Proceeds of borrowings		
Other nonoperating revenues		
TOTAL NONOPERATING REVENUES		
NONOPERATING EXPENSES		
Debt service payments (Principal and interest)	<u>4,396</u>	
Transfer to Borough	<u>300,000</u>	
Other nonoperating expenses	<u>2,458</u>	
TOTAL NONOPERATING EXPENSES		<u>306,854</u>
TOTAL NONOPERATING REVENUE (LOSS)		<u>(306,854)</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS		<u>(425,731)</u>
EXTRAORDINARY GAIN (LOSS)		
NET INCOME (LOSS)		<u>(425,731)</u>
RETAINED EARNINGS (beginning of year)	<u>356,635</u>	
PRIOR PERIOD ADJUSTMENT	<u>4,377,221</u>	
RETAINED EARNINGS (beginning of year restated)		<u>4,733,856</u>
RETAINED EARNINGS (end of year)		<u>4,308,125</u>

NOTE: The Authority changed their fiscal year-end from 04/30 to 12/31 during 2015.

**MUNICIPAL AUTHORITY OF THE
BOROUGH OF ORWIGSBURG
FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT
FOR THE PERIOD MAY 1, 2015
THROUGH DECEMBER 31, 2015**

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PATTON AND COMPANY CPAs

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POTTSVILLE, PA 17901
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ROBERT B. PATTON, CPA

ALBERT D. MARAZAS, CPA
KELLY E. ZWIEBEL, CPA

MEMBERS:
AMERICAN INSTITUTE OF CPAs
PENNSYLVANIA INSTITUTE OF CPAs

INDEPENDENT AUDITOR'S REPORT

December 21, 2016

Board of Directors
Municipal Authority of the
Borough of Orwigsburg
Orwigsburg, Pennsylvania

We have audited the statement of net position of the Municipal Authority of the Borough of Orwigsburg as of December 31, 2015 and the related statement of revenues, expenses, and changes in net position and cash flows for the period May 1, 2015 through December 31, 2015 and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Authority of the Borough of Orwigsburg, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the period May 1, 2015 through December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Method

As discussed in Note 1 to the financial statements, during the period May 1, 2015 through December 31, 2015, the Authority changed its method of accounting from the cash basis to the accrual basis. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted budgetary comparison information and 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.

Patton and Company CPAs

Patton and Company CPAs

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 37,899
Due from Borough	<u>47,922</u>

TOTAL CURRENT ASSETS 85,821

CAPITAL ASSETS, NET (Note 2) 4,222,304

TOTAL ASSETS \$ 4,308,125

LIABILITIES AND NET POSITION

NET POSITION

Investment in Net Assets	\$ 4,222,304
Unrestricted	<u>85,821</u>

TOTAL NET POSITION 4,308,125

TOTAL LIABILITIES AND NET POSITION \$ 4,308,125

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THESE STATEMENTS

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

OPERATING REVENUES

Rental, Borough of Orwigsburg	\$	33,534
Other Rents		1,000
Refund of Prior Year Expenditures		<u>14,000</u>
 TOTAL REVENUES		 48,534

OPERATING EXPENSES

Secretary Fee		2,920
Management Fee		8,784
Maintenance Expense to Borough		2,214
Audit Fees		3,000
Computer Expense		2,187
Advertising		271
Depreciation (Notes 1 and 2)		<u>154,917</u>
 TOTAL EXPENSES		 <u>174,293</u>

INCOME (LOSS) FROM OPERATIONS (125,759)

NONOPERATING REVENUES (EXPENSES)

Investment Income		4,424
Interest Expense		(4,396)
Transfer to Borough		<u>(300,000)</u>

TOTAL NONOPERATING REVENUES (EXPENSES) (299,972)

CHANGE IN NET POSITION (425,731)

NET POSITION - BEGINNING OF YEAR, AS RESTATED (Note 10) 4,733,856

NET POSITION - END OF YEAR \$ 4,308,125

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THESE STATEMENTS**

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
STATEMENT OF CASH FLOWS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Rental Income	\$ 34,534
Refund of Prior Year Expenditures	14,000
Payments to Suppliers	<u>(19,376)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	29,158
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**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Due from Borough	13,085
Transfer to Borough	<u>(300,000)</u>

NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(286,915)
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**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal Paid on Capital Debt	(26,218)
Interest Paid on Capital Debt	<u>(4,396)</u>

NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(30,614)
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment in Direct Financing Lease	26,218
Investment Income	<u>4,424</u>

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>30,642</u>
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<u>NET DECREASE IN CASH</u>	(257,729)
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<u>CASH - BEGINNING BALANCE</u>	<u>295,628</u>
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<u>CASH - ENDING BALANCE</u>	<u>\$ 37,899</u>
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**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THESE STATEMENTS**

MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
STATEMENT OF CASH FLOWS - (Continued)
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Operating Loss	\$ (125,759)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	<u>154,917</u>

NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES

\$ 29,158

SUPPLEMENTAL INFORMATION

Cash Paid for Interest	\$ 2,648
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**NONCASH INVESTING, CAPITAL AND RELATED FINANCING,
AND NONCAPITAL FINANCING TRANSACTIONS**

Payoff of Loans Payable and Investment in Direct Financing Lease	\$ 2,720,997
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**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THESE STATEMENTS**

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has implemented the reporting requirements of GASB No. 34. The significant accounting and reporting policies and practices used by the Authority are described below.

REPORTING ENTITY

The Municipal Authority of the Borough of Orwigsburg was formed by the Borough of Orwigsburg for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Authority are operated and maintained by the Borough under the provisions of a long-term capital lease with the Authority dated May 16, 2002. This lease was terminated in May 2015, as the debt guaranteed under the lease was satisfied by the Borough. A new lease was executed in May 2015.

Based on the criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, it was determined that the Municipal Authority of the Borough of Orwigsburg should be included in the reporting entity of the Borough of Orwigsburg as a blended component unit. Although it is legally separate from the Borough, the Authority's sole purpose was to finance the construction of the Borough's sewer plant and facilities. It continues to lease these facilities to the Borough.

BASIS OF ACCOUNTING

During the period May 1, 2015 through December 31, 2015, the Authority changed its policy to prepare its financial statements from the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than generally accepted accounting principles, to the accrual basis of accounting to improve its accounting and financial reporting.

CASH AND CASH EQUIVALENTS

For the purpose of these financial statements (including the statement of cash flows), cash and cash equivalents are defined as all highly liquid investments with an original maturity of six months or less.

ECONOMIC DEPENDENCY

The Authority is located in Orwigsburg, PA. Its customers' ability to pay their bills is dependent primarily on local economic conditions.

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

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

NET POSITION

Net position represents the difference between assets and liabilities. Investment in net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the municipality or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

MANAGEMENT ESTIMATES

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

FISCAL YEAR END

Effective September 14, 2015, the Board of Directors approved a motion to change the Authority's fiscal year end from April 30th to December 31st. Therefore, these financial statements were prepared for the period May 1, 2015 through December 31, 2015.

CAPITAL ASSETS

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items). Capital assets are defined by the Authority as assets with an initial individual or system (multiple items that rely on each other to function) cost of \$1,000 or more and an established useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. GASB Statement No. 34 requires the Authority to report and depreciate new infrastructure assets. The Authority elected not to retroactively report general infrastructure assets.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Sewer System Construction Costs	40 years
Office Equipment	7 years

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

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

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

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

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 2 – CAPITAL ASSETS

Capital assets activity consists of the following for the period May 1, 2015 through December 31, 2015:

	Balance at May 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2015</u>
Nondepreciable Assets				
Land	\$ 39,532	\$ -0-	\$ -0-	\$ 39,532
TOTAL NONDEPRECIABLE ASSETS	39,532	-0-	-0-	39,532
Depreciable Assets				
Engineering Fees and State Supervision	386,767	-0-	-0-	386,767
Plant Cost	543,278	-0-	-0-	543,278
Collection System	1,130,396	-0-	-0-	1,130,396
Legal and Bond Issuance Costs	46,582	-0-	-0-	46,582
Miscellaneous Costs	5,551	-0-	-0-	5,551
Office Equipment	2,960	-0-	-0-	2,960
2003 Expansion and Upgrade	6,169,607	-	-	6,169,607
Construction Period Interest Expense (2003 Expansion)	27,091	-0-	-0-	27,091
TOTAL DEPRECIABLE ASSETS	8,312,232	-0-	-0-	8,312,232
Less Accumulated Depreciation:				
Engineering Fees and State Supervision	(386,767)	-0-	-0-	(386,767)
Plant Costs	(543,278)	-0-	-0-	(543,278)
Collection System	(1,130,396)	-0-	-0-	(1,130,396)
Legal and Bond Issuance Costs	(46,582)	-0-	-0-	(46,582)
Miscellaneous Costs	(5,551)	-0-	-0-	(5,551)
Office Equipment	(2,960)	-0-	-0-	(2,960)
2003 Expansion and Upgrade	(1,850,882)	(154,240)	-0-	(2,005,122)
Construction Period Interest Expense (2003 Expansion)	(8,127)	(677)	-0-	(8,804)
TOTAL ACCUMULATED DEPRECIATION	(3,974,543)	(154,917)	-0-	(4,129,460)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	4,337,689	(154,917)	-0-	4,182,772
TOTAL CAPITAL ASSETS, NET	\$ 4,377,221	\$ (154,917)	\$ -0-	\$ 4,222,304

The above costs reflect expenditures from funds of the Authority only, and exclude costs which may have been expended by the lessee Borough.

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 3 – NET INVESTMENT IN DIRECT FINANCING LEASE

The sewer system constructed and equipped by the Authority was operated and maintained by the Borough or Orwigsburg under an April 15, 1964 lease agreement which expired on May 16, 2002. The Borough of Orwigsburg elected to prepay all remaining lease payments, which were calculated by the Trustee. The remaining outstanding bonds were called on April 15, 2004, causing the 1964 Bonds Series to be refunded.

On May 1, 2002, a new lease was executed with the Borough to encompass the \$250,000 PennVest – Year 2000 loan and the \$6,223,645 PennVest – Year 2002 loan. Terms of the lease called for monthly payments sufficient to pay all liabilities and expenses of the Authority including, but not limited to the 2002 PennVest Loan and other PennVest obligations of the Authority. The rent was to increase or decrease dependent upon the Authority's liabilities at a given time. Initial rent payments of \$10,000 per month were established to August 2003 and \$33,000 per month beginning September 2003 until May 2015 when the Borough retired all outstanding indebtedness of the Authority with the issuance of its Series of 2015 Bonds.

NOTE 4 – OPERATING LEASE

On July 8, 2015, a new lease was executed with the Borough for a term beginning May 20, 2015, and ending October 31, 2029, or upon earlier retirement of the Series of 2015 Bonds. Terms of the lease call for monthly payments of \$4,200 for payment of the Authority's administrative expenses.

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt activity for the period ended December 31, 2015:

	<u>May 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2015</u>	<u>Amount Due Within One Year</u>
PennVest Note - Series of 2000	\$ 60,880	\$ -0-	\$ 60,880	\$ -0-	\$ -0-
PennVest Note - Series of 2002	<u>2,686,335</u>	<u>-0-</u>	<u>2,686,335</u>	<u>-0-</u>	<u>-0-</u>
 TOTAL	 <u>\$ 2,747,215</u>	 <u>\$ -0-</u>	 <u>\$ 2,747,215</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 5 – LONG-TERM DEBT – (Continued)

PENNVEST NOTE – SERIES OF 2000

During 2000, the Authority obtained a note payable from the Pennsylvania Infrastructure Investment Authority (PennVest) in the amount of \$250,000. The proceeds from the note were used for capital improvements to the sewer system. Terms of the loan called for monthly payments of \$1,202 with interest at 1% for the first five years and 1.18% for the next 15 years. The Borough of Orwigsburg had guaranteed the loan. The Borough's Sewer Fund serviced the debt through its rental payments to the Authority. Part of the proceeds of the Series of 2015 Bonds, issued by the Borough of Orwigsburg on May 20, 2015, was used to retire this Note.

PENNVEST NOTE – SERIES OF 2002

During March 2002, the Authority obtained a note payable for \$6,223,645 from PennVest. The loan was used for the expansion and upgrade of the sewer system. Terms of the loan called for interest only during construction and monthly payments of \$27,664 with interest at 1% for the first five years and 1.156% for the next 15 years. The Borough of Orwigsburg had guaranteed the loan. The Borough's Sewer Fund serviced the debt through its rental payments to the Authority. Part of the proceeds of the Series of 2015 Bonds, issued by the Borough of Orwigsburg on May 20, 2015, was used to retire this Note.

NOTE 6 – DEPOSITS AND INVESTMENTS

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

The deposit and investment policy of the Authority adheres to state statutes and prudent business practices. Deposits of the Authority are maintained in interest-bearing demand deposits, governmental investment pools, or certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

The carrying amounts of the cash and investments at December 31, 2015 consist of the following:

Demand Deposits	\$	37,899
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**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 6 – DEPOSITS AND INVESTMENTS – (Continued)

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy requires deposits to be held in institutions that are insured by one of the federal deposit insurance organizations and when the value of the Authority's deposits exceeds the insurable limits, the additional sums must be secured by collateral pledged by the depository. As of December 31, 2015, \$37,899 of the Authority's bank balance of \$37,899 was covered by federal depository insurance and none was exposed to custodial credit risk, which is collateralized under Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

NOTE 7 – CAPITAL CONTRIBUTION

During the year ended April 30, 2003, the Authority received an estimated capital contribution from West Brunswick Township in the amount of \$160,954 in exchange for the reservation of 2.514% of the sewage plant reserve capacity or 22,625 gallons per day. Terms of the agreement also call for the Township to reimburse the Authority or Borough for the Township's proportionate share of the Authority's new operating costs during each calendar year beginning after the Township first discharges sewage into the treatment plant.

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of losses related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is covered under the Borough of Orwigsburg's insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. Settlement amounts have not exceeded insurance coverage in the last three years.

NOTE 9 – DUE FROM BOROUGH

During the fiscal year ended April 30, 2015, the Authority paid expenses of \$61,007 for the sewer upgrade project being done by the Borough. The Borough reimbursed the Authority for these expenses in September 2015. During the period May 1, 2015 through December 31, 2015, the Authority paid expenses of \$14,922 for the sewer upgrade project being done by the Borough. The Borough also still owed the Authority \$33,000 for the May 2015 rent. The total due from the Borough at December 31, 2015 was \$47,922.

**MUNICIPAL AUTHORITY OF THE BOROUGH OF ORWIGSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2015 THROUGH DECEMBER 31, 2015**

NOTE 10 – RESTATEMENT OF BEGINNING NET POSITION

During the period May 1, 2015 through December 31, 2015, the Authority changed its method of accounting from the cash basis to the accrual basis. As part of this change, the beginning net position was restated for the addition of the capital assets and related accumulated depreciation as follows:

Net position as reported at April 30, 2015	\$ 356,635
Capitalization of assets	8,351,764
Accumulated Depreciation	<u>(3,974,543)</u>
 Net position as restated at April 30, 2015	 <u>\$ 4,733,856</u>