

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA

FINANCIAL STATEMENTS

December 31, 2018

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
December 31, 2018

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Position – Modified Cash Basis	8
Statement of Activities-Modified Cash Basis	9
Statement of Assets, Liabilities, and Fund Balances Modified Cash Basis-Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis To the Statement of Net Position – Modified Cash Basis	11
Statement of Revenues, Expenditures, and Changes in Fund Balances Modified Cash Basis – Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis To the Statement of Activities – Modified Cash Basis	13
Statement of Net Position – Modified Cash Basis Proprietary Fund	14
Statement of Revenues, Expenses, and Changes in Fund Net Position Modified Cash Basis – Proprietary Fund	15
Statement of Cash Flows – Modified Cash Basis Proprietary Fund	16
Statement of Fiduciary Net Position – Modified Cash Basis Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position – Modified Cash Basis Fiduciary Funds	18
Notes to Financial Statements	19-45

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
December 31, 2018

Table of Contents
Continued

OTHER INFORMATION:

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – Modified Cash Basis General Fund	46
Schedule of Changes in Net Pension Liability and Related Ratios Non-Uniform Municipal Pension Fund	47
Schedule of Changes in Net Pension Liability and Related Ratios Police Pension Fund	48
Schedule of Employer Contributions and Notes to Schedule of Employer Contributions- Non-Uniform Municipal Pension Fund	49
Schedule of Employer Contributions and Notes to Schedule of Employer Contributions- Police Pension Fund	50
List of Report Distribution	51



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INDEPENDENT AUDITOR'S REPORT

To the Borough Council and Management of
The Borough of Shamokin Dam
42 West Eighth Ave., Suite 1
Shamokin Dam, Pennsylvania 17876

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Shamokin Dam, Shamokin Dam, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough of Shamokin Dam'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Shamokin Dam, Shamokin Dam, Pennsylvania, as of December 31, 2018, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements that collectively comprise the Borough of Shamokin Dam's basic financial statements. The management's discussion and analysis, budgetary comparison, and pension information on pages 3-7, 46, and 47 – 50, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic modified cash basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Hering, Kall + Solomon". The signature is written in dark ink on a light-colored background.

June 13, 2019

**BOROUGH OF SHAMOKIN DAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018
(Unaudited)**

This discussion and analysis of the Borough of Shamokin Dam's financial performance provides an overview review of the Borough's financial activities for the fiscal year ending December 31, 2018. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Readers should review the financial statements and associated notes along with the Budgetary Comparison Schedule.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments presented in the MD&A.

FINANCIAL HIGHLIGHTS

The Borough's overall financial condition, as in previous years, remains solid. The financial trends for 2018 changed from those from fiscal year 2017, especially in the area of the General Fund. Real estate tax collections, including the Sunbury Generation site KOEZ fee in lieu of, were within \$800 of the budgeted amount. Realty transfer taxes collected was significantly higher once again in 2018, when compared to the amount budgeted. The following tax collections were a direct impact of the construction of the Hummel Station power plant: Earned income tax, significantly higher than budgeted. Business privilege taxes collections were 20% higher than budgeted. As in 2017, water and sewer related revenue again exceeded expenses in 2017, with most of the remaining funds going to fund our capital budgets.

General Fund

The Borough levied taxes in 2018 in the following way; the general millage rate of 10.0 mills, and the fire protection tax rate of 3.0 mills. The 2018 revenue exceeded expenditures, as in 2017, due to the taxes levied to the power plant construction noted above. The Borough paid \$282,000 towards the purchase of a new fire truck in 2018, we made a down payment of \$232,000 in 2017 and the Fire Company purchased approximately \$11,000 worth of permanent equipment, for a total cost of \$525,000, \$514,000 was by the Borough. Maintenance and operation of the truck will be by the Shamokin Dam Fire Company. Remaining funds to pay the truck, not covered by accumulated capital funds, will be amortized (approximately \$190,595) over 10 years, beginning in 2019, and taken from a portion of the fire protection tax. We did complete a major storm water project in 2018 on Maple Street. The combined general fund capital budgets, \$171,860 in 2018 (including Fire Company and future police retirement obligation), were once again totally funded. It continues to be a benefit to be able to purchase equipment and meet our future benefit obligations through capital funds without depleting our reserves in the process.

Other Funds

Water/Sewer fund balances remain solid. Revenue has increased to help fund our capital reserves and to pay for our treatment of sewage. In 2018, we did not complete any major projects within the distribution system, but did upgrade various pieces of equipment and instrumentation in the water plant.

The Fiduciary (pension) funds for uniformed and non-uniformed are financially solid in comparison to their liabilities.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in a format consistent with the presentation requirements of the GASB Statement Number 34 present both government-wide, and fund level financial statements using the modified cash basis of accounting.

Government-Wide Financial Statements

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

The Government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities resulting from the use of the modified cash basis of accounting.

The two government-wide statements report the Borough's net position and indicate how they have changed in relation to the previous years' audit. Net Position, the difference between the Borough's net position and liabilities, are one way to measure the Borough's financial health or position. Over time, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating, respectively.

Regarding the Borough's tax base, the Borough real estate taxes were assessed at ten (10.0) mills in 2018, plus the three (3.0) mil fire protection tax that was introduced in 2016. Revenue from real estate taxes varies slightly from year to year due to the constantly changing county property assessment rates.

The government-wide financial statements of the Borough are divided into two (2) categories:

Governmental Activities – All of the Borough's basic services are included here, such as public safety, public works and administration. Property taxes, state grants and charges for services finance most of these activities.

Business-type Activities – The Borough operates a water distribution and sewer collection system. Fees are charged to customers of these utilities for operational expenses and tapping fees from new construction for capital related costs.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements explain how the Borough's general services are funded in the short-term, as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the Borough operates like a business. For the Borough, this is our Water and Sewer Fund. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others.

Governmental Funds – Most of the Borough's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Borough's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that utilized in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of net position and the Statement of Activities) and governmental funds are reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide additional detailed data.

Proprietary funds – These funds account for Borough activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Borough charges customers for services it provides (whether to outside customers or to other units in the Borough), will generally be reported in proprietary funds. The Water and Sewer Fund is the Borough’s proprietary fund, shown as the business-type activities that we report in the government-wide statements.

Fiduciary Funds – The Borough is the trustee, or fiduciary, for the Uniform (Police), and non-uniform pension plans and escrow funds. All of the Borough’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Borough’s other financial statements because the Borough cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH – GOVERNMENT-WIDE STATEMENTS

The Borough’s total net position (modified cash basis) was **\$8,333,556** on December 31, 2018 versus **\$7,553,303** on January 1, 2018, an increase of **\$780,253**. The following table presents condensed financial information for the net position, arising from modified cash transactions, of the Borough from January 1, 2018 to December 31, 2018.

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ASSETS						
Total Current Assets	\$ 1,793,481	1,656,768	2,325,329	2,048,549	4,118,810	3,705,317
Total Noncurrent Assets	2,320,884	1,985,524	2,265,054	2,323,171	4,585,938	4,308,695
TOTAL ASSETS	\$ 4,114,365	<u>3,642,292</u>	4,590,383	<u>4,371,720</u>	8,704,748	<u>8,014,012</u>
LIABILITIES						
Total Current Liabilities	\$ 0	0	91,633	89,568	91,633	89,568
Total Noncurrent Liabilities	\$ 0	0	279,559	371,141	279,559	371,141
TOTAL LIABILITIES	\$ 0	0	371,192	460,709	371,192	460,709
TOTAL NET POSITION	\$ 4,114,366	<u>3,642,292</u>	4,219,191	<u>3,911,011</u>	8,333,556	<u>7,553,303</u>
TOTAL LIABILITIES & NET POSITION	\$ 4,114,365	<u>3,642,292</u>	4,590,383	<u>4,371,720</u>	8,704,748	<u>8,014,012</u>

The results of this year’s operations, as a whole, are noted in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Borough’s activities that are supported by other general revenue. The largest revenues are property taxes, business privilege taxes and earned income taxes.

The following table presents condensed financial information for the Statement of Activities in a different format so that you can see our total revenues for the year.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General Government	\$ 178,613	14,181	58,853	0	(105,579)	0	(105,579)
Public Safety	336,307	34,424	13,839	0	(288,044)	0	(288,044)
Public Works - Sanitation	6,201	0	0	0	(6,201)	0	(6,201)
Public Works - Highways & Sts	172,021	0	60,306	0	(111,715)	0	(111,715)
Culture and Recreation	15,646	1,888	10,270	0	(3,488)	0	(3,488)
Miscellaneous Expenditures	155,698	0	0	0	(155,698)	0	(155,698)
Total Governmental Activities	\$ 864,486	50,493	143,268	0	(670,725)	0	(670,725)
Business-type activities:							
Water	\$ 427,439	476,729	0	0	0	49,290	49,290
Sewer	393,569	611,503	0	0	0	217,934	217,934
Total Business Type Act	\$ 821,008	1,088,232	0	0	0	267,224	267,224
Total primary government:	\$ 1,685,494	1,138,725	143,268	0	(670,725)	267,224	(403,501)

General Revenue:

Taxes:

Property taxes, levied for general purposes, net	\$	323,639	0	323,639
Other taxes levied for general purposes		746,881	0	746,881
Investment Earnings / Rents		49,125	26,636	75,761
Miscellaneous Income		18,268	220	18,488
Refund of Prior Year Expenses		4,885	0	4,885
Gain on Asset Disposals		<u>0</u>	<u>14,100</u>	<u>0</u>
Total General Revenue	\$	1,142,798	40,956	1,183,754
Change in Net Position	\$	472,073	308,180	780,253
Net Position - January 1, 2018	\$	<u>3,642,292</u>	<u>3,911,011</u>	<u>7,553,303</u>
Net Position - December 31, 2018	\$	<u>4,114,365</u>	<u>4,219,191</u>	<u>8,333,556</u>

GOVERNMENTAL FUNDS

Most of the Borough reported activities are in governmental funds. Reported Governmental funds use the modified cash basis of accounting. Governmental funds include the General Fund and Liquid Fuels Fund. By far the most prominent fund is the General Fund.

DEBT ADMINISTRATION

As of December 31, 2018, the Borough had a total outstanding debt of **\$371,192** versus **\$460,705** on December 31, 2017. The outstanding debt split between two projects, the North Old Trail water/sewer project and the elevated tank project, completed approximately 20 years ago. The Borough consolidated and refinanced their debt service (principal loan balances) in 2012. Northumberland National Bank offered a 10 year fixed loan at a rate of 2.25%. The projects consolidated were the elevated tank project, which had a current interest rate of 3.768% until 2021, and the Old Trail water/sewer line replacement, which had an interest rate of 3.39% until 2026.

THE BOROUGH'S FUTURE

In 2018, the Borough had a few certificate of deposits (CD's) mature, and we reinvested the money into short-term investments (CD's). We need to look at investing into longer term type investments in 2019 so that we can capitalize on the better rates of return that may be out there. We also will continue to invest in our infrastructure when possible to avoid the increases in costs of construction and components from year to year.

Future budgets should consider a number of important issues including:

1. Continue to monitor funding of our Capital Fund accounts (investment reserves) to ensure the obligations for future upgrades of our infrastructure, buildings, replacement of equipment and maintaining properties are met, and establish reasonable goals to enable those upgrades, replacement and maintenance items as they occur.
2. Various equipment replacement - Utility Trailer and one of our riding lawn mowers.
3. Water plant filter and clarifier expansion to meet future water demands, (initial planning and engineering have begun on these items).
4. Replace aging water/sewer infrastructure on King Ave and Center Street.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Borough's finances and to show the Council's accountability for the money it receives.

If you have questions about this report or wish to request additional financial information, please contact the Borough Manager at 570-743-7565.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
December 31, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 869,553	\$ 763,137	\$ 1,632,690
Certificates of Deposit	916,728	1,562,192	2,478,920
Other Current Assets	<u>7,200</u>	<u>-</u>	<u>7,200</u>
Total Current Assets	1,793,481	2,325,329	4,118,810
Non-Current Assets			
Land	115,950	-	115,950
Other Capital assets, net	<u>2,204,934</u>	<u>2,265,054</u>	<u>4,469,988</u>
Total Non-Current Assets	<u>2,320,884</u>	<u>2,265,054</u>	<u>4,585,938</u>
TOTAL ASSETS	<u>\$ 4,114,365</u>	<u>\$ 4,590,383</u>	<u>\$ 8,704,748</u>
LIABILITIES			
Current Liabilities			
Current Portion of Long-Term Debt	<u>\$ -</u>	<u>\$ 91,633</u>	<u>\$ 91,633</u>
Total Current Liabilities	-	91,633	91,633
Non-Current Liabilities			
Notes Payable	<u>-</u>	<u>279,559</u>	<u>279,559</u>
Total Non-Current Liabilities	-	279,559	279,559
TOTAL LIABILITIES	-	371,192	371,192
NET POSITION			
Net investment in capital assets	2,320,884	1,893,862	4,214,746
Restricted	714	-	714
Unrestricted	<u>1,792,767</u>	<u>2,325,329</u>	<u>4,118,096</u>
TOTAL NET POSITION	<u>4,114,365</u>	<u>4,219,191</u>	<u>8,333,556</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,114,365</u>	<u>\$ 4,590,383</u>	<u>\$ 8,704,748</u>

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General Government	\$ 178,613	\$ 14,181	\$ 58,853	\$ -	\$ (105,579)	\$ -	\$ (105,579)
Public Safety	336,307	34,424	13,839	-	(288,044)	-	(288,044)
Public Works- Sanitation	6,201	-	-	-	(6,201)	-	(6,201)
Public Works- Highways and Streets	172,021	-	60,306	-	(111,715)	-	(111,715)
Culture and Recreation	15,646	1,888	10,270	-	(3,488)	-	(3,488)
Miscellaneous Expenditures	155,698	-	-	-	(155,698)	-	(155,698)
Total Governmental Activities	864,486	50,493	143,268	-	(670,725)	-	(670,725)
Business-type activities:							
Water	427,439	476,729	-	-	-	49,290	49,290
Sewer	393,569	611,503	-	-	-	217,934	217,934
Total Business-Type Activities	821,008	1,088,232	-	-	-	267,224	267,224
Total Primary Government	\$ 1,685,494	\$ 1,138,725	\$ 143,268	\$ -	(670,725)	267,224	(403,501)
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					323,639	-	323,639
Other taxes levied for general purposes					746,881	-	746,881
Investment Earnings/ Rents					49,125	26,636	75,761
Miscellaneous Income					18,268	220	18,488
Refund of Expenses					4,885	-	4,885
Gain on asset disposals					-	14,100	14,100
Total General Revenues					1,142,798	40,956	1,183,754
Change in Net Position					472,073	308,180	780,253
Net Position - January 1, 2018					3,642,292	3,911,011	7,553,303
Net Position - December 31, 2018					\$ 4,114,365	\$ 4,219,191	\$ 8,333,556

See accompanying notes to financial statements which are an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 December 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 868,839	\$ 714	\$ 869,553
Certificates of Deposit	916,728	-	916,728
Other Assets	7,200	-	7,200
TOTAL ASSETS	\$ 1,792,767	\$ 714	\$ 1,793,481
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payroll Withholdings	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
 FUND BALANCES			
Unassigned	1,792,767	-	1,792,767
Restricted	-	714	714
TOTAL FUND BALANCES	1,792,767	714	1,793,481
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 1,792,767	 \$ 714	 \$ 1,793,481

See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES- MODIFIED CASH BASIS TO THE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
December 31, 2018

Total Fund Balances - Governmental Funds \$ 1,793,481

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	3,748,407
Less: accumulated depreciation	<u>(1,427,523)</u>

Total Net Position- Governmental Activities \$ 4,114,365

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES- MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Taxes:			
- Real Estate	\$ 254,914	\$ 68,725	\$ 323,639
- Real Estate Transfer	23,177	-	23,177
- Earned Income	522,682	-	522,682
- Business Privilege Tax	118,395	-	118,395
- LST	77,378	-	77,378
- Per Capita	5,249	-	5,249
Licenses and Permits	14,181	-	14,181
Fines and Forfeits	34,424	-	34,424
Interest and Rents	48,406	719	49,125
Intergovernmental Revenues	74,127	58,871	132,998
Charges for Service	1,888	-	1,888
Contributions	10,270	-	10,270
Miscellaneous Revenues	18,268	-	18,268
Refund of Expenditures	4,885	-	4,885
Total Revenues	1,208,244	128,315	1,336,559
<u>EXPENDITURES</u>			
General Government:			
- Administrative	109,367	-	109,367
- Tax Collection	22,269	-	22,269
- Legal	6,287	-	6,287
- Engineering	11,541	-	11,541
- Building	19,859	-	19,859
Public Safety:			
- Police	248,962	-	248,962
- Fire	299,129	17,317	316,446
Public Works:			
- Highways and Streets	229,965	60,000	289,965
- Trash Removal	6,201	-	6,201
Culture and Recreation	13,251	-	13,251
Miscellaneous Expenditures:			
- Payroll Benefits	8,403	-	8,403
- Pension Contribution	64,392	-	64,392
- Payroll Taxes	25,585	-	25,585
- Insurance	40,332	-	40,332
-Refund of Prior Year Revenues	4,374	-	4,374
- Miscellaneous	12,612	-	12,612
Total Expenditures	1,122,529	77,317	1,199,846
Excess (Deficit) of Revenues Over Expenditures	85,715	50,998	136,713
Other Financing Sources (Uses)			
Interfund Transfers	54,360	(54,360)	-
Net Change in Fund Balances	140,075	(3,362)	136,713
Fund Balance - January 1, 2018	1,652,692	4,076	1,656,768
Fund Balance - December 31, 2018	\$ 1,792,767	\$ 714	\$ 1,793,481

See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES- MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
For the Year Ended December 31, 2018

Net Change in Fund Balances- Total Governmental Funds	\$ 136,713
Governmental funds recognize capital outlays as expenditures versus capital assets in the Statement of Net Position	467,775
Depreciation is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(132,415)</u>
Change in Net Position- Governmental Activities	<u><u>\$ 472,073</u></u>

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 PROPRIETARY FUND
 December 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 763,137
Certificates of Deposit	<u>1,562,192</u>
Total Current Assets	2,325,329

Non-Current Assets

Capital assets, net	<u>2,265,054</u>
Total Noncurrent Assets	2,265,054

TOTAL ASSETS	<u><u>\$ 4,590,383</u></u>
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LIABILITIES

Current Liabilities

Note Payable- Current	\$ 91,633
Total Current Liabilities	<u>91,633</u>

Noncurrent Liabilities

Note Payable- Noncurrent	<u>279,559</u>
Total Noncurrent Liabilities	<u>279,559</u>

TOTAL LIABILITIES	<u>371,192</u>
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NET POSITION

Net investment in capital assets	1,893,862
Unrestricted	<u>2,325,329</u>

TOTAL NET POSITION	<u>4,219,191</u>
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TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,590,383</u></u>
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See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended December 31, 2018

OPERATING REVENUES	
Water & Sewer Revenue	\$ 1,088,232
Miscellaneous Income	220
Total Operating Revenues	1,088,452
 OPERATING EXPENSES	
Administration	65,532
Other General Government Administration	54,009
General Government Buildings & Plant	435
Sewage Collection and Treatment	345,759
Water System	220,333
Insurance	19,389
Miscellaneous	6,458
Depreciation	99,467
Total Operating Expenses	811,382
OPERATING INCOME	277,070
 NONOPERATING REVENUES (EXPENSES)	
Earnings on Investments	26,636
Gain on asset disposal	14,100
Interest Expense	(9,626)
Total Non-Operating Revenues (Expenses)	31,110
CHANGE IN NET POSITION	308,180
NET POSITION - JANUARY 1, 2018	3,911,011
NET POSITION - DECEMBER 31, 2018	\$ 4,219,191

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,088,232
Cash received as other receipts	220
Cash payments to employees for services	(169,173)
Cash payments to suppliers for goods and services	(542,742)
NET CASH PROVIDED BY OPERATING ACTIVITIES	376,537
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Asset Proceeds	14,100
Capital Asset Purchase	(41,350)
Loan Principal Payments	(89,517)
Interest Expense	(9,626)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(126,393)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Deposits	26,636
NET CASH PROVIDED BY INVESTING ACTIVITIES	26,636
NET INCREASE IN CASH, CASH EQUIV. AND CERTIFICATES OF DEPOSIT	276,780
CASH, CASH EQUIV. AND CERTIFICATES OF DEPOSIT - JANUARY 1, 2018	2,048,549
CASH, CASH EQUIV. AND CERTIFICATES OF DEPOSITS - DECEMBER 31, 2018	\$ 2,325,329

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

Operating Income	\$ 277,070
Depreciation	99,467
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 376,537

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
 FIDUCIARY FUNDS
 December 31, 2018

	TRUST FUND	AGENCY FUND	TOTALS FIDUCIARY FUNDS
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,971	\$ 3,971
TOTAL ASSETS	\$ -	\$ 3,971	\$ 3,971
LIABILITIES			
Other Current Liabilities	\$ -	\$ -	\$ -
Payroll Liabilities	-	2,353	2,353
TOTAL LIABILITIES	-	2,353	2,353
NET POSITION			
Restricted	-	1,618	1,618
TOTAL NET POSITION	-	1,618	1,618
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ 3,971	\$ 3,971

See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- MODIFIED CASH BASIS
 FIDUCIARY FUNDS
 For the Year Ended December 31, 2018

	TRUST FUND
ADDITIONS	
Earnings on Investments	\$ -
Total Additions	-
DEDUCTIONS	123
CHANGE IN NET POSITION	(123)
NET POSITION - JANUARY 1, 2018	123
NET POSITION - DECEMBER 31, 2018	\$ -

See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Borough of Shamokin Dam is a municipality located in Snyder County in Central Pennsylvania. The Borough of Shamokin Dam was incorporated on August 12, 1927 and operates a General Fund, Water and Sewer Fund, and several other related funds.

The Borough of Shamokin Dam is a local taxing body that supports a Police Department, oversees the community Fire Company, and maintains their local roads, bridges and parks. The Borough also operates a water distribution system fed by a water filtration plant as well as a sewer collection system. Sewage is treated by the Eastern Snyder County Regional Authority under a contract agreement.

Basis of Accounting

The Borough's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provides a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the 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 statements distinguish between those activities of the Borough that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Borough at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and business-type 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 of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational 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 with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The financial transactions of the Borough are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements. Nonmajor funds by category are summarized into a single column. Fiduciary funds are reported by type.

Governmental Funds

Governmental funds are those through which most governmental functions of the Borough are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following represents the Borough's major governmental fund:

General Fund – The General Fund constitutes the primary operating fund of the Borough in that it includes all revenues and expenditures not required by law to be accounted for in other funds. The General Fund is always reported as a major fund.

The Borough's nonmajor governmental fund is a Special Revenue Fund. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Borough has one Special Revenue Fund: State Liquid Fuels Highway Aid Fund. This fund is used to account for Pennsylvania allocated funding from the State Motor License Fund. These funds must be kept separate from all other funds and no other monies shall be commingled with it. Proceeds accounted for in this fund are restricted to expenditure for highway construction and rebuilding purposes in accordance with Department of Transportation regulations.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Borough's proprietary fund:

Enterprise Fund – The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods and services

The Water and Sewer Fund is reported as an Enterprise Fund used to account for all revenues and expenditures pertaining to water and sewer operations. The Water and Sewer Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing services to customers on a continuing basis are financed or recovered primarily through user charges. The Water and Sewer Fund is reported as a major fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support borough programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: 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 not available to support Borough's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Trust Fund – The Pension Fund is a Trust Fund used to account for funds received under the program Municipal Pension Aid in a fiduciary capacity.

Agency Fund – The Payroll fund is an Agency Fund used to account for the disbursement of payroll related expenditures. Agency Funds are custodial in nature and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applies to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in government-wide statements and proprietary fund statements. This basis is a special purpose reporting framework.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America in that certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred with modifications having substantial support. These modifications include the recording of all material assets, liabilities, revenues, and expenses/expenditures resulting from cash transactions.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand and interest-bearing bank deposits and money market funds. These are carried at fair value.

Investments

In accordance with Government Accounting Standards Board (GASB) Statement No. 31, short-term money market investments and interest-bearing investment contracts are reported at amortized cost, provided that the remaining maturity is one year or less at the time of purchase. Long-term investments (maturity of more than one year) are reportable at fair value.

Capital Assets

The Borough's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical costs, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to January 1, 2003. Prior to January 1, 2003, governmental funds infrastructure assets were not capitalized. Infrastructure assets required since January 1, 2003 are recorded at cost.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-50 years
Vehicle and Equipment	5-20 years
Utility property	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and repayment of principles and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by trust indenture or external restrictions by creditors, grantors, laws or regulations of other governments.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

In the governmental environment, management often commits or assigns resources to be used for specific purposes, indicating that those amounts are not considered to be available for general operations. Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund statements, amounts reported as *restricted fund balances* in government funds may be different from amounts reported as *restricted net position* in the statement of net position.

The government-wide and proprietary fund net positions are classified as follows:

Net investment in capital assets – consist of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if use is constrained externally to a particular purpose.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and are available for general use by the borough.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes by external parties, or by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes determined by a formal action by the Borough's highest level of decision-making authority, the Borough Council. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements. A fund balance commitment may be established, modified, or rescinded by a resolution of the Borough Council.

Assigned – Amounts that are constrained by the Borough's intent to be used for specific purposes, but is not restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

The Borough would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities, arise, but reserves the right to selectively spend unassigned.

Budgetary Controls

The Borough operates under an annual budget, which may be amended by the Council as needed. The budget is prepared using the modified cash basis of accounting for the general fund and the proprietary fund.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Joint Venture

The Borough appoints two board members to the Eastern Snyder County Regional Authority. The Authority was organized and incorporated in 1994 by Shamokin Dam Borough and three other local governmental entities to operate the regional sewage treatment plant. The Authority, the other local governmental entities and the Borough have verbally agreed to continue using the cost sharing plan that was in effect when the regional sewage system was operated by the Selinsgrove Municipal Authority (Sewer Division). The costs to each participating entity are based on estimated usage and are adjusted annually to reflect actual use. The Authority's audited financial statements as of and for the period ended December 31, 2018 are available for public inspection at the Authority office.

NOTE 2 – CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT

Pennsylvania municipal statutes provide for investment of Borough funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and 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 Borough funds for investment purposes.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT (Continued)

At December 31, 2018, the carrying amount of the Borough's cash, cash equivalents and certificates of deposit was \$4,115,581. The depository balances throughout the year were covered by federal depository insurance or by collateral held by the Borough's agent. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledge funds.

CASH AND CASH EQUIVALENTS:

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough has an investment policy that addresses credit risk in general terms. As of December 31, 2018, \$590,527 of the Borough's bank balance was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ -0-
Uninsured and collateral held by the pledging bank's trust department, not in the Borough's name	<u>590,527</u>
Total	<u>\$ 590,527</u>

Reconciliation to Financial Statements

Collateralized Amount Above	\$ 590,527
Plus: Insured Amount	501,985
Plus: Deposits in Investment Pools and Money Market Fund Considered Cash Equivalents	553,322
Less: Outstanding Checks	<u>(9,173)</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$ 1,636,661</u>

CERTIFICATES OF DEPOSIT AND PA LOCAL GOVERNMENT INVESTMENT TRUST ACCOUNTS:

As of December 31, 2018, the Borough had the following certificates of deposit and PA Local Government Investment Trust balance:

Investments	Rates	Maturities	Fair Value
Certificates of Deposits	0.50% - 2.65%	0-60 Months	\$ 2,478,920
PA Local Government Investment Trust			<u>553,322</u>
Total			<u>\$ 3,032,242</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT (Continued)

Custodial Credit Risk –PA Local Government Investment Trust Accounts

For the PA Local Government Investment Trust Accounts, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

Reconciliations to Financial Statements

Total Certificates of Deposit & PLGIT Accounts	\$ 3,032,242
Less: Deposits in Investment Pools and Money Market Funds	
Considered Cash Equivalents (PLGIT Accounts)	<u>(553,322)</u>
Total Certificates of Deposit Per Financial Statements	<u>\$ 2,478,920</u>

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. More than 5 percent of the Borough's investments are in Certificates of Deposit and PA Local Government Investment Trust. These investments are 81.75% and 18.25%, respectively, of the Borough's total investments.

For the General Fund, more than 5% of the investments are in Certificates of Deposit and PA Local Government Investment Trust. These investments are 51.13% and 27.11%, respectively, of the General Fund's total current assets.

For the Proprietary Fund, more than 5% of the investments are in Certificates of Deposit and PA Local Government Investment Trust. These investments are 67.18% and 2.79%, respectively, of the Proprietary Fund's total current assets.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3- CAPITAL ASSETS

Capital assets are recorded as expenditures in the governmental funds at the time of purchase. A summary of Capital Assets transactions resulting from modified cash basis transactions, for the year ended December 31, 2018 is as follows:

GOVERNMENTAL ACTIVITIES

	Balance			Balance
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>
Land	\$ 115,950	\$ -	\$ -	\$ 115,950
Building & Improvements	908,930	-	-	908,930
Streets/ Stormwater infrastructure	1,500,860	177,180	-	1,678,040
Vehicles & Equipment	634,892	290,595	-	925,487
Traffic Signals	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Total Cost	3,280,632	467,775	-	3,748,407
Less: Accumulated Depreciation				
Building & Improvements	(578,310)	(23,870)	-	(602,180)
Streets/ Stormwater infrastructure	(329,848)	(43,970)	-	(373,818)
Vehicles & Equipment	(266,950)	(64,575)	-	(331,525)
Traffic Signals	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Total Accum. Depreciation	<u>(1,295,108)</u>	<u>(132,415)</u>	<u>-</u>	<u>(1,427,523)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,985,524</u>	<u>\$ 335,360</u>	<u>\$ -</u>	<u>\$ 2,320,884</u>

BUSINESS-TYPE ACTIVITIES

	Balance			Balance
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>
Water / Sewer Infrastructure	\$ 5,053,970	\$ 41,350	\$ -	\$ 5,095,320
Less: Accumulated Depreciation	<u>(2,730,799)</u>	<u>(99,467)</u>	<u>-</u>	<u>(2,830,266)</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 2,323,171</u>	<u>\$ (58,117)</u>	<u>\$ -</u>	<u>\$ 2,265,054</u>

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 3- CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows in the statement of activities:

Governmental Activities:	
General Government	\$ 9,290
Public Safety	61,494
Public Works-Highway and Streets	59,236
Culture and Recreation	<u>2,395</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 132,415</u>
Business-Type Activities:	
Water	\$ 81,657
Sewer	<u>17,810</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 99,467</u>

NOTE 4- OTHER ASSETS

The General Fund reports a separate investment of stock as other assets. The Borough had previously received shares of stock through an insurance policy held by the Borough. The value of this stock at December 31, 2018 was \$7,200.

NOTE 5 - PROPERTY TAXES

The Borough's property tax is levied each March 1, based upon assessed valuations provided by the county (approximately \$23,583,610 for 2018). The municipal tax collector bills and collects property taxes on behalf of the Borough. The general millage tax rate in 2018 is 10.0 mills (\$10.00 per \$1,000 assessed valuation) and a separate fire protection tax of 3.0 mills was added in 2018. The schedule for property taxes levied for 2018 is as follows:

March 1, 2018 through April 30, 2018	2% discount period
May 1, 2018 through June 30, 2018	face payment period
Beginning July 1, 2018	10% penalty period

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 6- GENERAL OBLIGATION NOTE PAYABLE

On October 5, 2012, the Borough issued General Obligation Note – Series 2012 in the principal amount of \$925,000. The proceeds of this Note are to be used to refinance and retire existing Borough debt. The note carries a rate of interest of 2.25% per annum on the unpaid balance of principal, payable in equal monthly original installments of \$8,628.91. Loan payments of principal and interest are to begin in October, 2012 and continuing monthly thereafter for 10 years until the remaining balance of principal and accrued interest will be immediately due and payable.

In lieu of the first installment payment for October, 2012, the Borough made a principal prepayment of \$39,340.41. In light of this prepayment, the issuing bank reduced the amount of monthly principal and interest payments to \$8,261.91 beginning with the December 1, 2012 payment, and on the first day of each month thereafter for the full ten-year term of the loan.

The principal balance due on this note at December 31, 2018 was \$371,192.

Debt service to maturity is as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Dec 31</u>			
2019	\$ 91,633	\$ 7,511	\$ 99,144
2020	93,728	5,415	99,143
2021	95,906	3,238	99,144
2022	<u>89,925</u>	<u>1,042</u>	<u>90,967</u>
Total	<u>\$ 371,192</u>	<u>\$ 17,206</u>	<u>\$ 388,398</u>

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2018:

<u>Description</u>	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>December 31, 2018</u>
Note Payable	<u>\$ 460,709</u>	<u>- 0-</u>	<u>(89,517)</u>	<u>\$ 371,192</u>
Total	<u>\$ 460,709</u>	<u>-0-</u>	<u>(89,517)</u>	<u>\$ 371,192</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN

Non-Uniform Municipal Pension Plan

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Municipal Retirement System (PMRS) and additions to/deduction from PMRS's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Shamokin Dam Borough Non-Uniform Municipal pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 2015-2 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The assets of the participating government employers in an agent multiple-employer plan are pooled for investment purposes but separate accounts are maintained for each individual employer. PMRS issued a separate Comprehensive Annual Financial Report, which is available on the PMRS website www.pMrs.state.pa.us.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Membership is mandatory for all full-time employees of the Authority. A member shall vest upon the completion of twelve (12) years of credited service. A vested member shall be entitled to a superannuation retirement benefit upon attainment of fifty-five (55) years of age. A member who voluntarily terminates service after twenty (20) years of credited service may apply for an early retirement benefit. A member whose service is involuntarily terminated after eight (*) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN (Continued)

Non-Uniform Municipal Pension Plan

Benefits Provided(Continued)

The annual Basic Benefit shall be comprised of the sum of the following annuities:

- a) An annuity calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of two percent (2%).
- b) An annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the optional member contributions and regular interest on the optional member contributions.

Disability retirement benefits are available to members and shall equal an annual benefit of fifty percent (50%) of final salary, plus the benefit provided in b) above if the disability is determined to be a service connected disability. When the disability of a member is determined to be non-service connected, the member is eligible to apply for disability retirement if the member has completed ten (10) years of credited service. A non-service connected disability shall equal an annual benefit of thirty percent (30%) of final salary, plus the benefit provided in b) above. If an active member or vested member dies before becoming eligible for any retirement benefits, the balance of the member's account shall be paid to the beneficiary. For an active member or vested member who has met the eligibility requirement for a superannuation retirement benefit or a voluntary early retirement benefit, benefits shall become effective at the time of death.

Plan Membership

Membership of the plan consisted of the following at the most recent actuarial valuation date of January 1, 2017:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>6</u>
 Total Participant Count	 <u>11</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Non-Uniform Municipal Pension Plan

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO in excess of employee contributions must be paid by the municipality in accordance with Act 205.

In accordance with the plan's governing ordinance, members shall contribute 4.5% of the compensation to fund the annuity. Members may optionally contribute up to, but no more than 15.5% of their compensation on an after-tax basis to fund the annuity. Borough Council has the option to waive all or part of the member contributions.

Net Pension Liability

The measurement date for the net pension liability was December 31, 2017. The total pension liability is measured as of December 31, 2017 based on the actuarial valuation one year prior and then projected to this date. The beginning of year total pension liability as of December 31, 2016 is based upon the actuarial valuation of the same date. This total pension liability reflects assumption changes as passed by the Board of Trustees for actuarial valuations as of December 31, 2016 and any plan changes identified during the prior year's report.

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015, as well as subsequent Board approved assumption changes. These assumptions were first used for the December 31, 2015 measurement date. Effective with the December 31, 2016 measurement date, the investment return assumption for municipal assets decreased from 5.50% to 5.25%.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN (Continued)

Non-Uniform Municipal Pension Plan

Changes in Net Pension Liability- Non-Uniformed Pension
Increase (Decrease)

The following table shows the changes in the Non-Uniformed Total Pension Liability, the Plan Fiduciary Net Position, and the Net Pension Liability as of the measurement date of December 31, 2017:

	<u>Increase/(Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) – (b)
Balances at 12/31/2016	\$ 2,367,890	\$ 2,016,482	\$ 351,408
Changes for the year:			
Service Cost	39,658	-	39,658
Interest	123,159	-	123,159
Changes in Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions – Employer	-	32,729	(32,729)
Contributions- PMRS assessment	-	240	(240)
Contributions – Member	-	9,617	(9,617)
PMRS Investment Income	-	109,700	(109,700)
Market Value Investment Income *	-	243,874	(243,874)
Benefit Payments	(123,054)	(123,054)	-
PMRS Administrative Expense	-	(220)	220
Additional Administrative Expense	-	(5,045)	5,045
Net Changes	<u>39,763</u>	<u>267,841</u>	<u>(228,078)</u>
Balances at 12/31/2017	<u>\$ 2,407,653</u>	<u>\$ 2,284,323</u>	<u>\$ 123,330</u>

*Reflects the net investment income/(loss) of \$246,323 and the income/(loss) due to the difference between expected and actual asset values of (\$2,449), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

This report does not reflect changes in benefits or assumptions after January 1, 2018. Because the beginning and end of year total pension liability are based upon the same actual valuation dates, there is no difference between expected and actual experience reported this year. The beginning of year total pension liability is based upon the January 1, 2017 actuarial valuation, with liabilities measured at December 31, 2016. The end of year total pension liability is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Non-Uniform Municipal Pension Plan

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities- Large Cap	25%	5.6%
Domestic Equities- Small Cap	15%	7.2%
International Equities- international developed markets	15%	4.6%
International Equities- emerging markets	10%	8.7%
Real Estate	20%	6.2%
Fixed Income	<u>15%</u>	2.1%
Total Portfolio	<u>100%</u>	

Discount Rate

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

Changes in the discount rate affect the measurement of the total pension liability. Lower discount rates produce a higher total pension liability and higher discount rates produce a lower total pension liability. Because the discount rate does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the discount rate. The table on page 37 shows the sensitivity of the net pension liability to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Non-Uniform Municipal Pension Plan

Sensitivity of Net Pension Liability to Changes in Discount Rate

	<u>1% Decrease 4.25%</u>	<u>Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Total Pension Liability (Asset)	\$2,664,684	\$2,407,653	\$2,190,309
Plan Fiduciary Net Position	<u>2,284,323</u>	<u>2,284,323</u>	<u>2,284,323</u>
Net Pension Liability (Asset)	<u>\$ 380,361</u>	<u>\$ 123,330</u>	<u>\$ (94,014)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 85.73%	 94.88%	 104.29%

Deferred Inflows and Outflows

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

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the measurement date have been reflected.

Schedule of Collective Deferred Inflows and Outflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 77,086	\$ 5,366
Changes in assumptions	49,896	-0-
Net difference between projected and actual investment earnings	<u>-0-</u>	<u>193,976</u>
	<u>\$ 126,982</u>	<u>\$ 199,342</u>

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Non-Uniform Municipal Pension Plan

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

Year ended December 31:		
2018	\$	(10,203)
2019		(10,683)
2020		(31,679)
2021		(19,795)
2022		-0-
Thereafter		-0-

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

Police Pension Plan

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Municipal Retirement System (PMRS) and additions to/deduction from PMRS's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Shamokin Dam Borough Police pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 2015-3 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The assets of the participating government employers in an agent multiple-employer plan are pooled for investment purposes but separate accounts are maintained for each individual employer. PMRS issues a separate Comprehensive Annual Financial Report, which is available on the PMRS website www.pMrs.state.pa.us.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Membership is mandatory for all full-time employees of the Authority. A member shall vest upon the completion of twelve (12) years of credited service. A vested member shall be entitled to a superannuation retirement benefit upon attainment of fifty-five (55) years of age.

A member who voluntarily terminates service after twenty (20) years of credited service but less than twenty-four (24) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to the date on which the member would have earned twenty-five (25) years of credited service (presuming continuous employment) and would have attained fifty-five (55) years of age. A member who voluntarily terminates service after twenty-four (24) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place. A member whose service is involuntarily terminated after eight (8) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place.

The annual Basic Benefit shall be calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of two percent (2%). In no event shall the annual Basic Benefit exceed fifty percent (50%) of the member's final salary. An annual excess interest benefit shall be equal to a single life annuity starting on the effective date of retirement with a present value equal to the member's excess investment account.

In addition to the Basic Benefit, an annuitant who has twenty-six (26) or more years of credited service shall receive a yearly service increment to be determined by computing the number of whole years of credited service beyond twenty-five (25) years and multiplying by an amount equal to 2.5% of the Basic Benefit. This increment shall not exceed one hundred dollars (\$100) per month. Annuitants shall be entitled to a cost-of-living adjustment to the Basic Benefit subject to limitations.

Disability retirement benefits are available to members and shall equal an annual benefit of fifty percent (50%) of final salary with no minimum period of credited service required if the disability is determined to be a service connected disability. When the disability of a member is determined to be non-service connected, the member is eligible to apply for disability retirement if the member has completed ten (10) years of credited service. A non-service connected disability shall equal an annual benefit of thirty percent (30%) of final salary.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan (Continued)

If an active member or vested member dies before becoming eligible for any retirement benefits, the balance of the member's account shall be paid to the beneficiary. For an active member or vested member who has met the eligibility requirement for a superannuation retirement benefit or a voluntary early retirement benefit, benefits shall become effective at the time of death.

Plan Membership

Membership of the plan consisted of the following at the most recent actuarial valuation date of January 1, 2017:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>3</u>
Total Participant Count	<u>6</u>

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO in excess of employee contributions must be paid by the municipality in accordance with Act 205.

In accordance with the plan's governing ordinance, members shall contribute five percent (5%) of their compensation. Borough Council has the option to waive all or part of the member contributions.

Net Pension Liability

The measurement date for the net pension liability was December 31, 2017. The total pension liability is measured as of December 31, 2017 based on the actuarial valuation one year prior and then projected to this date. The beginning of year total pension liability as of December 31, 2016 is based upon the actuarial valuation of the same date. This total pension liability reflects assumption changes as passed by the Board of Trustees for actuarial valuations as of December 31, 2016 and any plan changes identified during the prior year's report.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan (Continued)

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015, as well as subsequent Board approved assumption changes. These assumptions were first used for the December 31, 2015 measurement date. Effective with the December 31, 2016 measurement date, the investment return assumption for municipal assets decreased from 5.50% to 5.25%.

Changes in Net Pension Liability- Uniformed Pension
Increase (Decrease)

The following table shows the changes in the Police Total Pension Liability, the Plan Fiduciary Net Position, and the Net Pension Liability as of the measurement date of December 31, 2017:

	<u>Increase/(Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at 12/31/2016	\$ 1,189,252	\$ 1,226,419	\$ (37,167)
Changes for the year:			
Service Cost	27,077	-	27,077
Interest	62,745	-	62,745
Changes in Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions – Employer	-	26,400	(26,400)
Contributions- PMRS assessment	-	-	-
Contributions – Member	-	-	-
PMRS Investment Income	-	67,623	(67,623)
Market Value Investment Income *	-	148,638	(148,638)
Benefit Payments	(42,929)	(42,929)	-
PMRS Administrative Expense	-	(120)	120
Additional Administrative Expense	-	(3,110)	3,110
Net Change	<u>46,893</u>	<u>196,502</u>	<u>(149,609)</u>
Balances at 12/31/2017	<u>\$ 1,236,145</u>	<u>\$ 1,422,921</u>	<u>\$ (186,776)</u>

*Reflects the net investment income/(loss) of \$151,842 and the income/(loss) due to the difference between expected and actual asset values of (\$3,204) which includes the impact from allocation of assets in support of the underlying retiree liabilities.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan (Continued)

This report does not reflect changes in benefits or assumptions after January 1, 2018. Because the beginning and end of year total pension liability are based upon the same actual valuation dates, there is no difference between expected and actual experience reported this year. The beginning of year total pension liability is based upon the January 1, 2017 actuarial valuation, with liabilities measured at December 31, 2016. The end of year total pension liability is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equities- Large Cap	25%	5.6%
Domestic Equities- Small Cap	15%	7.2%
International Equities- international developed markets	15%	4.6%
International Equities- emerging markets	10%	8.7%
Real Estate	20%	6.2%
Fixed Income	<u>15%</u>	2.1%
Total Portfolio	<u>100%</u>	

Discount Rate

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

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan (Continued)

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

Sensitivity of Net Pension Liability to Changes Discount Rate

	1% Decrease <u>4.25%</u>	Discount Rate <u>5.25%</u>	1% Increase <u>6.25%</u>
Total Pension Liability (Asset)	\$1,411,802	\$1,236,145	\$1,092,783
Plan Fiduciary Net Position	<u>1,422,921</u>	<u>1,422,921</u>	<u>1,422,921</u>
Net Pension Liability (Asset)	<u>\$ (11,119)</u>	<u>\$ (186,776)</u>	<u>\$ (330,138)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.79%	115.11%	130.21%

Deferred Inflows and Outflows

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

There were no experience gains or losses between the beginning of year and end of year liabilities because the liabilities were rolled forward from the prior actuarial valuation date. Also, assumption changes as of the measurement date have been reflected.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7- PENSION PLAN(Continued)

Police Pension Plan (Continued)

Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,098	\$ 33,516
Changes in assumptions	22,259	20,342
Net difference between projected and actual investment earnings	-0-	108,323
	\$ 37,357	\$ 162,181

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

Year ended December 31:

2018	\$ (23,037)
2018	(24,650)
2019	(47,411)
2020	(29,726)
2021	-0-
Thereafter	-0-

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

NOTE 8- RISK MANAGEMENT

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2018 and the two previous fiscal years, no settlements exceeded insurance coverage.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9- CONTINGENT LIABILITIES

Grant Programs

The Borough participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

Tax Revenue

The Borough is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Borough. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Borough.

NOTE 10- SUBSEQUENT EVENTS

The Borough has evaluated all events subsequent to the financial statement date of December 31, 2018 through June 13, 2019 which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition of disclosure.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2018

	General Fund		
	Original and Final Budget	Actual	Variance
REVENUES			
Taxes:			
- Real Estate	\$ 332,925	\$ 254,914	(78,011)
- Real Estate Transfer	18,000	23,177	5,177
- Earned Income	174,000	522,682	348,682
- Business Privilege Tax	95,000	118,395	23,395
- LST	55,000	77,378	22,378
- Per Capita	5,700	5,249	(451)
Landlord Permits	2,000	2,410	410
Other Permits	450	150	(300)
Cable TV Franchise Fees	12,000	11,621	(379)
Fines	26,750	34,424	7,674
Interest Earnings	15,000	22,283	7,283
Rents & Royalties	24,300	26,123	1,823
Intergovernmental Revenues	13,085	74,127	61,042
Charges for Service	2,500	1,888	(612)
Contributions	2,500	10,270	7,770
Miscellaneous Revenues	1,000	18,268	17,268
Refund of Expenditures	-	4,885	4,885
Total Revenues	<u>780,210</u>	<u>1,208,244</u>	<u>428,034</u>
EXPENDITURES			
General Government			
Executive	37,700	37,148	552
Financial Administration	9,850	10,733	(883)
Tax Collection	16,670	22,269	(5,599)
Legal Services	8,000	6,287	1,713
Secretary/ Clerk	33,300	33,804	(504)
Personnel Administration	43,395	27,682	15,713
Engineering	5,000	11,541	(6,541)
General Government Building	19,800	19,859	(59)
Total General Government	<u>173,715</u>	<u>169,323</u>	<u>4,392</u>
Public Safety			
Police	277,688	248,962	28,726
Fire	80,260	299,129	(218,869)
Total Public Safety	<u>357,948</u>	<u>548,091</u>	<u>(190,143)</u>
Public Works			
Highway Maintenance	86,600	76,124	10,476
Winter Maintenance	6,500	3,806	2,694
Traffic Control Devices	8,500	3,304	5,196
Street Lighting	26,400	26,906	(506)
Bridges and Highways - Maintenance	5,000	4,872	128
Construction and Rebuilding	80,000	114,953	(34,953)
Trash Removal	4,000	6,201	(2,201)
Total Public Works	<u>217,000</u>	<u>236,166</u>	<u>(19,166)</u>
Culture and Recreation			
Parks	13,000	13,251	(251)
Total Culture and Recreation	<u>13,000</u>	<u>13,251</u>	<u>(251)</u>
Miscellaneous Expenditures			
Pension	-	64,392	(64,392)
Payroll Taxes & Benefits	-	33,988	(33,988)
Insurance	12,780	40,332	(27,552)
Other Miscellaneous Expense	2,800	12,612	(9,812)
Refund of Prior Year Revenues	-	4,374	(4,374)
Total Miscellaneous Expenditures	<u>15,580</u>	<u>155,698</u>	<u>(106,130)</u>
TOTAL EXPENDITURES	<u>777,243</u>	<u>1,122,529</u>	<u>(311,298)</u>
Excess (Deficit) of Revenues Over Expenditures	2,967	85,715	82,748
Other Financing Sources (Uses)			
Interfund Transfers	-	54,360	54,360
Net Change in Fund Balances	2,967	140,075	137,108
Fund Balance - January 1, 2018	1,652,692	1,652,692	-
Fund Balance - December 31, 2018	<u>\$ 1,655,659</u>	<u>\$ 1,792,767</u>	<u>137,108</u>

See accompanying notes to financial statements which are
an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
NON-UNIFORM MUNICIPAL PENSION FUND
For The Year Ended December 31, 2018

Last 10 Measurement Years (if available)*

	Measurement Year Ending 12/31/2017	Measurement Year Ending 12/31/2016	Measurement Year Ending 12/31/2015	Measurement Year Ending 12/31/2014
Total Pension Liability				
Service cost (beginning of year)	39,658	43,665	36,052	37,864
Interest (includes interest on service cost)	123,159	117,721	114,784	112,094
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	107,083	(9,389)	13,289
Changes of assumptions	-	60,164	17,127	-
Transfers				
Benefit payments, including refunds of member contributions	(123,054)	(122,656)	(114,046)	(92,356)
Net change in total pension liability	39,763	205,977	44,528	70,891
Total Pension Liability - beginning	2,367,890	2,161,913	2,117,385	2,046,494
Total Pension Liability - ending	\$ 2,407,653	\$ 2,367,890	\$ 2,161,913	\$ 2,117,385
Plan fiduciary net position				
Contributions - employer	\$ 32,729	\$ 30,213	\$ 30,795	\$ 29,958
Contributions- PMRS assessment	240	240	240	-
Contributions - member	9,617	9,486	9,054	8,977
PMRS investment income	109,700	112,356	104,469	107,183
Market value investment income	243,874	68,929	(104,992)	(2,418)
Transfers	-	-	-	-
Benefit payments, including refunds of member contributions	(123,054)	(122,656)	(114,046)	(92,356)
PMRS administrative expense	(220)	(220)	(240)	(220)
Additional Administrative expense	(5,045)	(5,504)	(4,355)	(4,110)
Net change in plan fiduciary net position	267,841	92,844	(79,075)	47,014
Plan fiduciary net position - beginning	2,016,482	1,923,638	2,002,713	1,955,699
Plan fiduciary net position - ending	\$ 2,284,323	\$ 2,016,482	\$ 1,923,638	\$ 2,002,713
Net pension liability - ending	\$ 123,330	\$ 351,408	\$ 238,275	\$ 114,672
Plan fiduciary net position as a percentage of the total pension liability	9.49%	85.16%	88.98%	94.58%
Covered-employee payroll	\$ 259,707	\$ 256,375	\$ 248,462	\$ 261,366
Net pension liability as a percentage of covered-employee payroll	47.49%	137.07%	95.90%	43.87%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to financial statements which are an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND
For The Year Ended December 31, 2018

Last 10 Measurement Years (if available)*

	Measurement Year Ending 12/31/2017	Measurement Year Ending 12/31/2016	Measurement Year Ending 12/31/2015	Measurement Year Ending 12/31/2014
Total Pension Liability				
Service cost (beginning of year)	\$ 27,077	\$ 26,525	\$ 27,465	\$ 30,542
Interest (includes interest on service cost)	62,745	61,375	61,109	59,581
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(3,739)	(62,548)	45,298
Changes of assumptions	-	37,099	(40,682)	-
Benefit payments, including refunds of member contributions	(42,929)	(42,224)	(41,990)	(42,059)
Net change in total pension liability	46,893	79,036	(56,646)	93,362
Total Pension Liability - beginning	1,189,252	1,110,216	1,166,862	1,073,500
Total Pension Liability - ending	\$ 1,236,145	\$ 1,189,252	\$ 1,110,216	\$ 1,166,862
Plan fiduciary net position				
Contributions - employer	\$ 26,400	\$ 16,654	\$ 16,035	\$ 16,544
Contributions- PMRS assessment	-	20	40	-
Contributions - member	-	-	-	-
PMRS investment income	67,623	67,896	65,469	63,664
Market value investment income	148,638	35,746	(76,064)	(8,058)
Benefit payments, including refunds of member contributions	(42,929)	(42,224)	(41,990)	(42,059)
PMRS administrative expense	(120)	(120)	(140)	(100)
Additional Administrative expense	(3,110)	(3,326)	(2,729)	(2,442)
Net change in plan fiduciary net position	196,502	74,646	(39,379)	27,549
Plan fiduciary net position - beginning	1,226,419	1,151,773	1,191,152	1,163,603
Plan fiduciary net position - ending	\$ 1,422,921	\$ 1,226,419	\$ 1,151,773	\$ 1,191,152
Net pension liability/(asset) - ending	\$ (186,776)	\$ (37,167)	\$ (41,557)	\$ (24,290)
Plan fiduciary net position as a percentage of the total pension liability	115.11%	103.13%	103.74%	102.08%
Covered-employee payroll	\$ 151,838	\$ 146,437	\$ 120,191	\$ 137,719
Net pension liability /(asset) as a percentage of covered-employee payroll	-123.01%	-25.38%	-34.58%	-17.64%

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See accompanying notes to financial statements which are an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
 OTHER INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE OF
 EMPLOYER CONTRIBUTIONS - NON-UNIFORM MUNICIPAL PENSION FUND
 For The Year Ended December 31, 2018

Last 10 Measurement Years (if available)*

	<u>Measurement Year</u> <u>Ending 12/31/2017</u>	<u>Measurement Year</u> <u>Ending 12/31/2016</u>	<u>Measurement Year</u> <u>Ending 12/31/2015</u>	<u>Measurement Year</u> <u>Ending 12/31/2014</u>
Actuarially Determined Contribution	\$ 32,949	\$ 30,433	\$ 30,577	\$ 13,480
Contributions in relation to the Actuarially Determined Contribution**	32,969	30,453	31,035	29,958
Contribution Deficiency/ (Excess)	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ (458)</u>	<u>\$ (16,478)</u>
Participant Payroll ***	\$ 259,707	\$ 256,375	\$ 248,462	\$ 261,366
Contributions as a Percentage of Covered-Employee Payroll	12.69%	11.88%	12.49%	11.46%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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

*** Beginning in 2015, the amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

Notes to the Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two year prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

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

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

See accompanying notes to financial statements which are
 an integral part of this statement.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
For The Year Ended December 31, 2018

Last 10 Measurement Years (if available)*

	<u>Measurement Year Ending 12/31/2017</u>	<u>Measurement Year Ending 12/31/2016</u>	<u>Measurement Year Ending 12/31/2015</u>	<u>Measurement Year Ending 12/31/2014</u>
Actuarially Determined Contribution	\$ 26,400	\$ 16,654	\$ 16,035	\$ -
Contributions in relation to the Actuarially Determined Contribution**	26,400	16,674	16,075	16,544
Contribution Deficiency/ (Excess)	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (40)</u>	<u>\$ (16,544)</u>
Covered Employee Payroll ***	\$ 151,838	\$ 146,437	\$ 120,191	\$ 137,719
Contributions as a Percentage of Covered-Employee Payroll	17.39%	11.39%	13.37%	12.01%

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

*** Beginning in 2015, the amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

Notes to the Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two year prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determined the 2015 contribution rates:

- Actuarial Cost Method- Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Discount Rate: 5.50%
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- Salary increases: age related scale with merit and inflation component
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BOROUGH OF SHAMOKIN DAM
 SHAMOKIN DAM, PENNSYLVANIA
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 December 31, 2018

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