

SOUTH WHITEHALL TOWNSHIP AUTHORITY
(A Component Unit of South Whitehall Township)

FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
South Whitehall Township Authority
South Whitehall, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of South Whitehall Township Authority, a component unit of South Whitehall Township, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise South Whitehall Township Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of South Whitehall Township Authority, as of December 31, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Whitehall Township Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Whitehall Township Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Whitehall Township Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Whitehall Township Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Herbein + Company, Inc.

Reading, Pennsylvania
August 6, 2025

SOUTH WHITEHALL TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
ASSETS						
CURRENT ASSETS						
Cash and investments	\$ 14,756,395	\$ 12,811,086	\$ 8,757,554	\$ 7,193,008	\$ 5,998,841	\$ 5,618,078
Accounts receivable, net of allowance for doubtful accounts	867,652	876,509	477,920	510,850	389,732	365,659
Due from other governments	12,526	26,991	12,526	21,049	-	5,942
TOTAL CURRENT ASSETS	15,636,573	13,714,586	9,248,000	7,724,907	6,388,573	5,989,679
NONCURRENT ASSETS						
Capital assets not being depreciated:						
Land	405,032	405,032	278,588	278,588	126,444	126,444
Construction in progress	412,598	191,986	378,299	165,291	34,299	26,695
Capital assets being depreciated:						
Buildings and improvements	916,842	900,448	914,918	898,524	1,924	1,924
Water and sewer systems	40,019,571	39,835,174	20,606,617	20,619,031	19,412,954	19,216,143
Machinery and equipment	2,568,165	2,485,117	1,428,874	1,345,826	1,139,291	1,139,291
	<u>44,322,208</u>	<u>43,817,757</u>	<u>23,607,296</u>	<u>23,307,260</u>	<u>20,714,912</u>	<u>20,510,497</u>
Accumulated depreciation on capital assets	(27,620,374)	(26,532,494)	(14,727,773)	(14,053,996)	(12,892,601)	(12,478,498)
TOTAL NONCURRENT ASSETS	16,701,834	17,285,263	8,879,523	9,253,264	7,822,311	8,031,999
TOTAL ASSETS	32,338,407	30,999,849	18,127,523	16,978,171	14,210,884	14,021,678

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY
STATEMENTS OF NET POSITION - CONTINUED

December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
LIABILITIES						
CURRENT LIABILITIES						
Due to primary government	521,207	521,207	497,420	497,420	23,787	23,787
Accounts payable	503,910	1,070,285	351,363	562,457	152,547	507,828
Accounts payable - capital	-	13,459	-	13,459	-	-
Accrued other	37,774	21,964	17,574	9,524	20,200	12,440
Unearned revenue	27,465	27,949	13,528	13,726	13,937	14,223
TOTAL CURRENT LIABILITIES	1,090,356	1,654,864	879,885	1,096,586	210,471	558,278
NET POSITION						
Net Investment in capital assets	16,701,834	17,271,804	8,879,523	9,239,805	7,822,311	8,031,999
Unrestricted, designated	2,000,000	2,000,000	-	-	2,000,000	2,000,000
Unrestricted	12,546,217	10,073,181	8,368,115	6,641,780	4,178,102	3,431,401
TOTAL NET POSITION	\$ 31,248,051	\$ 29,344,985	\$ 17,247,638	\$ 15,881,585	\$ 14,000,413	\$ 13,463,400

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
OPERATING REVENUES						
Charges for services	\$ 8,176,867	\$ 8,062,828	\$ 4,752,575	\$ 4,761,367	\$ 3,424,292	\$ 3,301,461
Intergovernmental revenue	155,293	148,752	85,478	90,225	69,815	58,527
Other operating revenue	34,978	16,203	25,872	10,217	9,106	5,986
TOTAL OPERATING REVENUES	8,367,138	8,227,783	4,863,925	4,861,809	3,503,213	3,365,974
OPERATING EXPENSES						
Bad debt expense (recovery)	(15,282)	90,158	(11,709)	57,895	(3,573)	32,263
Contracted services	2,932,467	3,246,415	1,462,373	1,371,552	1,470,094	1,874,863
Depreciation	1,144,329	1,151,593	697,347	701,253	446,982	450,340
Insurance	46,090	41,900	44,000	40,000	2,090	1,900
Office expenses	42,850	40,690	20,184	19,142	22,666	21,548
Other	237,353	225,955	156,286	158,185	81,067	67,770
Contracted personnel	2,059,773	1,928,853	924,386	844,783	1,135,387	1,084,070
Professional services	181,206	214,939	143,743	169,335	37,463	45,604
Repairs and maintenance	202,537	415,352	124,380	95,514	78,157	319,838
Utilities	146,755	142,032	141,185	137,370	5,570	4,662
TOTAL OPERATING EXPENSES	6,978,078	7,497,887	3,702,175	3,595,029	3,275,903	3,902,858
OPERATING INCOME (LOSS)	1,389,060	729,896	1,161,750	1,266,780	227,310	(536,884)

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - CONTINUED

Years Ended December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
OPERATING INCOME (LOSS) - from previous page	1,389,060	729,896	1,161,750	1,266,780	227,310	(536,884)
NONOPERATING REVENUES						
Interest income	479,817	338,155	283,521	172,234	196,296	165,921
Tapping fees	135,276	176,321	54,132	59,095	81,144	117,226
Capacity reservation	74,621	729,236	42,358	313,611	32,263	415,625
Insurance recoveries	14,310	-	14,310	-	-	-
TOTAL NONOPERATING REVENUES	<u>704,024</u>	<u>1,243,712</u>	<u>394,321</u>	<u>544,940</u>	<u>309,703</u>	<u>698,772</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,093,084	1,973,608	1,556,071	1,811,720	537,013	161,888
CAPITAL CONTRIBUTIONS	-	336,619	-	25,500	-	311,119
TRANSFERS TO PRIMARY GOVERNMENT	(190,018)	(185,439)	(190,018)	(185,439)	-	-
CHANGE IN NET POSITION	1,903,066	2,124,788	1,366,053	1,651,781	537,013	473,007
NET POSITION - BEGINNING	<u>29,344,985</u>	<u>27,220,197</u>	<u>15,881,585</u>	<u>14,229,804</u>	<u>13,463,400</u>	<u>12,990,393</u>
NET POSITION - ENDING	<u>\$ 31,248,051</u>	<u>\$ 29,344,985</u>	<u>\$ 17,247,638</u>	<u>\$ 15,881,585</u>	<u>\$ 14,000,413</u>	<u>\$ 13,463,400</u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 8,405,258	\$ 8,291,841	\$ 4,916,889	\$ 5,032,547	\$ 3,488,369	\$ 3,259,294
Payments to suppliers for goods and services	(4,355,633)	(4,375,455)	(2,303,245)	(1,920,058)	(2,052,388)	(2,455,397)
Payments to primary government for personnel services	(2,043,963)	(1,928,467)	(916,336)	(844,806)	(1,127,627)	(1,083,661)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,005,662	1,987,919	1,697,308	2,267,683	308,354	(279,764)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Tapping fees	135,276	176,321	54,132	59,095	81,144	117,226
Capacity reservation	74,621	729,236	42,358	313,611	32,263	415,625
Transfer from (to) primary government	(190,018)	205,641	(190,018)	205,641	-	-
Receipt of capital contributions	-	336,619	-	25,500	-	311,119
Proceeds from insurance claim	14,310	-	14,310	-	-	-
Acquisition of capital assets	(574,359)	(1,915,221)	(337,065)	(1,364,295)	(237,294)	(550,926)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(540,170)	(467,404)	(416,283)	(760,448)	(123,887)	293,044
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	479,817	338,155	283,521	172,234	196,296	165,921
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,945,309	1,858,670	1,564,546	1,679,469	380,763	179,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,811,086	10,952,416	7,193,008	5,513,539	5,618,078	5,438,877
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 14,756,395</u>	<u>\$ 12,811,086</u>	<u>\$ 8,757,554</u>	<u>\$ 7,193,008</u>	<u>\$ 5,998,841</u>	<u>\$ 5,618,078</u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended December 31, 2024 and 2023

	Total		Water Fund		Sewer Fund	
	2024	2023	2024	2023	2024	2023
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,389,060	\$ 729,896	\$ 1,161,750	\$ 1,266,780	\$ 227,310	\$ (536,884)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	1,144,329	1,151,593	697,347	701,253	446,982	450,340
Change in allowance	(15,282)	57,560	(11,709)	49,855	(3,573)	7,705
Change in assets and liabilities:						
Accounts receivable	24,139	92,505	44,639	177,630	(20,500)	(85,125)
Due from other governments	14,465	(8,313)	8,523	(6,312)	5,942	(2,001)
Accounts payable	(566,375)	(48,172)	(211,094)	71,040	(355,281)	(119,212)
Accrued other	15,810	386	8,050	(23)	7,760	409
Unearned revenue	(484)	12,464	(198)	7,460	(286)	5,004
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 2,005,662	\$ 1,987,919	\$ 1,697,308	\$ 2,267,683	\$ 308,354	\$ (279,764)

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

South Whitehall Township Authority (the "Authority") was incorporated under the Pennsylvania Municipal Authorities Act by the South Whitehall Township Commissioners in 1962 for the purpose of financing, developing, maintaining, and operating the sewage and water transportation systems to the residents of South Whitehall Township. The Authority was governed by a five-member board through September of 2017. The Authority is a component unit of South Whitehall Township.

On May 3, 2017, the Board of Commissioners of South Whitehall Township passed Ordinance No. 1021 to direct the South Whitehall Township Authority to take all steps necessary to effectuate its dissolution. All assets, property interests, and regulatory permits held by the Authority will be transferred to South Whitehall Township and all contractual rights and obligations will also be assigned to South Whitehall Township. All ownership, operation, maintenance, and control of the water and sewer system which services the Township will be transferred to South Whitehall Township. From the time of the ordinance until dissolution, the Authority is prohibited from entering into new contracts and agreements or assuming new debt obligations. The certificate of termination of the Authority was signed in September of 2017, at which point forward all operations were administered by the Township Board of Commissioners. The final asset transfer remains pending as of December 31, 2024 as the Township awaits final approval from regulatory agencies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of South Whitehall Township Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Authority and its component units, if applicable.

The Authority used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment, that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Financial Reporting Entity - continued

Based upon the application of these criteria, South Whitehall Township Authority has determined it does not have any component units, but is itself a component unit of South Whitehall Township. The financial statements represent the activity of the South Whitehall Township Authority only and do not reflect any activity of the primary government.

B. Basis of Presentation

Proprietary Funds - The South Whitehall Township Authority is a special-purpose government and, as such, accounts for all activities within two proprietary (enterprise) funds which are classified as business-type activities. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following are descriptions of the proprietary funds of the Authority that are reported as major funds:

Water Fund - is used to account for the operations of the water supply works and water distribution systems. The water system is a public utility service, which is maintained on a self-supporting basis.

Sewer Fund - is used to account for the operations of the wastewater collection and treatment system. The sewer system is a public utility service, which is maintained on a self-supporting basis.

Operating revenues and expenses are distinguished from nonoperating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for water distribution and wastewater collection and treatment. Operating expenses include the cost of providing water distribution and wastewater collection and treatment, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tapping Fees and Capacity Reservation

Tapping fees collected are nonrefundable and are recognized as revenue upon the hook-up to the Authority sewer system. Capacity reservations are nonrefundable and are recognized as revenue when they are received. Tapping fees and capacity reservations are reported as nonoperating revenue on the statements of revenues, expenses, and changes in net position.

Capital Contributions

Contributed lines, or grants and reimbursements used to fund capital purchases or construction, are reported as capital contributions in the statement of revenues, expenses, and changes in net position.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's proprietary activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with operations are included on the statements of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets and unrestricted elements. Revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

D. Budgetary Information

The Authority is not required to adopt a budget, but it does. The Authority adopts a flexible annual operating budget. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the year. While appropriations lapse at the end of the year, encumbrances outstanding are reported as reservations of fund balance for subsequent expenses.

E. Financial Position

1. Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts which are not subject to withdrawal restrictions or penalties and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

2. Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of net position.

3. Accounts Receivable

The Authority provides continuous services to its customers. Billings are provided to customers on a quarterly basis. Accounts receivable represents open receivables, which include penalties and interest, and is stated net of an allowance for doubtful accounts. The estimate of the allowance for doubtful accounts is based upon an analysis of specific receivables considering the age of the past due receivable and an assessment of its ultimate collectability. In reviewing aged receivables, management considers their knowledge of customers, historical activity, and current economic conditions in determining an appropriate allowance for doubtful accounts. The Authority also has the opportunity to lien properties as necessary.

4. Due From Other Governments

Due from other governments represents amounts due from the County of Lehigh, the Township of Salisbury, and Lower Macungie Township for water and sewer services provided.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Capital Assets and Depreciation

The Authority's capital assets, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the financial statements. Cost includes engineering fees and other expenses incurred during the period of construction as required by generally accepted accounting principles. Major additions and improvements are capitalized, while expenditures for maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. In the case of donations, the government values these capital assets at the estimated acquisition value of the item at the date of its donation.

The Authority generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur, with the exception of land (\$1 capitalization threshold) and infrastructure (\$25,000 capitalization threshold). Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in nonoperating revenues (expenses).

Estimated useful lives of the depreciable assets are as follows:

Buildings and improvements	50 years
Water and sewer systems	10 - 50 years
Machinery and equipment	5 - 15 years

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Authority periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Authority's long-lived assets were considered to be impaired as of December 31, 2024 or 2023.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority presently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority presently does not have any items that qualify for reporting in this category.

8. Net Position

Net position represents the difference between assets and liabilities and is classified into three categories, as applicable, as follows:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and related liabilities. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall investment in capital assets.
- Restricted net position is an amount that has externally imposed restrictions on how the funds can be spent.
- Unrestricted net position is an amount that does not meet the definitions of “net investment in capital assets” or “restricted” and is available for Authority operations. The Authority board (South Whitehall Township Board of Commissioners) has designated a portion of unrestricted net position to be used for future capital costs, as further described in Note 9.

9. Net Position Flow Assumptions

It is the policy of the Township to have an unrestricted net position equal to or greater than \$5 million in the Water Fund and \$10 million in the Sewer Fund.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority’s policy to consider restricted resources to have been depleted before unrestricted resources are applied.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

The Authority is permitted to invest funds in:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities back by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approval collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016 and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The components of cash as presented on the financial statements are as follows at December 31:

	<u>2024</u>	<u>2023</u>
Deposits	<u>\$ 14,756,395</u>	<u>\$ 12,811,086</u>

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At December 31, 2024 and 2023, the carrying amount of the Authority's deposits was \$14,756,395 and \$12,811,086, respectively, and the bank balance was \$14,718,647 and \$12,811,226, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance and \$14,218,647 and \$12,311,226, respectively, was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

At December 31, 2024 and 2023, the Authority did not have investments.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable balance represents amounts due from customers for water and sewer services that have been provided by the Authority as of December 31, 2024 and 2023.

Accounts receivable include the following amounts at December 31:

	2024			2023		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Water charges	\$ 796,142	\$ (318,222)	\$ 477,920	\$ 840,781	\$ (329,931)	\$ 510,850
Sewer charges	743,368	(353,636)	389,732	722,868	(357,209)	365,659
	<u>\$ 1,539,510</u>	<u>\$ (671,858)</u>	<u>\$ 867,652</u>	<u>\$ 1,563,649</u>	<u>\$ (687,140)</u>	<u>\$ 876,509</u>

NOTE 4 - PRIMARY GOVERNMENT TRANSACTIONS

The employees of the Authority are provided by South Whitehall Township. The Authority pays its prorated share of employee costs including salaries, payroll taxes, benefits, and pension costs of the Township. The Authority leases certain vehicles and equipment from South Whitehall Township. The lease of the equipment is on a month-to-month basis with no ongoing lease commitment for the Authority.

The Authority had a payable to the primary government of \$521,207 at December 31, 2024 and 2023. The payable relates to reimbursement of net operating costs paid by the primary government during and prior to the year ended December 31, 2023.

For the year ended December 31, 2024, the Authority transferred \$190,018 to the Township to satisfy the debt service obligation of the water fund portion of the General Obligation Bonds, Series of 2021. For the year ended December 31, 2023, the Authority transferred \$185,439 to the primary government.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2024 were as follows:

	Balance January 1, 2024	Additions	Disposals/ Transfers	Balance December 31, 2024
Water Fund				
Capital assets not being depreciated:				
Land	\$ 278,588	\$ -	\$ -	\$ 278,588
Construction in process	165,291	213,008	-	378,299
Total capital assets not being depreciated	<u>443,879</u>	<u>213,008</u>	<u>-</u>	<u>656,887</u>
Capital assets being depreciated:				
Building and building improvements	898,524	16,410	(16)	914,918
Water systems	20,619,031	11,140	(23,554)	20,606,617
Machinery and equipment	1,345,826	83,048	-	1,428,874
Total capital assets being depreciated	<u>22,863,381</u>	<u>110,598</u>	<u>(23,570)</u>	<u>22,950,409</u>
Less accumulated depreciation for:				
Building and building improvements	374,423	74,128	(16)	448,535
Water systems	12,966,618	482,760	(23,554)	13,425,824
Machinery and equipment	712,955	140,459	-	853,414
Total accumulated depreciation	<u>14,053,996</u>	<u>697,347</u>	<u>(23,570)</u>	<u>14,727,773</u>
Total capital assets being depreciated, net	<u>8,809,385</u>	<u>(586,749)</u>	<u>-</u>	<u>8,222,636</u>
Total Capital Assets, Net	<u><u>\$ 9,253,264</u></u>	<u><u>\$ (373,741)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,879,523</u></u>

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 5 - CAPITAL ASSETS - CONTINUED

Capital asset balances and activity for the year ended December 31, 2024 were as follows:

	Balance January 1, 2024	Additions	Disposals/ Transfers	Balance December 31, 2024
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 126,444	\$ -	\$ -	\$ 126,444
Construction in process	26,695	7,604	-	34,299
Total capital assets not being depreciated	153,139	7,604	-	160,743
Capital assets being depreciated:				
Building and building improvements	1,924	-	-	1,924
Sewer systems	19,216,143	229,690	(32,879)	19,412,954
Machinery and equipment	1,139,291	-	-	1,139,291
Total capital assets being depreciated	20,357,358	229,690	(32,879)	20,554,169
Less accumulated depreciation for:				
Building and building improvements	1,093	38	-	1,131
Sewer systems	12,049,829	350,544	(32,879)	12,367,494
Machinery and equipment	427,576	96,400	-	523,976
Total accumulated depreciation	12,478,498	446,982	(32,879)	12,892,601
 Total capital assets being depreciated, net	 7,878,860	 (217,292)	 -	 7,661,568
 Total Capital Assets, Net	 \$ 8,031,999	 \$ (209,688)	 \$ -	 \$ 7,822,311

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 5 - CAPITAL ASSETS - CONTINUED

Capital asset balances and activity for the year ended December 31, 2023 were as follows:

	Balance January 1, 2023	Additions	Disposals/ Transfers	Balance December 31, 2023
Water Fund				
Capital assets not being depreciated:				
Land	\$ 278,588	\$ -	\$ -	\$ 278,588
Construction in process	329,135	438,319	(602,163)	165,291
Total capital assets not being depreciated	<u>607,723</u>	<u>438,319</u>	<u>(602,163)</u>	<u>443,879</u>
Capital assets being depreciated:				
Building and building improvements	760,377	138,147	-	898,524
Water systems	19,623,432	393,436	602,163	20,619,031
Machinery and equipment	1,245,767	100,059	-	1,345,826
Total capital assets being depreciated	<u>21,629,576</u>	<u>631,642</u>	<u>602,163</u>	<u>22,863,381</u>
Less accumulated depreciation for:				
Building and building improvements	307,105	67,318	-	374,423
Water systems	12,476,100	490,518	-	12,966,618
Machinery and equipment	569,538	143,417	-	712,955
Total accumulated depreciation	<u>13,352,743</u>	<u>701,253</u>	<u>-</u>	<u>14,053,996</u>
Total capital assets being depreciated, net	<u>8,276,833</u>	<u>(69,611)</u>	<u>602,163</u>	<u>8,809,385</u>
Total Capital Assets, Net	<u><u>\$ 8,884,556</u></u>	<u><u>\$ 368,708</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,253,264</u></u>

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 5 - CAPITAL ASSETS - CONTINUED

Capital asset balances and activity for the year ended December 31, 2023 were as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance December 31, 2023</u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 126,444	\$ -	\$ -	\$ 126,444
Construction in process	6,507	540,988	(520,800)	26,695
Total capital assets not being depreciated	<u>132,951</u>	<u>540,988</u>	<u>(520,800)</u>	<u>153,139</u>
Capital assets being depreciated:				
Building and building improvements	1,924	-	-	1,924
Sewer systems	18,695,343	-	520,800	19,216,143
Machinery and equipment	1,129,353	9,938	-	1,139,291
Total capital assets being depreciated	<u>19,826,620</u>	<u>9,938</u>	<u>520,800</u>	<u>20,357,358</u>
Less accumulated depreciation for:				
Building and building improvements	1,055	38	-	1,093
Sewer systems	11,712,536	337,293	-	12,049,829
Machinery and equipment	314,567	113,009	-	427,576
Total accumulated depreciation	<u>12,028,158</u>	<u>450,340</u>	<u>-</u>	<u>12,478,498</u>
Total capital assets being depreciated, net	<u>7,798,462</u>	<u>(440,402)</u>	<u>520,800</u>	<u>7,878,860</u>
Total Capital Assets, Net	<u><u>\$ 7,931,413</u></u>	<u><u>\$ 100,586</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,031,999</u></u>

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 6 - INTERMUNICIPAL AGREEMENTS

On October 1, 1997, South Whitehall Township entered into an agreement with the City of Allentown (City) for the purchase of water. On the same day, this agreement was assigned to South Whitehall Township Authority. Under Addendum #2 to the agreement, dated January 1, 2004, the Authority agrees to purchase a minimum of 850,000 gallons of water per day average per year from the City. Rates for purchase are determined as a percentage of current rates to City customers. Costs under the agreement for the years ended December 31, 2024 and 2023, were \$1,462,373 and \$1,371,552, respectively.

On December 29, 1981, the Authority (through the South Whitehall Township) entered into an agreement with the City of Allentown for the transportation, treatment, and disposal of sewage collected by South Whitehall Township Authority. The Authority pays the City of Allentown for sewer treatment charges, sewage transportation charges, and debt service charges on a quarterly basis. Final calculations are determined after year end, with an adjustment billing in the following year. Treatment expense for the years ended December 31, 2024 and 2023, was \$1,470,094 and \$1,874,863, respectively.

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all areas which the Authority retains risk of loss. There were no reductions in insurance coverage for the current year or the three prior years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

South Whitehall Township awards bids and contracts for capital projects and expenses on behalf of the Authority. During 2023 the Township awarded a contract to a vendor for water storage tank maintenance totaling \$552,494. At December 31, 2024 the outstanding commitment on this contract was \$451,914. The Authority intends to utilize existing cash reserves to fund the commitment.

SOUTH WHITEHALL TOWNSHIP AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 9 - NET POSITION

The Authority has designated \$2,000,000 to be used for future capital costs associated with the Kline's Island Wastewater Treatment Plant that is owned and maintained by the Lehigh County Authority for the years ended December 31, 2024 and 2023. The unrestricted/undesignated portion of net position is \$12,546,217 (\$8,368,115 - water; \$4,178,102 - sewer) and \$10,073,181 (\$6,641,780 - water; \$3,431,401 - sewer) for the years ended December 31, 2024 and 2023, respectively.

NOTE 10 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 102, *Certain Risk Disclosures* - The primary objective of this statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.
- Statement No. 103, *Financial Reporting Model Improvements* - The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.
- Statement No. 104, *Disclosure of Certain Capital Assets* - The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

The Authority has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.