# Spring-Benner-Walker Joint Authority

Financial Statements

December 31, 2023 and 2022

## Independent Auditors' Report

To the Board of Directors of
Spring-Benner-Walker Joint Authority

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the Spring-Benner-Walker Joint Authority (Authority), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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 the 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.

### *Auditors' 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 auditors' report that includes our opinion. 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 GAAS and *Government 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 GAAS and *Government 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 the 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 the 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.

### *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

State College, Pennsylvania
June 12, 2024

The Spring-Benner-Walker Joint Authority (the Authority) is presenting the following management's discussion and analysis to provide a detailed review of the Authority's financial condition and activities for the calendar years ended December 31, 2023 and 2022. The information presented should be reviewed in conjunction with the audit results following this section to gain a more complete understanding of the Authority's financial performance.

### Overview of the Financial Statements

This annual report consists of several parts: the Independent Auditors' Report, the Management Discussion and Analysis, the Financial Statements and accompanying notes and the Auditors' Report on Internal Control and Compliance.

### Required Financial Statements

The three financial statements contained in this annual report detail financial information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information on the activities of the Authority.

The **Statements of Net Position** of the Authority provides a comparative snapshot of the financial condition of the Authority on December 31, 2023 and 2022. This report describes the total assets of the Authority, broken down into those that can be converted to cash easily (Current Assets) and those that cannot or are restricted in any way. These assets are either "owned" by the Authority (Net Position) or "owed" as obligations to Authority creditors (Liabilities).

The Change in Net Position of the Authority over the course of the fiscal year is reflected on the **Statements of Revenues, Expenses and Change in Net Position**. This report provides the revenues and expenses of the Authority over the course of the year. Revenues and expenses are recorded as they occur (accrual method), rather than as they are received or disbursed, providing an accurate picture of the cost to operate the Authority during the time period given and whether or not the Authority is successfully recovering its costs through user fees and other charges. The difference between revenues, contributions and other forms of income and the costs to operate and administer the Authority results in the Change in Net Position, which accumulates on the Statement of Net Position as the difference between total assets and total liabilities.

The **Statements of Cash Flows** simply converts the Authority's financial results from the accrual method to cash. This report indicates the change in cash balances from the previous fiscal year and explains how that change occurred. The report is broken into sections showing the cash inflows and outflows due to operations, capital and related financing and investing activities.

### Financial Analysis of Authority

The following comparative condensed financial statements serve as key financial indicators for management, monitoring and planning. Comments follow each statement.

#### Comparative Condensed Statement of Net Position

| | 2023 | 2022 | Variance | Percentage Change |
|---|---|---|---|---|
| Current and restricted assets | $ 8,489,097 | $ 7,301,614 | $ 1,187,483 | 16.26 % |
| Net property, plant and equipment | 12,481,491 | 13,265,822 | (784,331) | (5.91) |
| Deferred outflows of resources | 180,407 | 258,738 | (78,331) | (30.27) |
| Total | $ 21,150,995 | $ 20,826,174 | $ 324,821 | 1.56 % |
| Current liabilities | $ 1,333,086 | $ 867,163 | $ 465,923 | 53.73 % |
| Long-term liabilities | 9,270,971 | 9,709,367 | (438,396) | (4.52) |
| Net position | 10,546,938 | 10,249,644 | 297,294 | 2.90 |
| Total | $ 21,150,995 | $ 20,826,174 | $ 324,821 | 1.56 % |

Total assets are comparable to prior year, however cash and restricted cash increased due to continued growth the Authority is experiencing with new system connections, the increased interest income rates and as a result of work completed for outside municipalities/authorities. Property, plant and equipment decreased by $784,331 which is related to the ongoing depreciation of these capital assets. Liabilities are comparable to prior year, and net position increased $297,294 as a result of excess revenues over expenses in 2023.

#### Comparative Statement of Revenues and Expenses to Prior Year

| | 2023 | 2022 | Variance | Percentage Change |
|---|---|---|---|---|
| Operating revenues | $ 4,254,795 | $ 4,014,300 | $ 240,495 | 5.99 % |
| Operating expenses | 3,961,728 | 3,733,238 | 228,490 | 6.12 |
| Net operating income | 293,067 | 281,062 | 12,005 | 4.27 |
| Nonoperating income (expense) and capital contributions, net | 4,227 | (177,378) | 181,605 | 102.38 |
| Change in net position | $ 297,294 | $ 103,684 | $ 193,610 | 186.73 % |

Operating revenues increased for the year ended December 31, 2023 due to additional Rockview system usage charges. Operating expenses increased for the year ended December 31, 2023 due to an increase in sewage treatment costs, and salaries associated with hiring additional personnel. In addition, interest income increased $225,000 as a result of the current interest rate environment.

## Capital Assets

The Authority's investment in capital assets as of December 31, 2023 and 2022 is summarized below.

| | 2023 | 2022 |
|---|---|---|
| Land and rights-of-way | $ 102,118 | $ 102,118 |
| Construction in Progress | 311,498 | 235,435 |
| Sanitary sewer system | 35,165,510 | 35,156,935 |
| Equipment | 644,298 | 644,298 |
| Office equipment | 87,635 | 87,635 |
| Building and improvements | 625,160 | 604,980 |
| Vehicles | 965,649 | 965,649 |
| Total | 37,901,868 | 37,797,050 |
| Less accumulated depreciation | (25,420,377) | (24,531,228) |
| Property, plant and equipment, net | $ 12,481,491 | $ 13,265,822 |

## Long-Term Debt

The Authority's sewer revenue bonds activity for the years ended December 31, 2023 and 2022 is as follows:

| | Sewer Revenue Bonds |
|---|---|
| Bonds payable at January 1, 2022 | $ 9,835,000 |
| Bonds payments | (50,000) |
| Bonds payable at December 31, 2022 | 9,785,000 |
| Bonds payments | (50,000) |
| Bonds payable at December 31, 2023 | $ 9,735,000 |

## Current Economic Outlook

The Spring-Benner-Walker Joint Authority currently has a strong economic position with satisfactory cash reserves as well as currently having a low-rate structure compared to surrounding communities. The Authority continues to recognize growth as it relates to new system connections. New connections to the Authority system have risen to pre-pandemic levels with several new developments being proposed that has the potential to see continued increases in new taps in the following years.

## Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Spring-Benner-Walker Joint Authority, 170 Irish Hollow Road, Bellefonte, PA 16823.

# Spring-Benner-Walker Joint Authority

Statements of Net Position
December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| **Current Assets** | | |
| Cash | $ 923,695 | $ 1,030,807 |
| Accounts receivable, trade | 842,553 | 846,429 |
| Supplies inventory | 51,079 | 63,219 |
| Total current assets | 1,817,327 | 1,940,455 |
| **Noncurrent Assets** | | |
| Restricted cash: | | |
| Debt service | 6,670,270 | 5,359,659 |
| Escrow | 1,500 | 1,500 |
| Capital assets, net of accumulated depreciation | 12,481,491 | 13,265,822 |
| Total noncurrent assets | 19,153,261 | 18,626,981 |
| **Deferred Outflows of Resources** | | |
| Deferred amount on refunding | 180,407 | 258,738 |
| Total assets and deferred outflows of resources | $ 21,150,995 | $ 20,826,174 |
| **Liabilities and Net Position** | | |
| **Liabilities** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 440,000 | $ 50,000 |
| Accrued interest | 72,793 | 73,129 |
| Accounts payable | 545,349 | 472,996 |
| Customer deposits | 156,619 | 161,042 |
| Compensated absences | 51,885 | 48,858 |
| Payroll and payroll taxes payable | 14,554 | 12,280 |
| Total current liabilities | 1,281,200 | 818,305 |
| Noncurrent liabilities: | | |
| Compensated absences | 51,886 | 48,858 |
| Long-term debt, net of unamortized discount | 9,270,971 | 9,709,367 |
| Total noncurrent liabilities | 9,322,857 | 9,758,225 |
| Total liabilities | 10,604,057 | 10,576,530 |
| **Net Position** | | |
| Net investment in capital assets | 2,950,927 | 3,765,193 |
| Restricted for debt service/escrow | 6,671,770 | 5,361,159 |
| Unrestricted | 924,241 | 1,123,292 |
| Total net position | 10,546,938 | 10,249,644 |
| Total liabilities and net position | $ 21,150,995 | $ 20,826,174 |

*See notes to financial statements*

## Spring-Benner-Walker Joint Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Operating Revenues** | | |
| Sewer system usage charges, net of discounts of $18,773 in 2023 and $24,678 in 2022 | $ 2,211,052 | $ 2,151,349 |
| Rockview usage | 1,533,234 | 1,462,970 |
| Tapping fees | 293,710 | 220,185 |
| Other | 216,799 | 179,796 |
| Total operating revenues | 4,254,795 | 4,014,300 |
| **Operating Expenses** | | |
| Sewage treatment | 1,505,873 | 1,336,535 |
| Depreciation | 889,149 | 887,841 |
| Salaries | 729,043 | 674,257 |
| Payroll taxes and benefits | 303,288 | 283,525 |
| Repairs and maintenance | 200,596 | 205,993 |
| System plant charges | 97,215 | 92,493 |
| Professional fees | 69,006 | 57,498 |
| Insurance | 45,791 | 49,778 |
| Utilities | 38,058 | 38,511 |
| Vehicle | 35,004 | 59,524 |
| Office | 34,674 | 32,137 |
| Director fees | 7,945 | 8,326 |
| Other | 3,682 | 3,799 |
| Seminars | 2,235 | 2,836 |
| Advertising | 169 | 185 |
| Total operating expenses | 3,961,728 | 3,733,238 |
| Operating income | 293,067 | 281,062 |
| **Nonoperating Revenues (Expenses)** | | |
| Interest income | 303,214 | 77,705 |
| Interest expense | (298,987) | (299,987) |
| Gain on sale of capital asset | - | 44,904 |
| Total nonoperating revenues (expenses), net | 4,227 | (177,378) |
| Change in net position | 297,294 | 103,684 |
| **Net Position, Beginning** | 10,249,644 | 10,145,960 |
| **Net Position, Ending** | $ 10,546,938 | $ 10,249,644 |

*See notes to financial statements*

## Spring-Benner-Walker Joint Authority

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash received from customers | $ 4,254,248 | $ 4,013,929 |
| Cash paid to vendors and employees | (2,979,757) | (2,763,771) |
| Net cash provided by operating activities | 1,274,491 | 1,250,158 |
| **Cash Flows Provided by Investing Activities** | | |
| Interest received | 303,214 | 77,705 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Interest paid | (219,388) | (220,387) |
| Purchase of fixed assets | (104,818) | (290,023) |
| Repayment of long-term debt, net | (50,000) | (50,000) |
| Proceeds of disposal of capital assets | - | 108,580 |
| Net cash used in capital and related financing activities | (374,206) | (451,830) |
| Increase in cash and restricted cash | 1,203,499 | 876,033 |
| **Cash and Restricted Cash, Beginning (Including $5,361,159 Reported in Restricted Accounts in 2023 and $4,640,334 in 2022)** | 6,391,966 | 5,515,933 |
| **Cash and Restricted Cash, Ending (Including $6,671,770 Reported in Restricted Accounts in 2023 and $5,361,159 in 2022)** | $ 7,595,465 | $ 6,391,966 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | | |
| Operating income | $ 293,067 | $ 281,062 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 889,149 | 887,841 |
| Changes in assets and liabilities: | | |
| Accounts receivable, trade | 3,876 | (91,934) |
| Supplies inventory | 12,140 | 2,800 |
| Accounts payable | 72,353 | 73,015 |
| Customer deposits | (4,423) | 91,563 |
| Payroll and payroll taxes payable and compensated absences | 8,329 | 5,811 |
| Net cash provided by operating activities | $ 1,274,491 | $ 1,250,158 |
| **Supplementary Cash Flow Information** | | |
| Noncash capital and related financing activities: | | |
| Amortization of bond discount, prepaid insurance and deferred amounts on refunding | $ 79,934 | $ 78,330 |

*See notes to financial statements*

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Spring-Benner-Walker Joint Authority (the Authority) was organized on January 4, 1977, under the Pennsylvania Municipality Authorities Act of 1945 and is a successor organization to the Spring Township Authority, which operated a sewer system to serve Spring Township. The Authority currently serves residents of Spring, Benner and Walker Townships, Pennsylvania. Each township appoints members to the Board of Directors with no township appointing a voting majority (Spring, 4 appointments; Benner, 3 appointments; Walker, 2 appointments) (i.e., a jointly-governed organization).

### Reporting Entity

The reporting has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB) Statement 14, as amended. The specific criteria used in determining whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the Authority's financial statements, nor is the Authority considered to be a component unit of any other government.

The Authority is a basic level of government that has oversight responsibility and control of a sewer system. The Authority receives funding from customer fees. The Authority is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members have decision making authority, the Authority to establish fees, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

### Basis of Presentation, Fund Accounting

#### Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The following is the Authority's proprietary fund:

##### Enterprise Fund

Enterprise funds are used for activities that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing services to the public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used in situations where the governing body has determined that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The Authority's enterprise fund type consists of its sewage conveyance operations.

### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus being applied.

The proprietary fund type is accounted for on an economic resources management focus, using the accrual basis of accounting. Revenues are recorded when earned, including unbilled sewer services, which are accrued. Expenses are recorded at the time liabilities are incurred.

**Restricted Cash**

Pursuant to a trust indenture securing its Sewer Revenue Bonds, Series of 2020, as amended, the Authority is required to pay over to the bond trustee, within sixty (60) days of the receipt thereof, all sewer system receipts and revenues, and, until such receipts and revenues are paid over to the trustee, to segregate such funds from other Authority resources. The trustee shall deposit these funds in a Revenue Fund established for these purposes, subject to a lien and charge in favor of the bondholders. In turn, the trustee shall transfer from the Revenue Fund to the Authority, amounts necessary to pay or reimburse the Authority for reasonable expenses as defined and as limited in the trust indenture. Any monies transferred from the trustee to the Authority are deemed to be trust funds until used by the Authority for the purposes requisitioned. These assets are reported as restricted cash - debt service in the accompanying statement of net position.

Escrow cash relates to funds held in a separate bank account while various construction projects are carried out within the jurisdiction of the Authority.

**Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable, Trade**

Accounts receivable, trade are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

**Supplies Inventory**

Supplies inventory, consists of pipes and supplies to repair pump stations, is recorded at cost as acquired and expensed when consumed.

**Capital Assets**

Capital assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Donated capital assets are valued at their estimated fair value on the date received.

**Use of Estimates**

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

**Operating Revenues and Expenses**

Operating revenues of the Authority consist of usage charges and connection/tapping fees and other related revenues. All expenses, with the exception of interest expense, are recorded as operating expenses. Gains (losses) on the disposal of capital assets and interest income are reported as nonoperating revenues (expenses).

### New Accounting Principle

The Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended December 31, 2023. The Statement defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transaction. The Statement requires the recognition of a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. The amortization of the subscription assets is then recognized as an outflow of resources over the subscription term. The adoption of this Statement did not have a significant impact on the Authority's financial statements for 2023, as the Authority was not involved in any material SBITAs during fiscal year 2023.

## 2. Custodial Credit Risk, Deposits

### Cash and Cash Equivalents

At December 31, 2023 and 2022, the Authority's total bank deposits were $7,605,954 and $6,381,890, respectively. The Authority's cash deposits are held at three local banks and the Pennsylvania Local Government Investment Trust (PLGIT). The operating accounts are held at a local bank and are secured by Federal Deposit Insurance Corporation (FDIC) insurance.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a formal deposit policy for custodial credit risk. At December 31, 2023, and 2022, the Authority's total bank deposits, deposits with PLGIT and money market funds were $7,605,954 and $6,381,890, respectively.

Bank deposits were $934,039 and $1,036,748 at December 31, 2023 and 2022, with FDIC insured amounts of $426,739 and $500,000, respectively. The remainder, $507,300 and $536,748 was subject to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging institution, but not in the Authority's name.

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of $1 per share. Participants purchase shares in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; Federal securities subject to repurchase obligation and, deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time, in any amount, with no liquidity fee or redemption gates. PLGIT/PLGIT PLUS have received an AAAm rating from Standard & Poor's, an independent credit rating agency. At December 31, 2023 and 2022, the carrying amount and bank balances of the Authority's deposits with PLGIT were $145 and $137.

Money market funds include $6,671,770 and $5,345,005 of Goldman Sachs Financial Square Treasury Obligations Fund at December 31, 2023 and 2022, respectively, which is comprised of U.S. government and U.S. Treasury securities and are not collateralized.

### 3. Capital Assets

The useful lives of capital assets are as follows:

| | Useful Lives |
|---|---|
| Sanitary sewer system | 5-50 years |
| Equipment | 3-15 years |
| Office equipment | 5-12 years |
| Building and improvements | 5-40 years |
| Vehicles | 5-10 years |

Capital assets activity for the years ended December 31, 2023 and 2022 is as follows:

| | January 1, 2023 | Additions | Transfers/ Disposals | December 31, 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and rights-of-way | $ 102,118 | $ - | $ - | $ 102,118 |
| Construction in progress | 235,435 | 76,063 | - | 311,498 |
| Total capital assets not being depreciated | 337,553 | 76,063 | - | 413,616 |
| Capital assets being depreciated: | | | | |
| Sanitary sewer system | 35,156,935 | 8,575 | - | 35,165,510 |
| Equipment | 644,298 | - | - | 644,298 |
| Office equipment | 87,635 | - | - | 87,635 |
| Building and improvements | 604,980 | 20,180 | - | 625,160 |
| Vehicles | 965,649 | - | - | 965,649 |
| Total capital assets | 37,459,497 | 28,755 | - | 37,488,252 |
| Accumulated depreciation for: | | | | |
| Sanitary sewer system | (22,818,829) | (754,582) | - | (23,573,411) |
| Equipment | (527,537) | (45,839) | - | (573,376) |
| Office equipment | (87,635) | - | - | (87,635) |
| Building and improvements | (375,754) | (15,751) | - | (391,505) |
| Vehicles | (721,473) | (72,977) | - | (794,450) |
| Total accumulated depreciation | (24,531,228) | (889,149) | - | (25,420,377) |
| Capital assets being depreciated, net | 12,928,269 | (860,394) | - | 12,067,875 |
| Capital assets, net | $ 13,265,822 | $ (784,331) | $ - | $ 12,481,491 |

| | January 1, 2022 | Additions | Transfers/ Disposals | December 31, 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and rights-of-way | $ 102,118 | $ - | $ - | $ 102,118 |
| Construction in progress | 159,756 | 75,679 | - | 235,435 |
| Total capital assets not being depreciated | 261,874 | 75,679 | - | 337,553 |
| Capital assets being depreciated: | | | | |
| Sanitary sewer system | 35,156,935 | - | - | 35,156,935 |
| Equipment | 607,560 | 155,560 | (118,822) | 644,298 |
| Office equipment | 87,635 | - | - | 87,635 |
| Building and improvements | 647,411 | - | (42,431) | 604,980 |
| Vehicles | 893,291 | 58,784 | 13,574 | 965,649 |
| Total capital assets | 37,392,832 | 214,344 | (147,679) | 37,459,497 |
| Accumulated depreciation for: | | | | |
| Sanitary sewer system | (22,059,522) | (759,307) | - | (22,818,829) |
| Equipment | (539,933) | (42,770) | 55,166 | (527,537) |
| Office equipment | (86,293) | (1,342) | - | (87,635) |
| Building and improvements | (358,012) | (17,742) | - | (375,754) |
| Vehicles | (683,650) | (66,680) | 28,857 | (721,473) |
| Total accumulated depreciation | (23,727,410) | (887,841) | 84,023 | (24,531,228) |
| Capital assets being depreciated, net | 13,665,422 | (673,497) | (63,656) | 12,928,269 |
| Capital assets, net | $ 13,927,296 | $ (597,818) | $ (63,656) | $ 13,265,822 |

## 4. Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

| | Sewer Revenue Bonds |
|---|---|
| Balance at January 1, 2022 | $ 9,835,000 |
| Reductions | (50,000) |
| Balance at December 31, 2022 | 9,785,000 |
| Bond discount | (25,633) |
| Due within one year | (50,000) |
| Long-term balance at December 31, 2022 | $ 9,709,367 |
| Balance at January 1, 2023 | $ 9,785,000 |
| Reductions | (50,000) |
| Balance at December 31, 2023 | 9,735,000 |
| Bonds discount | (24,029) |
| Due within one year | (440,000) |
| Long-term balance at December 31, 2023 | $ 9,270,971 |

In 2020, the Authority issued its Sewer Revenue Bonds, Series of 2020, in the amount of $9,970,000 (the 2020 Bonds). The 2020 Bonds are due in varying annual installments through 2038, with varying interest rates from 2.0% to 4.0%. The proceeds of the 2020 Bonds were used by the Authority to refund $9,800,000 of the Authority's 2012 Bonds and to pay the costs of issuing and insuring the 2020 Bonds. The 2020 Bonds are secured by a pledge and assignment by the Authority of its receipts and revenues (Note 1). Outstanding 2020 Bonds payable at December 31, 2023 was $9,735,000. The current portion due in 2024 related to the bond issue is $440,000.

Under the terms of the 2020 Bond contract, the Authority is required to maintain certain covenants. The Authority was in compliance with the covenant to issue financial statements within 180 days of the year ended December 31, 2023 and 2022.

Annual debt service requirements with respect to this bond is as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Years ending December 31: | | | |
| 2024 | $ 440,000 | $ 218,386 | $ 658,386 |
| 2025 | 580,000 | 200,786 | 780,786 |
| 2026 | 590,000 | 189,186 | 779,186 |
| 2027 | 605,000 | 177,386 | 782,386 |
| 2028 | 615,000 | 165,286 | 780,286 |
| 2029-2033 | 3,265,000 | 636,200 | 3,901,200 |
| 2034-2038 | 3,640,000 | 258,222 | 3,898,222 |
| Total | $ 9,735,000 | $ 1,845,452 | $ 11,580,452 |

## 5. Commitments

The Authority uses the processing plant of the Borough of Bellefonte, Pennsylvania (the Borough). Under this arrangement, the Authority is required to make annual payments to the Borough of 42% of capital improvements on its processing plant. Such payments amounted to $97,215 and $92,493 for 2023 and 2022, respectively.

## 6. Pension Plan and Deferred Compensation Plan

The Authority participates in the Spring-Benner-Walker Joint Authority Retirement Plan (the Plan), which provides retirement benefits to employees through a defined contribution plan 401(a), The MissionSquare Retirement Corporation Governmental Money Purchase Plan and Trust. All full-time employees hired prior to January 1, 2001 are 100% vested in the Plan. All employees hired after that date will become 100% vested after five years of continuous service. The Authority contributes 8% of the employee's gross earnings into the 401(a) Plan without regard to the employee's contributions for all employees hired prior to January 1, 2001. For employees hired after that date, the annual contribution will be 8% of the employee's gross earnings and employees are required to contribute 8%. Employees who retire at or after age 59 ½ are entitled to their account. Employer contributions were $56,880 and employee contributions were $56,880 for 2023. Employer contributions were $51,160 and employee contributions were $51,160 for 2022. In conjunction with the 401(a) plan, the Authority offers employees the option to contribute to an IRC Section 457 Deferred Compensation Plan. Participants may elect to contribute up to $22,500 for participants under age 50 and $30,000 for participants over age 50 of their pretax annual compensation, as defined in the plan document, up to the maximum contribution limits in the IRC. The Authority does not contribute to the 457 plan.

## 7. Effects of New Accounting Standards

GASB has approved the following:

- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the reporting process.

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Board of Directors of
Spring-Benner-Walker Joint Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Spring-Benner-Walker Joint Authority (the Authority), which comprise the Authority's statement of net position as of December 31, 2023, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

State College, Pennsylvania
June 12, 2024