Spring-Benner-Walker Joint Authority

Financial Statements

December 31, 2025 and 2024

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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 Spring-Benner-Walker Joint Authority (Authority), as of and for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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.

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 is the responsibility of management and, 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 29, 2026 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 29, 2026

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, 2025 and 2024. 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, 2025 and 2024. This report describes the total assets of the Authority, broken down into those that can be converted to cash easily (Current Assets) and noncurrent assets. 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 Authority also provides sewage services to the State Correctional System - Rockview, a Pennsylvania Department of Corrections prison located primarily in Benner Township (Rockview). 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 Statements 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

	2025	2024	Variance	Percentage Change
Current and restricted assets	$ 10,147,384	$ 9,475,370	$ 672,014	7.09 %
Net property, plant and equipment	11,212,211	11,789,704	(577,493)	(4.90)
Deferred outflows of resources	160,398	170,402	(10,004)	(5.87)
Total	$ 21,519,993	$ 21,435,476	$ 84,517	0.39 %
Current liabilities	$ 1,544,141	$ 1,477,525	$ 66,616	4.51 %
Long-term liabilities	8,156,692	8,750,169	(593,477)	(6.78)
Net position	11,819,160	11,207,782	611,378	5.45
Total	$ 21,519,993	$ 21,435,476	$ 84,517	0.39 %

Total assets are comparable to prior year; however cash and restricted cash increased due to the implementation of a rate increase on sewer system usage, continued growth the Authority is experiencing with new system connections and work completed for outside municipalities/authorities. Property, plant and equipment decreased by $577,493 which is related to the ongoing depreciation of these capital assets. Current liabilities are comparable to prior year, long-term liabilities have decreased related to higher principal payments in the current year, and net position increased $611,378 as a result of excess revenues over expenses in 2025.

Comparative Statement of Revenues and Expenses to Prior Year

	2025	2024	Variance	Percentage Change
Operating revenues	$ 5,119,252	$ 4,769,523	$ 349,729	7.33 %
Operating expenses	4,676,962	4,332,160	344,802	7.96
Net operating income	442,290	437,363	4,927	1.13
Nonoperating income (expense) and capital contributions, net	169,088	223,481	(54,393)	24.34
Change in net position	$ 611,378	$ 660,844	$ (49,466)	(7.49) %

Operating revenues increased for the year ended December 31, 2025 due to additional Rockview system usage charges, the implementation of a rate increase on sewer system usage and continued growth with new system connections. Operating expenses increased for the year ended December 31, 2025 due to an increase in sewage treatment costs, and salaries/benefits associated with changes in personnel.

Capital Assets

The Authority's investment in capital assets as of December 31, 2025 and 2024 is summarized below.

	2025	2024
Land and rights-of-way	$ 102,118	$ 102,118
Construction in Progress	569,950	395,802
Sanitary sewer system	35,164,860	35,165,510
Equipment	582,500	664,831
Office equipment	87,635	87,635
Building and improvements	635,210	635,210
Vehicles	1,125,396	983,838
Total	38,267,669	38,034,944
Less accumulated depreciation	(27,055,458)	(26,245,240)
Property, plant and equipment, net	$ 11,212,211	$ 11,789,704

Long-Term Debt

The Authority's sewer revenue bonds activity for the years ended December 31, 2025 and 2024 is as follows:

	Sewer Revenue Bonds
Bonds payable at January 1, 2024	$ 9,735,000
Bonds payments	(440,000)
Bonds payable at December 31, 2024	9,295,000
Bonds payments	(580,000)
Bonds payable at December 31, 2025	$ 8,715,000

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, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 1,106,679	$ 1,081,757
Accounts receivable, trade	1,038,852	951,692
Prepaids	65,000	-
Due from Benner Township Water Authority fund	1,474	-
Supplies inventory	54,180	54,087
Total current assets	2,266,185	2,087,536
Noncurrent Assets		
Restricted cash:		
Revenue Fund - restricted for debt service	7,868,764	7,375,399
Escrow	12,435	12,435
Capital assets, net of accumulated depreciation	11,212,211	11,789,704
Total noncurrent assets	19,093,410	19,177,538
Deferred Outflows of Resources		
Deferred amount on refunding	160,398	170,402
Total assets and deferred outflows of resources	$ 21,519,993	$ 21,435,476
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 590,000	$ 580,000
Accrued interest	63,062	66,929
Accounts payable	651,685	598,641
Customer deposits	168,268	156,999
Compensated absences	52,516	57,595
Payroll and payroll taxes payable	18,610	17,361
Total current liabilities	1,544,141	1,477,525
Noncurrent liabilities:		
Compensated absences	52,515	57,595
Long-term debt, net of unamortized discount	8,104,177	8,692,574
Total noncurrent liabilities	8,156,692	8,750,169
Total liabilities	9,700,833	10,227,694
Net Position		
Net investment in capital assets	2,678,432	2,687,532
Restricted for debt service/escrow	7,881,199	7,387,834
Unrestricted	1,259,529	1,132,416
Total net position	11,819,160	11,207,782
Total liabilities and net position	$ 21,519,993	$ 21,435,476

See notes to financial statements

Spring-Benner-Walker Joint Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Sewer system usage charges, net of discounts of $32,913 in 2025 and $18,283 in 2024	$ 2,478,264	$ 2,275,604
Rockview usage	2,027,167	1,865,821
Tapping fees	350,405	435,188
Other	263,416	192,910
Total operating revenues	5,119,252	4,769,523
Operating Expenses		
Sewage treatment	1,879,058	1,708,024
Salaries	910,277	788,609
Depreciation	865,695	886,674
Payroll taxes and benefits	376,506	349,950
Repairs and maintenance	167,534	198,470
System plant charges	135,351	117,636
Professional fees	85,700	74,005
Vehicle	75,828	46,681
Insurance	71,733	62,833
Utilities	57,327	40,613
Office	35,711	39,733
Director fees	10,335	9,728
Other	3,943	6,147
Seminars	1,630	2,739
Advertising	334	318
Total operating expenses	4,676,962	4,332,160
Operating income	442,290	437,363
Nonoperating Revenues (Expenses)		
Interest income	323,087	381,609
Interest expense	(208,528)	(224,128)
Gain on sale of capital asset	14,529	26,000
Total nonoperating revenues, net	129,088	183,481
Change in net position before capital contributions	571,378	620,844
Capital Contributions	40,000	40,000
Change in net position	611,378	660,844
Net Position, Beginning	11,207,782	10,546,938
Net Position, Ending	$ 11,819,160	$ 11,207,782

See notes to financial statements

Spring-Benner-Walker Joint Authority

Statements of Cash Flows
Years Ended December 31, 2025 and 2024

		2025		2024
Cash Flows From Operating Activities				
Cash received from customers	$	5,041,887	$	4,660,764
Cash paid to vendors and employees		(3,832,226)		(3,380,976)
Net cash provided by operating activities		1,209,661		1,279,788
Cash Flows Provided by Investing Activities				
Interest received		323,087		381,609
Cash Flows From Capital and Related Financing Activities				
Repayment of long-term debt, net		(580,000)		(440,000)
Interest paid		(200,788)		(218,384)
Purchase of fixed assets		(359,323)		(194,887)
Grants for capital		40,000		40,000
Proceeds on sale of capital assets		85,650		26,000
Net cash used in capital and related financing activities		(1,014,461)		(787,271)
Increase in cash and restricted cash		518,287		874,126
Cash and Restricted Cash, Beginning (Including $7,387,384 Reported in Restricted Accounts in 2025 and $6,671,770 in 2024)		8,469,591		7,595,465
Cash and Restricted Cash, Ending (Including $7,881,199 Reported in Restricted Accounts in 2025 and $7,387,384 in 2024)	$	8,987,878	$	8,469,591
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$	442,290		$437,363
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		865,695		886,674
Changes in assets and liabilities:				
Accounts receivable, trade		(87,160)		(109,139)
Prepaids		(65,000)		-
Due from BTWA fund		(1,474)		-
Supplies inventory		(93)		(3,008)
Accounts payable		53,044		53,292
Customer deposits		11,269		380
Payroll and payroll taxes payable and compensated absences		(8,910)		14,226
Net cash provided by operating activities	$	1,209,661	$	1,279,788
Supplementary Cash Flow Information				
Noncash capital and related financing activities:				
Amortization of bond discount, prepaid insurance and deferred amounts on refunding	$	11,608	$	11,608

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, four appointments; Benner, three appointments; Walker, two appointments) (i.e., a jointly-governed organization).

Reporting Entity

The financial reporting entity 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 finances its operations primarily through 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 statements 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 statements 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, intergovernmental grants for capital purposes and interest income are reported as nonoperating revenues (expenses) or capital contributions.

New Accounting Principle

The Authority adopted GASB Statement No. 102, *Certain Risk Disclosures,* for the year ended December 31, 2025. GASB Statement No. 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. See the impacts of this adoption in footnote nine.

2. Custodial Credit Risk, Deposits

Cash and Cash Equivalents

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, 2025 and 2024, the Authority's total bank deposits, deposits with PLGIT and money market funds were $8,922,935 and $8,462,487, respectively.

Bank deposits were $1,179,384 and $1,087,087 at December 31, 2025 and 2024, with FDIC insured amounts of $532,189 and $525,473, respectively. The remainder, $554,898 and $561,614 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, 2025 and 2024, the carrying amount and bank balances of the Authority's deposits with PLGIT were $159 and $152.

Money market funds include $7,743,392 and $7,387,834 of Goldman Sachs Financial Square Treasury Obligations Fund at December 31, 2025 and 2024, 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, 2025 and 2024 is as follows:

	January 1, 2025	Additions	Transfers/ Disposals	December 31, 2025
Capital assets not being depreciated:				
Land and rights-of-way	$ 102,118	$ -	$ -	$ 102,118
Construction in progress	395,802	174,148	-	569,950
Total capital assets not being depreciated	497,920	174,148	-	672,068
Capital assets being depreciated:				
Sanitary sewer system	35,165,510	-	(650)	35,164,860
Equipment	664,831	43,617	(125,948)	582,500
Office equipment	87,635	-	-	87,635
Building and improvements	635,210	-	-	635,210
Vehicles	983,838	141,558	-	1,125,396
Total capital assets	37,537,024	185,175	(126,598)	37,595,601
Accumulated depreciation for:				
Sanitary sewer system	(24,409,258)	(747,450)		(25,156,708)
Equipment	(510,170)	(42,343)	55,477	(497,036)
Office equipment	(87,635)	-	-	(87,635)
Building and improvements	(425,447)	(18,504)	-	(443,951)
Vehicles	(812,730)	(57,398)	-	(870,128)
Total accumulated depreciation	(26,245,240)	(865,695)	55,477	(27,055,458)
Capital assets being depreciated, net	11,291,784	(680,520)	(71,121)	10,540,143
Capital assets, net	$ 11,789,704	$ (506,372)	$ (71,121)	$ 11,212,211

	January 1, 2024	Additions	Transfers/ Disposals	December 31, 2024
Capital assets not being depreciated:				
Land and rights-of-way	$ 102,118	$ -	$ -	$ 102,118
Construction in progress	311,498	84,304	-	395,802
Total capital assets not being depreciated	413,616	84,304	-	497,920
Capital assets being depreciated:				
Sanitary sewer system	35,165,510	-	-	35,165,510
Equipment	644,298	20,533	-	664,831
Office equipment	87,635	-	-	87,635
Building and improvements	625,160	10,050	-	635,210
Vehicles	965,649	80,000	(61,811)	983,838
Total capital assets	37,488,252	110,583	(61,811)	37,537,024
Accumulated depreciation for:				
Sanitary sewer system	(23,573,411)	(772,641)	(63,206)	(24,409,258)
Equipment	(573,376)	-	63,206	(510,170)
Office equipment	(87,635)	-	-	(87,635)
Building and improvements	(391,505)	(33,942)	-	(425,447)
Vehicles	(794,450)	(80,091)	61,811	(812,730)
Total accumulated depreciation	(25,420,377)	(886,674)	61,811	(26,245,240)
Capital assets being depreciated, net	12,067,875	(776,091)	-	11,291,784
Capital assets, net	$ 12,481,491	$ (691,787)	$ -	$ 11,789,704

4. Long-Term Debt

Long-term debt consists of the following at December 31, 2025 and 2024:

	Sewer Revenue Bonds
Balance at January 1, 2024	$ 9,735,000
Principal payments	(440,000)
Balance at December 31, 2024	9,295,000
Bond discount	(22,426)
Due within one year	(580,000)
Long-term balance at December 31, 2024	$ 8,692,574
Balance at January 1, 2025	$ 9,295,000
Principal payments	(580,000)
Balance at December 31, 2025	8,715,000
Bonds discount	(20,823)
Due within one year	(590,000)
Long-term balance at December 31, 2025	$ 8,104,177

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).

Under the terms of the 2020 Bonds, 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, 2025 and 2024.

Annual debt service requirements with respect to the 2020 Bonds are as follows:

	Principal	Interest	Total
Years ending December 31:			
2026	$ 590,000	$ 189,186	$ 779,186
2027	605,000	177,386	782,386
2028	615,000	165,286	780,286
2029	625,000	152,986	777,986
2030	640,000	140,486	780,486
2031-2035	3,410,000	527,658	3,937,658
2036-2038	2,230,000	105,724	2,335,724
Total	$ 8,715,000	$ 1,458,712	$ 10,173,712

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 made to its processing plant. Such payments amounted to $135,351 and $117,636 for 2025 and 2024, respectively, and are reported within the system plant charges expense line item in the accompanying statements of revenues, expenses and changes in net position.

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 401(a) contribution plan, 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 $53,958 and employee contributions were $53,958 for 2025. Employer contributions were $60,261 and employee contributions were $60,261 for 2024. In conjunction with the 401(a) plan, the Authority offers employees the option to contribute to an Internal Revenue Code (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

The GASB has approved the following:

Statement 103, *Financial Reporting Model Improvements*

Statement 104, *Disclosure of Certain Capital Assets*

Statement 105, *Subsequent Events*

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

8. Subsequent Events

On January 1, 2026, Benner Township Water Authority (Water Authority) merged into the Authority (collectively, the participating governments). Pursuant to Governmental Accounting Standards Board Statement No. 69, *Governmental Mergers and Disposals of Government Operations*, the participating governments intend to account for this transaction as a government merger, with the Authority as the continuing government, and the Water Authority ceasing to exist.

The Authority was notified in September 2025 of the Pennsylvania Department of Correction’s (PA DOC) intention to close the State Correctional Institution (SCI) at Rockview in early 2026. SCI Rockview officially ceased operations and closed in February 2026. SCI Rockview, SCI Benner Township and Forestry Camp are collectively reported as Rockview Usage in the accompanying statement of revenues, expenses and change in net position. SCI Rockview comprised approximately 15% of the Rockview Usage for the years ended December 31, 2025 and 2024.

9. Risk Disclosure – Concentration

As indicated in Note 8, SCI Rockview ceased operations in February 2026. During the years ended December 31, 2025 and 2024, revenues from SCI Rockview comprised of 15% of the Authority’s total operating revenues.

The Authority has evaluated this matter in accordance with GASB Statement No. 102, *Certain Risk Disclosures*. The Authority's dependence on a single customer for a substantial portion of its operating revenues represents a concentration that could significantly affect future financial operations. The ultimate financial impact will depend on the duration of the revenue reduction, the Authority's ability to adjust operating costs, and the development of alternative revenue sources.

The Authority is evaluating operational and financial strategies to mitigate the impact of the lost revenue, including rate structure reviews, expenditure management, and economic development initiatives intended to encourage future customer growth within the service area.

**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, 2025, 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 29, 2026

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 29, 2026