LOWER POTTSGROVE TOWNSHIP AUTHORITY
POTTSTOWN, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2025

LOWER POTTSGROVE TOWNSHIP AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

September 2, 2026

To the Authority Board
Lower Pottsgrove Township Authority
Pottstown, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Lower Pottsgrove Township Authority as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Lower Pottsgrove Township Authority as of December 31, 2025, and the respective changes in financial position and cash flows for the year 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. 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 the Lower Pottsgrove Township 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

The Lower Pottsgrove Township Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted

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in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Lower Pottsgrove 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 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 Lower Pottsgrove 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 the Lower Pottsgrove Township Authority's ability to continue as a going concern for a reasonable period of time.

To the Authority Board
Lower Pottsgrove Township Authority

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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Lower Pottsgrove Township Authority's beginning net position has been restated due to error corrections. Our opinion is not modified with respect to this matter.

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 8, and schedule of changes in the Authority's net pension liability, investment returns, and related ratios - pension plan and schedule of Authority pension contributions on pages 23 and 24, 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 September 2, 2026, on our consideration of the Lower Pottsgrove Township 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 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 Lower Pottsgrove Township Authority's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

The discussion and analysis of the Lower Pottsgrove Township Authority's financial performance provides an overall view of the Authority's financial activities for the year ended December 31, 2025. The intent of this discussion and analysis is to provide a narrative summary of the financial performance of the Authority as a whole. Readers should also review the financial statements and notes to financial statements to enhance their understanding of Authority's financial performance.

OVERVIEW OF THE AUTHORITY

The Lower Pottsgrove Township Authority ("the Authority") is a separate legal entity created by Lower Pottsgrove Township ("the Township") to construct, expand, and operate a sewer system in the Township (Sewer Fund). In addition, the Authority may issue debt to finance the construction and expansion of the sewer system.

For 2025, the Authority billed 5,685 Equivalent Dwelling Units ("EDU") quarterly at $150 per EDU. Each residential EDU represents 200 gallons of sewage capacity per day. Each commercial EDU represents 300 gallons of sewage capacity per day.

FINANCIAL HIGHLIGHTS

- The sewer rate for 2025 was $150 per quarter per EDU. This is the sewer rent charge of $124 per quarter per EDU and the capital charge of $26 per quarter per EDU for future improvements.

- The remediation contribution fee applies to new residential and commercial connections to help fund continuing inflow and infiltration ("I&I") issues.

- The total residential tap fee and remediation fee for 2024 was $5,493 per EDU. This includes $2,493 for the tap fee and $3,000 for the remediation contribution fee per EDU. The commercial tap and remediation fee for 2025 was $5,720 per EDU, which includes $2,720 for the tap fee and $3,000 for the remediation contribution fee.

- The Authority continued its I&I program with contracted and Township personnel. Lateral cameras were utilized to internally inspect several residential laterals that were previously identified as suspect sources of I&I. Sewer mains throughout the Township were televised to identify sources of I&I, and pipes were repaired, as necessary. Property inspections were continued to identify potential sources of I&I, including sump pump connections into the sanitary sewer system, downspouts, and surface runoff into sewer vents. Illegal connections were removed when warranted. Additionally, the Authority is under contract with an I&I contractor and used approximately $313,349 of its funds in 2025 for I&I investigation and remediation work.

- The Authority continues to repair/replace mechanical equipment at its pump stations on an as needed basis. The Authority funds its proportionate share of necessary capital improvement projects at the Pottstown Borough Authority (PBA) Wastewater Treatment Plant (WWTP).

- The Authority installed 2 new controllers and replaced pumps and controls for $72,837.

- In 2025, the Authority has a Corrective Action Plan ("CAP") and Connection Management Plan ("CMP") in conjunction with Pennsylvania Department of Environmental Protection ("PA DEP") to resolve capacity issues within the conveyance system. The Authority has requested 400 new EDU connections to the sewer system from PA DEP and continues to implement its CAP/CMP.

- The Authority had a total of $3,378,000 outstanding debt on December 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis (this section), the basic financial statements and notes, and the required supplementary information.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. These statements offer short and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the Authority's profitability and creditworthiness. The statement of cash flows provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities and provides answers to such questions as "From where did cash come?," "For what was cash used?," and "What was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is, "Is the Authority better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position tables supply information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in it. You can think of the Authority's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Position

The Authority's overall financial position, as reflected in total net position, is $8,766,902 for 2025 and $8,793,065 for 2024, a decrease of $26,163 or 0.3%.

Net position is comprised of:

	2025	2024
Net investment in capital assets	$ 2,306,314	$ 2,064,592
Unrestricted net position	6,460,588	6,728,473
Total Net Position	$ 8,766,902	$ 8,793,065

Table A-1
Required Components of Lower Pottsgrove Township Authority's Financial Report

	2025	2024
Assets and Deferred Outflows of Resources:		
Current assets	$ 6,786,678	$ 7,553,002
Capital assets	5,673,495	6,058,497
Deferred outflows of resources	36,396	141,288
Total Assets and Deferred Outflows of Resources	$ 12,496,569	$ 13,752,787
Liabilities and Deferred Inflows of Resources:		
Current liabilities	$ 712,770	$ 1,341,484
Noncurrent liabilities	2,734,000	3,378,000
Net pension liability	212,618	228,009
Deferred inflows of resources	70,279	12,229
Total Liabilities and Deferred Inflows of Resources	3,729,667	4,959,722
Net Position:		
Net investment in capital assets	2,306,314	2,064,592
Unrestricted	6,460,588	6,728,473
Total Net Position	$ 8,766,902	$ 8,793,065

Total operating loss for the year ended 2025 was $159,687.

Table A-2
Required Components of Lower Pottsgrove Township Authority's Financial Report

	2025	2024
Operating revenues	$ 3,751,966	$ 3,960,295
Operating expenses	(3,909,376)	(2,948,624)
Operating income (loss)	(157,410)	1,011,671
Nonoperating revenue/expenses (net)	131,247	166,693
Changes in net position	(26,163)	1,178,364
Total net position beginning, restated	8,793,065	7,614,701
Total Net Position Ending	$ 8,766,902	$ 8,793,065

Capital Assets

As of December 31, 2025 and 2024, the Authority had capital assets totaling $5,673,495 and $6,058,497, respectively. See Note 3 for additional details.

Long-term Debt

To begin the 2025 year, the Authority's total capital debt principal obligation was $4,007,000. During the year, the Authority made payments against the principal totaling $629,000, reducing the outstanding debt balance to $3,378,000 as of December 31, 2025.

More detailed information pertaining to capital debt is included in Note 4 of the financial statements.

	2025	2024
Total debt obligations	$ 3,378,000	$ 4,007,000

FUTURE ECONOMIC FACTORS

- The quarterly sewer rent rates for 2026 will remain the same at $156 per quarter per EDU. That amount is a sewer rent charge of $130 per quarter per EDU and a capital charge of $26 per quarter per EDU (for future improvements).

- In 2025, the Authority had a CAP and CMP in conjunction with PA DEP to resolve capacity issues within the conveyance system. In 2025, the Authority continued to implement its CAP/CMP and issued semi-annual status reports to the PA DEP. In February 2026, the PA DEP determined that the Authority's sanitary sewer system is no longer hydraulically overloaded. The PA DEP removed the requirement for the Authority to operate under a CAP. This will allow the LPTA to sell capacity in accordance with its existing rules and regulations.

- The Authority shares in the operation and maintenance costs for the Pottstown Borough Authority. The Pottstown Borough Authority has undertaken a number of large capital projects at their WWTP. The projects include a major valve replacement project, purchase and installation of UV disinfection system, purchase and installation of belt filter press for sludge removal, and the installation of hypochlorite system for a total cost of $1,209,739 in 2025 and a budgeted 2026 cost of $485,000. It was negotiated to spread these capital improvement costs over three years. The projected cost to the Authority is $485,000 in 2026. The Authority projected 2026 Pottstown Borough Authority's operation and maintenance share is budgeted at $1,100,000..

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

This report is designed to provide readers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Manager at 1963 East High Street, Pottstown, PA 19464 or by telephone at (610) 323-0436.

LOWER POTTSGROVE TOWNSHIP AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 5,441,716
Accounts receivable	1,291,484
Due from other governments	53,478
Total Current Assets	6,786,678
Noncurrent Assets:	
Capital assets, net	5,673,495
Total Noncurrent Assets	5,673,495
TOTAL ASSETS	12,460,173
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount on refunding of debt	10,819
Deferred outflows relating to pension	25,577
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,396
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 12,496,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 47,492
Other current liabilities	19,775
Accrued interest payable	1,503
Loan payable - current	644,000
Total Current Liabilities	712,770
Noncurrent Liabilities:	
Loan payable - long-term	2,734,000
Net pension liability	212,618
Total Noncurrent Liabilities	2,946,618
TOTAL LIABILITIES	3,659,388
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows relating to pension	70,279
TOTAL DEFERRED INFLOWS OF RESOURCES	70,279
NET POSITION	
Net investment in capital assets	2,306,314
Unrestricted	6,460,588
TOTAL NET POSITION	8,766,902
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 12,496,569

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

OPERATING REVENUES:	
Charges for services - sewer	$ 3,611,519
Tapping and inspection fees	16,330
Other income	124,117
TOTAL OPERATING REVENUES	3,751,966
OPERATING EXPENSES:	
Operating Costs:	
Plant operations	1,122,448
Electric	68,780
Collection expenses	8,686
Maintenance and repairs	381,071
Fuel	3,211
Rentals	39,454
Upgrades and capital expenses	929,127
Total Operating Costs	2,552,777
Administrative Costs:	
Salaries	292,440
Benefit and taxes	330,783
Insurance	32,892
Legal services	3,618
Engineering services	45,627
Auditing services	11,365
General office cost	10,046
Billing and collection services	51,714
Management fee	120,000
Dues, licenses and seminars - sewer	275
Total Administrative Costs	898,760
Depreciation	457,839
TOTAL OPERATING EXPENSES	3,909,376
OPERATING INCOME (LOSS)	(157,410)
NONOPERATING REVENUES (EXPENSES):	
Interest income	224,231
Interest expense	(92,984)
TOTAL NONOPERATING REVENUES (EXPENSES)	131,247
CHANGE IN NET POSITION	(26,163)
NET POSITION, BEGINNING OF YEAR, RESTATED	8,793,065
NET POSITION, END OF YEAR	$ 8,766,902

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from users	$ 4,102,666
Cash payments to employees and benefits	(469,371)
Cash payments for goods and services	(3,480,267)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	153,028
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	224,231
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	224,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(629,000)
Interest paid on long-term debt	(91,047)
Cash paid for the acquisition of capital assets	(72,837)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(792,884)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(415,625)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,857,341
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,441,716
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (157,410)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	457,839
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	341,296
(Increase) Decrease in prepaid expenses	9,404
Increase (Decrease) in accounts payable	(430,247)
Increase (Decrease) in other current liabilities	(213,128)
Increase (Decrease) in net pension liability	(15,391)
(Increase) Decrease in deferred outflows of resources related to pensions	102,615
Increase (Decrease) in deferred inflows of resources related to pensions	58,050
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 153,028

The accompanying notes are an integral part of these financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Pottsgrove Township Authority ("the Authority") is a separate legal entity created by Lower Pottsgrove Township ("the Township") to construct, expand, and operate a sewer system in the Township ("Sewer Fund"). In addition, the Authority may issue debt to finance the construction and expansion of the sewer system.

Reporting Entity

The Authority is a municipal corporation governed by an appointed Board of Directors and is considered as a related organization of the Township. As required by accounting principles generally accepted in the United States of America, the Authority's financial statements are to present the Authority and organizations to which it is financially accountable. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards, and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Authority is a legally separate organization. Financial transactions are processed and accounted for by the Authority's financial administration. There were no additional entities required to be included in the reporting entity under the criteria as described above in the current fiscal year.

Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting, whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur. Investment earnings represent the Authority's primary source of nonoperating revenue from ancillary activities.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user changes; or (b) where the governing body has decided that periodic determination of revenue earned and/or expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into "net investment in capital assets" and "unrestricted" components.

Cash and Cash Equivalents

Cash deposits consist of demand and time deposits and short-term investments. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period (such as useful lives in determining depreciation expense and accrued unbilled revenue); accordingly, actual results could differ from those estimates.

Net Position

The Authority's policy states that when more than one type of resource is available for use, restricted resources are used first and then unrestricted resources as they are needed.

Net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted – when constraints placed on net position are either a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Accounts Receivable

Receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance is established at the

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

discretion of management of the Authority as deemed necessary based on prior collection history. The Authority follows a legal process of water shut-offs in order to maintain accounts on a current basis.

Capital Assets

The total investment in capital assets represents acquisitions since 1991, including renovations and significant upgrades to the sewage treatment plant and distribution system.

Major outlays for capital assets and improvements are capitalized as projects when constructed inclusive of ancillary costs. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Depreciation of municipal wastewater treatment plant and various municipal sewer improvements is computed using straight-line methods for periods of five to fifty years.

Revenue Recognition

Customers are billed quarterly; and revenue is recorded net of any discounts, assessments, or abatements, if applicable.

Long-term Obligations

On the statement of net position, long-term obligations are broken out between current and non-current liabilities dependent on when payment will become due. All issuance costs associated with a debt issuance are expensed when incurred.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense) until that time. The Authority currently has two items that qualify for reporting in this category. Certain changes to the net pension liability/asset are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the statement of net position as well as the Authority's remaining balance of the deferred loss of the 2016 Sewer Note.

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At December 31, 2025, the carrying amount of the Authority's deposits was

NOTE 2 DEPOSITS (cont'd)

$5,441,716, and the bank balance was $6,153,238. Of the bank balance, $500,000 was covered by federal depository insurance, and $4,582,149 was collateralized by pooled securities in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72") and subject to custodial credit risk.

As of December 31, 2025, the Authority also has deposits of $882,486 held with PA INVEST. The money market accounts with PA INVEST had a credit rating of AAAm. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PA INVEST act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

As of December 31, 2025, the Authority also has deposits of $188,603 held with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2025, PLGIT had a credit rating of AAAm. These investments mature within 30 days and are thus classified as cash on the statement of net position.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Depreciated:				
Force main	$ 2,107,150	$ -	$ -	$ 2,107,150
Sewer expansion, infrastructure and pump stations	30,079,973	72,837	-	30,152,810
Equipment	1,234,789	-	-	1,234,789
Vehicles	265,020	-	(47,979)	217,041
Water pump station	448,000	-	-	448,000
Purchased capacity	1,605,000	-	-	1,605,000
Total Depreciated Capital Assets	35,739,932	72,837	(47,979)	35,764,790
Accumulated depreciation	(29,681,435)	(457,839)	47,979	(30,091,295)
Total Capital Assets Being Depreciated, Net	6,058,497	(385,002)	-	5,673,495
Total Net Capital Assets	$ 6,058,497	$ (385,002)	$ -	$ 5,673,495

NOTE 4 LONG-TERM DEBT

The following is a summary of changes in long term debt for the year ended December 31, 2025:

	Balance 01/01/2025	Reductions	Additions	Balance 12/31/2025	Estimated Due Within One Year
Debt Description:					
2016 notes	$ 4,007,000	$ (629,000)	$ -	$ 3,378,000	$ 644,000
Net pension liability	228,009	(15,391)	-	212,618	-
	$ 4,235,009	$ (644,391)	$ -	$ 3,590,618	$ 644,000

2016 Notes

On April 15, 2016, the Authority borrowed $7,456,000 from the Delaware Valley Regional Finance Authority as a Guaranteed Sewer Revenue Note with a fixed interest rate not to exceed 2.365%. The Note proceeds were used to: (1) repay a portion of the principal amount of the Authority's Guaranteed Sewer Revenue Bond, Series of 2011, in the aggregate amount of $7,400,000; (2) pay the costs of issuing the note; and (3) fund the costs of certain capital projects. The Guaranteed Sewer Revenue Notes are secured by a guarantee agreement with the Authority, as guarantor, and Delaware Valley Regional Finance Authority. Total interest expense in 2025 was $90,707.

The reacquisition price exceeded the net carrying amount of the old debt by $32,925. This amount is being amortized over the life of the note and is included in the deferred outflows of resources on the statement of net position.

The loan matures as follows:

Year Ending December 31,	Principal	Interest
2026	$ 644,000	$ 79,890
2027	660,000	64,659
2028	675,000	49,050
2029	691,000	33,086
2030	708,000	16,744
Totals	$ 3,378,000	$ 243,429

NOTE 5 PENSION PLAN

Plan Description and Provisions

The Lower Pottsgrove Township Non-Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Authority contributes to the Lower Pottsgrove Township Non-Uniformed Employees' Pension Plan, which is a single employer public employee retirement system. The pension plan provides for death benefits to plan members and their beneficiaries. All employees become members of the plan the first of the month coincident with or next following date of hire. Under the provisions of the Township's pension plan, pension benefits vest at 100% after 5 years of credited service. Effective in 2006, an employee may retire at age 62 with 20 years of credited service and receive a monthly pension equal to 2.2% of the employee's final 36-month average salary times the number of years of service, not to exceed 55% of FAS. Prior to 2006, the grandfather formula is 50% of FAS. In addition, an increment (after age 65 and 10 years of service) of 2% of final 36-month average salary for each year of service beyond normal retirement date to a maximum increment of $100 per month shall be paid for postponed retirements. Full-time non-uniformed employees contributed 2% of their pay towards the pension plan totaling $10,036 in 2025. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Plan Membership

On January 1, 2025, the latest Act 205 Report, the Township pension plans' memberships consisted of:

	Non-Uniformed
Active member	6
Retired and benefit members	12
Vested members	10
Total Membership	28

Basis of Accounting

The pension plans utilize the accrual basis of accounting. Employee and employer contributions are recognized when due as required by Act 205 of the Commonwealth. Benefits are recognized when due and payable in accordance with the terms of the plan.

NOTE 5 PENSION PLAN (cont'd)

Annual Pension Cost, Net Pension Obligation, and Reserves

The non-uniformed employees' pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2025. Significant actuarial assumptions used include (a) a rate of return on the investments of present and future assets of 6.25% per year compounded annually, and (b) projected salary increases of 4.00% per year compounded annually.

Interest Rate Risk

Fiduciary fund investments in corporate bonds are scheduled to mature during the years 2026 through 2035; the interest rates of the bonds range from 1% to 5.3%.

Funding Policy

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205. State aid allocations and Township contributions amounted to $193,261 for the year ended December 31, 2025. In addition, the employees contributed $10,036.

Past Service Costs

There are no unfunded liabilities for the plan for past service costs.

Contributions Required

The pension plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate suitable assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The pension plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period. Total contributions to the Non-Uniformed Pension Plan in 2025 amounted to $193,261, consisting of $86,654 of state aid and $106,607 contributed by the Township.

Net Pension Liability

The net pension liability was measured as of December 31, 2025, and the total pension liability was determined from an actuarial valuation as of January 1, 2025. No significant events or

NOTE 5 PENSION PLAN (cont'd)

changes in assumptions occurred between the valuation date and fiscal year end. The components of the net pension liability at December 31, 2025 were as follows:

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2024	$ 1,786,192	$ 1,558,183	$ 228,009
Service cost	17,641	-	17,641
Interest	114,168	-	114,168
Changes for experience	7,179	-	7,179
Changes for assumptions	48,489	-	48,489
Contributions - employer	-	61,322	(61,322)
Contributions - employee	-	3,184	(3,184)
Net investment income	-	141,548	(141,548)
Benefit payments, including refunds of member contributions	(94,815)	(94,815)	-
Administrative expenses	-	(3,186)	3,186
Net Changes	92,663	108,053	(15,390)
Balance at December 31, 2025	$ 1,878,854	$ 1,666,236	$ 212,618

The components of the net pension liability at December 31, 2025 were as follows:

Total pension liability	$ 1,878,854
Plan fiduciary net position	(1,666,236)
Net pension liability	$ 212,618
Plan fiduciary net position as a percentage of the total pension liability	88.68%

Actuarial Assumptions

The total pension liability in the January 1, 2025 actuarial evaluation was determined using the following economic assumptions, applied to all periods included in the measurement:

Remaining amortization period	7 years
Inflation	3.0%
Salary increases	4%, average, including inflation
Investment rate of return	6.25%
Retirement age	Age 52 and 25 years of service

NOTE 5 PENSION PLAN (cont'd)

Mortality rates were based on the PubS-2010 Mortality Table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 6.25%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Plan's net pension liability (asset)	$ 428,456	$ 212,618	$ 31,384

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, the Authority recognized pension expense of $145,275. At December 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,279	$ -
Changes in assumptions	3,298	-
Net difference between projected and actual earnings on pension plan investments	-	70,279
Total	$ 25,577	$ 70,279

NOTE 5 PENSION PLAN (cont'd)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2026	$ 38,818
2027	(41,340)
2028	(33,910)
2029	(8,270)
Totals	$ (44,702)

NOTE 6 MANAGEMENT FEES

Effective on November 1, 1991, the Authority entered into a management agreement with the Township to manage the day-to-day operations of the sewer system to include repairs, maintenance, and administration. The management agreement expired on December 31, 1998, with annual renewals thereafter. Management fees were $120,000 in 2025.

NOTE 7 PLANT OPERATIONS

The Authority purchases sewer plant operations from a local municipality, the Pottstown Borough Authority ("PBA"). The cost is determined by PBA on an annual basis. The Authority remits a quarterly payment based upon an estimate of the cost as determined by PBA. After year-end, PBA and the Authority determine the actual cost attributed to the Authority, and, if appropriate, PBA retroactively invoices the Authority, or the Authority receives a credit against the next estimated invoices as generated by PBA. The cost of plant operations was $1,122,448 in 2025.

As part of the operating agreement, the Authority is also periodically required to make payments to the local municipality to cover the Authority's share of capital expenses and upgrades at the wastewater treatment plant. The Authority's share of these expenses was $929,127 in 2025.

NOTE 8 PRIOR PERIOD ADJUSTMENTS

During the current year, the Authority identified errors related to the accounting and reporting of capital assets. Management evaluated the impact of these items and recorded the necessary adjustments to properly state the Authority's beginning balances.

NOTE 8 PRIOR PERIOD ADJUSTMENTS (cont'd)

The adjustments included revisions to capital asset and related accumulated depreciation to correct capital assets that were over depreciated in previous years.

As a result of these corrections, beginning net position and related accounts were restated. Management believes the accompanying financial statements now properly reflect the Authority's financial position and results of operations for the year presented.

	12/31/2024 as Previously Reported	Error Correction	12/31/2024 as Restated
Business-type activities:	$ 8,676,629	$ 116,436	$ 8,793,065
Total Authority	$ 8,676,629	$ 116,436	$ 8,793,065

NOTE 9 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through September 2, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER POTTSGROVE TOWNSHIP AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS - PENSION PLAN

	MEASUREMENT DATE									
	12/31/25	12/31/24	12/31/23	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
TOTAL PENSION LIABILITY										
Service cost	$ 17,641	$ 29,508	$ 24,769	$ 25,300	$ 26,843	$ 33,575	$ 33,015	$ 29,661	$ 29,141	$ 29,269
Interest cost	114,168	110,878	100,535	96,661	98,091	93,494	90,255	85,149	80,760	79,052
Difference between expected and actual experience	7,179	12,228	46,176	7,768	(61,155)	(3,919)	(16,158)	(2,653)	(27,268)	(2,072)
Change for assumption	48,489	-	172,475	-	31,027	-	27,320	-	24,207	-
Benefit payments	(94,815)	(85,444)	(72,752)	(74,956)	(55,789)	(50,243)	(47,381)	(47,489)	(50,195)	(48,511)
NET CHANGE IN TOTAL PENSION LIABILITY	92,662	67,170	271,203	54,773	39,017	72,907	87,051	64,668	56,645	57,738
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	1,786,192	1,719,022	1,447,819	1,393,046	1,354,029	1,281,122	1,194,071	1,129,403	1,072,758	1,015,020
TOTAL PENSION LIABILITY, END OF YEAR	$ 1,878,854	$ 1,786,192	$ 1,719,022	$ 1,447,819	$ 1,393,046	$ 1,354,029	$ 1,281,122	$ 1,194,071	$ 1,129,403	$ 1,072,758
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ 1,666,236	$ 1,558,183	$ 1,357,014	$ 1,264,227	$ 1,463,948	$ 1,275,242	$ 1,116,967	$ 959,365	$ 960,431	$ 856,882
AUTHORITY'S NET PENSION LIABILITY (ASSET)	$ 212,618	$ 228,009	$ 362,008	$ 183,592	$ (70,902)	$ 78,787	$ 164,155	$ 234,706	$ 168,972	$ 215,876
Plan fiduciary net position as a percentage of total pension liability	88.68%	87.23%	78.94%	87.32%	105.09%	94.18%	87.19%	80.34%	85.04%	79.88%
Covered employee payroll	$ 166,860	$ 156,303	$ 219,851	$ 219,187	$ 277,271	$ 262,413	$ 256,152	$ 268,468	$ 260,867	$ 252,940
Authority's net pension liability (asset) as a percentage of covered payroll	127.42%	145.88%	164.66%	83.76%	-25.57%	30.02%	64.08%	87.42%	64.77%	85.35%

LOWER POTTSGROVE TOWNSHIP AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

Actuarial Valuation Date	Actuarial Determined Contribution	Contribution from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2016	$ 163,221	$ 163,221	$ -	$ 252,940	64.53%
2017	145,580	145,580	-	260,867	55.81%
2018	162,401	162,401	-	268,468	60.49%
2019	165,073	165,073	-	256,152	64.44%
2020	179,706	179,706	-	262,413	68.48%
2021	180,854	180,854	-	277,271	65.23%
2022	139,088	139,088	-	219,187	63.46%
2023	124,176	124,176	-	219,851	56.48%
2024	221,116	221,116	-	156,303	141.47%
2025	193,261	193,261	-	166,860	115.82%

Notes to Schedule:

Valuation Date: January 1, 2025

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	4.00%, average, including inflation
Investment rate of return	6.25%
Retirement age	Normal retirement age
Mortality	2010 Public Sector Mortality Table using Scale MP-2020

SUPPLEMENTARY INFORMATION

LOWER POTTSGROVE TOWNSHIP AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original/Final Budget	Actual	Favorable (Unfavorable) Variance
OPERATING REVENUES:			
Charges for services - sewer	$ 3,626,695	$ 3,611,519	$ (15,176)
Tapping and inspection fees	13,000	16,330	3,330
Other income	238,000	124,117	(113,883)
TOTAL OPERATING REVENUES	3,877,695	3,751,966	(125,729)
OPERATING EXPENSES:			
Operating Costs:			
Plant operations	1,125,000	1,122,448	2,552
Electric	85,000	68,780	16,220
Collection expenses	1,000	8,686	(7,686)
Maintenance and repairs	397,789	381,071	16,718
Fuel	7,500	3,211	4,289
Rentals	50,000	39,454	10,546
Upgrades and capital expenses	795,000	929,127	(134,127)
Total Operating Costs	2,461,289	2,552,777	(91,488)
Administrative Costs:			
Salaries	289,789	292,440	(2,651)
Benefit and taxes	384,797	330,783	54,014
Insurance	32,782	32,892	(110)
Legal services	12,000	3,618	8,382
Engineering services	55,000	45,627	9,373
Auditing services	11,635	11,365	270
General office cost	25,300	10,046	15,254
Billing and collection services	60,000	51,714	8,286
Management fee	120,000	120,000	-
Dues, licenses and seminars - sewer	500	275	225
Total Administrative Costs	991,803	898,760	93,043
Depreciation and amortization	400,000	460,116	(60,116)
TOTAL OPERATING EXPENSES	3,853,092	3,911,653	(58,561)
OPERATING INCOME (LOSS)	24,603	(159,687)	(184,290)
NONOPERATING REVENUES (EXPENSES):			
Interest income	80,000	224,231	144,231
Interest expense	(94,766)	(90,707)	4,059
TOTAL NONOPERATING REVENUES (EXPENSES)	(14,766)	133,524	148,290
CHANGE IN NET POSITION	9,837	(26,163)	(36,000)
NET POSITION, BEGINNING OF YEAR, RESTATED	8,793,065	8,793,065	-
NET POSITION, END OF YEAR	$ 8,802,902	$ 8,766,902	$ (36,000)

OTHER REPORT

BTCPA
BARBACANE
THORNTON
& COMPANY

INDEPENDENT AUDITOR'S 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*

September 2, 2026

To the Authority Board
Lower Pottsgrove Township Authority
Pottstown, Pennsylvania

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, the financial statements of the business-type activities of the Lower Pottsgrove Township Authority ("the Authority"), Pottstown, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 2, 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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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To the Authority Board
Lower Pottsgrove Township Authority

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2025-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2025-02 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and recommendations as items 2025-01 and 2025-02.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

LOWER POTTSGROVE TOWNSHIP AUTHORITY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2024-01 – MATERIAL AUDIT ADJUSTMENTS

Finding

During the prior year audit, it was noted that the internally prepared 2024 financial statements, before audit adjustments, had net income of $658,921. After the 2024 audit, net income was $1,178,364. This was a difference of $519,443.

Recommendation

Management should strengthen its year-end financial reporting and financial statement preparation process to ensure that the financial statements are complete, accurate, and prepared in accordance with the applicable financial reporting framework before they are provided for audit. This may include implementing additional supervisory review procedures, performing reconciliations of significant accounts, and documenting management's review of the financial statements prior to issuance.

Status

During the current year audit, we noted that the internally prepared financial statements required immaterial current-year audit adjustments. However, a material prior period adjustment was also identified and recorded, as described in finding 2025-01. Accordingly, while the prior-year finding related to material current-year audit adjustments has been resolved, the matter has been reported as a new finding in 2025-01 due to the material prior period adjustment.

2024-02 – UNTIMELY DEPOSIT OF TRASH REVENUE

Finding

According to the Authority's internal control procedures, "at month end, any capital revenue or trash revenue received will be transferred by the Finance Director to their respective bank accounts and/or fund." On December 31, 2024, the Authority owed the Township $213,889 of trash revenue received and deposited in sewer rents during 2024.

Recommendation

Management should strengthen its monthly reconciliation and review procedures to ensure that all trash revenues are accurately allocated and transferred to the Township in a timely manner. Reconciliations between Caselle, Xpress Bill Pay, and Sage should be completed, reviewed, and documented each month, with any outstanding amounts investigated and resolved before month-end and year-end closing. Implementing a supervisory review of revenue allocations and transfers would help ensure that

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

all amounts due are remitted promptly and reduce the risk of material year-end balances remaining unpaid.

Status

During our current year audit, we noted there were no amounts payable to the Township, and monthly remittances were made timely. Therefore, this finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2025-01 – MATERIAL PRIOR PERIOD ADJUSTMENTS

Finding

During our current year audit, prior period adjustments were required to properly state the opening balances of capital assets, net of accumulated depreciation. The result of these adjustments resulted in an increase of $116,436 to net position as of December 31, 2024.

Recommendation

It is recommended that management review the financial statements in detail to ensure appropriate disclosures are made and the amounts presented agree to the underlying accounting records. Ensuring that the statement of net position is accurate is vital to ensure amounts presented to potential grantors and the public present the complete picture of the Township's financial health.

2025-02 – INCOMPLETE PENSION DISCLOSURES

Finding

During our current year audit, it was noted that the Authority has incorrectly disclosed information regarding the non-uniformed pension as it relates to the pension plan's allocation between the Township and the Authority. According to GASB 68 Paragraph 18, "If a primary government and its component units provide pensions through the same single-employer or agent pension plan, in the reporting entity's financial report, the requirements of paragraphs 37-47 of this Statement for note disclosures and required supplementary information for a single or agent employer should be applied. In that circumstance, in stand-alone financial statements, each government should account for and report its participation in the single-employer or agent pension plan as if it was a cost-sharing employer and should apply the requirements of paragraphs 48-82."

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Currently, the Authority discloses in the notes to the financial statements the non-uniformed pension activity as an allocation of the Township's portion of the whole pension. The result are inaccurate footnote disclosures under GASB 68. However, amounts presented as net pension liability, deferred inflows of resources, and deferred outflows of resources on the statement of net position accurately reflect the Authority's portion of the non-uniformed pension plan.

Recommendation

It is recommended that management review the financial statements in detail to ensure appropriate disclosures are made. It is also recommended that the Authority review the allocation of the non-uniformed pension to determine the proper allocation of activity between the Township and the Authority.