

LEWISBERRY AREA JOINT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

LEWISBERRY AREA JOINT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Lewisberry Area Joint Authority
Lewisberry, Pennsylvania

Opinion

We have audited the accompanying financial statements of the Lewisberry Area Joint Authority (the Authority), York County, Pennsylvania, as of and for the year ended December 31, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in its 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. 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 Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Members of the American and Pennsylvania Institutes of CPAs

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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

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

August 9, 2024

Mechanicsburg, Pennsylvania



Certified Public Accountants

LEWISBERRY AREA JOINT AUTHORITY

Statement of Net Position

December 31, 2023

Assets

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 48,862
Accounts Receivable, Net	18,615
Prepaid Expenses	<u>2,697</u>

Total Current Assets 70,174

Non-Current Assets

Capital Assets Not Being Depreciated (Note 3)	53,081
Capital Assets Being Depreciated, Net (Note 3)	<u>224,393</u>

Total Non-Current Assets 277,474

Total Assets \$ 347,648

Liabilities

Current Liabilities

Accounts Payable	<u>\$ 5,178</u>
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Total Current Liabilities 5,178

Net Position

Net Investments in Capital Assets	277,474
Unrestricted	<u>64,996</u>

Total Net Position \$ 342,470

The Accompanying Notes are an Integral Part of the Financial Statements

LEWISBERRY AREA JOINT AUTHORITY
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2023

Operating Revenue	
Sewer Charges	\$ 183,757
Miscellaneous	<u>1,572</u>
Total Operating Revenue	<u>185,329</u>
Operating Expenses	
Administrative	9,364
Contractual Services	89,880
Depreciation (Note 3)	38,953
Materials and Supplies	866
Repairs and Maintenance	10,925
Treatment	58,903
Utilities	<u>21,993</u>
Total Operating Expenses	<u>230,884</u>
Operating Loss	<u>(45,555)</u>
Non-Operating Revenue (Expenses)	
Loss on Disposal of Capital Asset	(17,255)
Interest Income	<u>348</u>
Total Non-Operating Revenue (Expenses)	<u>(16,907)</u>
Change in Net Position	(62,462)
Net Position, January 1	<u>404,932</u>
Net Position, December 31	<u>\$ 342,470</u>

The Accompanying Notes are an Integral Part of the Financial Statements

LEWISBERRY AREA JOINT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 181,953
Cash Payments to Suppliers for Goods and Services	<u>(198,466)</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(16,513)</u>
Cash Flows from Investing Activities:	
Interest Received	348
Purchases of Capital Assets	<u>(18,666)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(18,318)</u>
Net Decrease in Cash and Cash Equivalents	(34,831)
Cash and Cash Equivalents, January 1	<u>83,693</u>
Cash and Cash Equivalents, December 31	<u>\$ 48,862</u>
Reconciliation of Operating Loss to Net Cash and Cash Equivalents Used by Operating Activities	
Operating Loss	\$ (45,555)
Adjustments to Reconcile Operating Loss to Net Cash and Cash Equivalents Used by Operating Activities:	
Depreciation	38,953
(Increase) Decrease in:	
Accounts Receivable	(3,376)
Prepaid Expenses	(156)
Increase (Decrease) in:	
Accounts Payable	<u>(6,379)</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>\$ (16,513)</u>
<u>Supplemental Non-Cash Financing Activities:</u>	
Realized Loss on Disposal of Capital Asset	\$ 17,255

The Accompanying Notes are an Integral Part of the Financial Statements

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Lewisberry Area Joint Authority (the Authority), organized by Lewisberry Borough, Newberry Township, and Fairview Township, was incorporated in 1985 to conduct and operate a sanitary sewer collection system and treatment plant for the benefit of Lewisberry Borough, Newberry Township, and Fairview Township. The Authority is governed by seven Authority Members: three from Lewisberry Borough, two from Newberry Township, and two from Fairview Township.

Reporting Entity:

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority.

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment to GASB-14 and GASB-34, the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria.

The Authority is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if the Authority members appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Authority, as defined below.
 - a. Impose its Will – If the Authority can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the Authority (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the Authority. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Authority.

There are no component units that meet all of the above criteria for inclusion in this reporting entity.

Basic Financial Statements:

Basic financial statements are presented at the fund financial level as business-type. The statements consist of the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows. Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The Authority reports a proprietary type fund.

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements

For the Year Ended December 31, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting:

The Authority presents its financial statements using the accrual basis of accounting to account for operations that are financed and operated in a manner similar to private business enterprises. These enterprises are characterized by the intent that the costs of providing services to the general public on a continuing basis be financed or recovered substantially through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Classification of Revenues and Expenses:

Operating revenues and expenses are distinguished from nonoperating items in the Statement of Revenue, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sanitary sewage transmission and treatment. Operating expenses include the cost of providing sanitary sewage transmission and treatment, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are interest income and gains and losses on disposal of capital assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Accounts Receivable and Bad Debts:

The Authority places liens on the property of customers who are significantly in arrears on sewer payments. All accounts receivable are shown net of an allowance for uncollectible accounts, as applicable. Accounts receivable are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. As of December 31, 2023, the allowance for uncollectible accounts was \$12,852.

Prepaid Expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets:

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements

For the Year Ended December 31, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued):

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Collection System	40 Years
Pumps and Wastewater Treatment Plant	5-40 Years
Equipment – Other	10 Years

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in operations.

Revenue – Sewer Charges:

Charges for sewer usage are billed quarterly by the Authority to its commercial customers and residential customers based primarily upon flat fee for sewer billings.

Revenue – Tapping and Connection Fees:

Charges for tapping and connection fees are billed by the Authority to the customer based on established fee schedules.

Adoption of Governmental Accounting Standards Board (GASB) Pronouncements:

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Statement's objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The Authority adopted Statement No. 94 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Authority adopted Statement No. 96 for its fiscal year 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Statement's objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Authority adopted Statement No. 99 for its fiscal year 2023 and 2024 financial statements.

Pending Governmental Accounting Standards Board (GASB) Pronouncements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Authority will be required to adopt Statement No. 100 for its fiscal year 2024 financial statements.

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Governmental Accounting Standards Board (GASB) Pronouncements (Continued):
In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Authority will be required to adopt Statement No. 101 for its fiscal year 2024 financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The Statement's objective is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The Authority will be required to adopt Statement No. 102 for its fiscal year 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The Statement's objective is to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Authority will be required to adopt Statement No. 103 for its fiscal year 2025 financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

Statutes authorize the Authority to invest in the following:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government and Federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the Federal Government, the Commonwealth of Pennsylvania, of any state agency or of any Pennsylvania political subdivision
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the Authority adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or Authority policies.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy for interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have a formal policy for credit risk.

For public unit accounts, the federal deposit insurance coverage depends upon the type of deposit, and the location of the insured depository institution. Under these provisions, \$0 of the Authority's bank balance of \$49,396 was exposed to custodial credit risk as of December 31, 2023, and \$0 was collateralized by the pledging bank's trust department as permitted by Act 72 as of December 31, 2023. Of the bank balance, \$49,396 was covered by federal depository insurance as of December 31, 2023.

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The reconciliation of deposits to the financial statements at December 31, 2023 is as follows:

Uninsured but Collateralized in Accordance with Act 72	\$	-	
Plus: Amount Insured by FDIC		49,396	
		<u>49,396</u>	
Plus: Outstanding Deposits		125	
Less: Outstanding Checks		<u>(1,059)</u>	
Total Deposits		48,462	
Plus: Cash on Hand		<u>400</u>	
Total Cash and Cash Equivalents	\$	<u>48,862</u>	

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 53,081	\$ -	\$ -	\$ 53,081
Total Capital Assets, Not Being Depreciated	<u>53,081</u>	<u>-</u>	<u>-</u>	<u>53,081</u>
Capital Assets Being Depreciated				
Pumps and Waste Water				
Treatment Plant	675,143	18,666	(40,543)	653,266
Collection System	899,275	-	-	899,275
Equipment – Other	<u>12,878</u>	<u>-</u>	<u>-</u>	<u>12,878</u>
Total Capital Assets, Being Depreciated	<u>1,587,296</u>	<u>18,666</u>	<u>(40,543)</u>	<u>1,565,419</u>
Total Accumulated Depreciation	<u>1,325,361</u>	<u>38,953</u>	<u>(23,288)</u>	<u>1,341,026</u>
Total Capital Assets, Being Depreciated, Net	<u>261,935</u>	<u>(20,287)</u>	<u>(17,255)</u>	<u>224,393</u>
Total Capital Assets, Net	<u>\$ 315,016</u>	<u>\$ (20,287)</u>	<u>\$ (17,255)</u>	<u>\$ 277,474</u>

NOTE 4 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. No settlement exceeded insurance coverage since the Authority's creation.

LEWISBERRY AREA JOINT AUTHORITY

Notes to Financial Statements

For the Year Ended December 31, 2023

NOTE 5 COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Authority is involved in various civil disputes. It is the opinion of management that the potential claims against the Authority not covered by insurance would not materially affect the financial statements.

The Authority contracts with a vendor to provide a certified operator at the Treatment Plant to perform onsite duties and routine services. The Authority contracts with the vendor through bi-annual contracts. In January 2023, the Authority entered into an agreement for the period January 1, 2023 through December 31, 2024 in the amount of \$100,808, to be paid in twenty-four monthly installments of \$4,200.

NOTE 6 SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 9, 2024, which is the date the financial statements were available to be issued.