

**NORTH LEBANON TOWNSHIP
MUNICIPAL AUTHORITY**

YEAR ENDED DECEMBER 31, 2025



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NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

YEAR ENDED DECEMBER 31, 2025

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Independent Auditor's Report

Members of the Authority Board
North Lebanon Township Municipal Authority
Lebanon, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of North Lebanon Township Municipal Authority (the Authority), a component unit of North Lebanon Township (the Township), 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 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 each major fund of North Lebanon Township Municipal Authority as of December 31, 2025, and the 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 North Lebanon Township Municipal 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 North Lebanon Township Municipal 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 substantive doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS 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, 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 North Lebanon Township Municipal 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 North Lebanon Township Municipal 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 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 inquires 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.



Camp Hill, Pennsylvania
May 29, 2026

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2025

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results in total and for the individual funds. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Independent Auditor's Report and audited financial statements.

North Lebanon Township Municipal Authority is a municipal authority existing under the Pennsylvania Municipality Authorities Act of 1945, P. L. 382, as amended. The Authority was incorporated pursuant to appropriate action of the governing action of the Township of North Lebanon, Lebanon County, Pennsylvania. The Authority is a component unit of North Lebanon Township.

The Authority reports on two funds, each of which is considered a separate accounting entity. They are the Water Fund and the Sewer Fund. These two funds are reported in compliance with accounting principles generally accepted in the United States of America (GAAP). The Sewer Operating and Capital Reserve are combined in these financial statements to report sewer activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2025 are as follows:

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$20,286,218. Of this amount, \$12,445,317 is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's cash, cash equivalents and equity in pooled cash and investments increased by \$1,508,687 during 2025.
- At the end of the current fiscal year, the Authority's outstanding debt was \$176,685 a decrease of \$187,993 from the previous year. Long-term debt is discussed in Note 4.
- The Authority continues to have a user fee that encompasses all expenses and debt for the collection system and all administrative and personnel costs.
- The user fee for 2025 was reduced from \$78/quarter to \$60/quarter per Equivalent Dwelling Unit (EDU).
- The public water project's debt payment stayed the same in 2025 at \$60/quarter/EDU. This fee was eliminated in May of 2025 when the loan was paid in full.
- Revenue decrease in 2025 was primarily due to the Authority terminating the water tapping fee and the water debt fee as a result of paying off the Guaranteed Water Revenue Note of 2015B in May 2025.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority's use of accounting methods, which are similar to those used by private sector companies. These statements offer an unmodified opinion from the Authority's independent auditor.

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 investment of assets and obligations to Authority creditors (liabilities). It also provides the basis for evaluation of the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the reporting year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewer rental rates and other fees. The Authority's rates are based on rate studies which are updated as needed.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) YEAR ENDED DECEMBER 31, 2025

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net change in cash resulting from operations, investing, noncapital financing and capital and related financing activities and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balance and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

FINANCIAL ANALYSIS - STATEMENTS OF NET POSITION

The analysis below focuses on the Authority's net position as of December 31:

	<u>2025</u>	<u>2024</u>
Assets:		
Cash, cash equivalents and equity in pooled cash and investments	\$ 12,038,462	\$ 10,518,083
Cash, escrow	92,748	104,842
Certificate of deposit, escrow	13,714	13,312
Accounts and interest receivable	822,578	803,371
Prepaid expenses	250	-
Capital assets, net of accumulated depreciation	<u>8,017,586</u>	<u>7,929,985</u>
Total assets	20,985,338	19,369,593
Deferred outflows of resources, deferred charge on refunding	<u>-</u>	<u>581,843</u>
Total assets and deferred outflows of resources	<u>\$ 20,985,338</u>	<u>\$ 19,951,436</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 415,973	\$ 412,840
Escrow payable	106,462	118,154
Current portion of water revenue note and PENNVEST loan	29,530	124,990
Water revenue note and PENNVEST loan, net of current portion and discount	<u>147,155</u>	<u>239,688</u>
Total liabilities	699,120	895,672
Net position	<u>20,286,218</u>	<u>19,055,764</u>
Total liabilities and net position	<u>\$ 20,985,338</u>	<u>\$ 19,951,436</u>

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) YEAR ENDED DECEMBER 31, 2025

FINANCIAL ANALYSIS - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2025</u>	<u>2024</u>
Revenue:		
Charges:		
Rentals and service	\$ 3,316,178	\$ 3,591,005
Ready to serve charges	988,506	1,935,365
Miscellaneous revenues	96,796	75,847
Gain on sale of capital assets	75,000	-
Grant revenues	31,388	32,051
Interest earnings	<u>489,902</u>	<u>514,111</u>
Total revenue	<u>4,997,770</u>	<u>6,148,379</u>
Expenses:		
Sewage disposal and treatment	1,740,203	2,201,958
Administrative	770,550	566,176
Other operating expenses	405	865
Depreciation and amortization	700,611	675,077
Loss on extinguishment of debt	552,049	
Interest expense	<u>3,498</u>	<u>13,843</u>
Total expenses	<u>3,767,316</u>	<u>3,457,919</u>
Changes in net position	1,230,454	2,690,460
Net position:		
January 1	<u>19,055,764</u>	<u>16,365,304</u>
December 31	<u>\$ 20,286,218</u>	<u>\$ 19,055,764</u>

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Authority's current service area is North Lebanon Township, with a small portion of area known as Rockwood in Swatara Township and has a unified billing rate. Development of several areas within the Township will continue to increase the Authority's sewer rental charges moderately over the next several years.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) YEAR ENDED DECEMBER 31, 2025

GENERAL TRENDS AND SIGNIFICANT EVENTS (CONTINUED)

An extension, known as the Rockwood extension, including a service area in neighboring Swatara Township, was completed in 2013. Funding was obtained from a variety of funding sources, with the largest grants coming from H2O PA through Commonwealth Financing Authority (CFA) and Pennsylvania Infrastructure Investment Authority (PENNVEST). Agreements were prepared and signed by both entities, and the Swatara Township customers are billed as part of the Authority's unified customer base. Interest payments on the PENNVEST loan began in 2013. All current costs have been paid by the Authority and, as of March 2016, were tallied at the completion of the project. Swatara Township was responsible for 88% of the costs per the agreement. Swatara Township paid 88% of the PENNVEST loan until March 31, 2016. As of February 29, 2016, North Lebanon Township Municipal Authority paid off its portion of the PENNVEST debt in the amount of \$61,315. PENNVEST did not re-amortize the loan but did shorten the length of the loan to October 1, 2031. Starting April 1, 2016, Swatara Township is now responsible for 100% of the monthly payments on this loan until October 1, 2031, or sooner, if they choose to pay in advance. An escrow account has been set up to deposit Swatara's monthly payments to PENNVEST, as the loan is in the Authority's name, as owner of the system. A separate escrow account has been established for reimbursement to the Authority for delinquent (uncollectible) sewer bills by residents of Swatara Township. These delinquent accounts will then be turned over to Swatara Township for collection.

The Authority has an agreement with the Township for two maintenance employees and two administrative employees, which include the Sewer Billing Clerk and the Assistant Township Manager. The maintenance personnel are responsible for sewer-related maintenance to the 65 plus miles of collector lines and seven pump stations within North Lebanon Township. They also inspect all connections and newly installed sewer lines that are to be dedicated to the Authority for compliance with approved plans and the Municipal Authority Regulations. The Sewer Billing Clerk is responsible for the monthly and quarterly billing and all aspects associated with collection and issuance of sewer permits, settlements on sold properties and preparation of minutes from Authority meetings. The Assistant Township Manager prepares the monthly agenda for the Authority and works closely with the Authority Engineer and Authority Solicitor in carrying out all Authority directives. The Assistant Township Manager is also responsible for purchasing capacity at the City of Lebanon Authority Wastewater Treatment Plant; tracking and verifying completeness of all planning modules associated with new development; reviewing and issuing Strong Waste Permits and attends all Authority meetings. Preparing the Authority budget is another important role of the Assistant Township Manager.

Currently, based on the Chapter 94 Report, the Authority provides sewer service to 5,782 equivalent dwelling units (EDU's). The net decrease in 2025 when compared to 2024 was 2 EDU's. The breakdown in 2025 included an additional 96 residential EDU's and 10 commercial EDU's, 1 residential reconnection, 8 additional EDU purchases with no new connection and a decrease of 117 EDU's due to decreased discharge from the Greater Lebanon Refuse Authority, a non-residential account, based on their actual usage.

In 2009, a rate study was completed, and a ten-year operating plan was developed which includes capital improvements. Every year the Authority reviews and updates the ten-year plan during budget planning to reflect the needs over the next ten years. This plan addresses capital purchases and improvements, operating costs, pump station needs and future extension planning. This plan is also used to determine the need for future rate increases.

North Lebanon Township Municipal Authority completed televising the entire collection system, which has been integrated into its Geographic Information System (GIS) program. This data will enable the Authority to determine when capital repairs are needed throughout the collection system and provide information for each property connected to the public sewer system.

In 2021, the construction of a sewer extension on the property at 1625 Heilmandale Road allowed for gravity flow from Orange Lane to Elias Avenue. The Municipal Authority worked jointly with the developer to extend this section of public sewer. The Authority constructed a portion of the line, and the developer constructed a portion of the new line which has been dedicated to the Authority. This extension allowed for the demolition and decommission of the Orange Lane Pump Station in 2022.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) **YEAR ENDED DECEMBER 31, 2025**

GENERAL TRENDS AND SIGNIFICANT EVENTS (CONTINUED)

In 2025, the Authority purchased a new Flush Truck and sold their old truck to a neighboring township. They also purchased new control panels and soft starts for the Water Street Pump Station, which was carried over from 2024, a new computer for the sewer billing clerk and two new iPads for the wastewater crew.

FINANCIAL CONDITION

The Authority's financial condition is sound. During 2016, the Guaranteed Sewer and Water Revenue Notes, Series A and B of 2015, were issued in the aggregate principal amount of \$8,818,000 and \$2,196,000, respectively. The proceeds of the notes were used for: (1) the current refunding of the Authority's Guaranteed Sewer and Water Revenue Bonds, Series A and B of 2009 and (2) to pay the costs and expenses of issuing the Series A and B of 2015 notes. The issuance of the Guaranteed Sewer and Water Revenue Notes resulted in an interest savings of approximately \$4,362,000 and \$1,098,000, respectively. The Series A Note was amended on January 15, 2021, while the Series B Note was amended on December 15, 2020, to obtain better interest rates, while also changing the payments to be remitted monthly.

The Authority made extra principal payments on the Guaranteed Sewer Revenue Note, Series A of 2015 as follows:

<u>Year</u>	<u>Extra principal payments</u>
2021	\$ 250,115
2022	1,290,000
2023	<u>500,000</u>
Total	<u><u>\$ 2,040,115</u></u>

The Authority paid the Guaranteed Sewer Revenue Note, Series A of 2015 in full in October 2024. These additional principal payments and payoff of the loan has eliminated interest payments on the loan by approximately \$55,000.

The Authority made extra principal payments on the Guaranteed Water Revenue Note, Series B of 2015 as follows:

<u>Year</u>	<u>Extra principal payments</u>
2021	\$ 70,000
2022	200,000
2023	160,000
2024	210,000
2025	<u>212,410</u>
Total	<u><u>\$ 852,410</u></u>

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) YEAR ENDED DECEMBER 31, 2025

FINANCIAL CONDITION (CONTINUED)

The Authority paid the Guaranteed Water Revenue Note, Series B of 2015 in full in May 2025. These additional principal payments and payoff of the loan has eliminated interest payments on the loan by approximately \$102,000.

In summary, the current financial condition, staff capabilities and operating plans, including preventative maintenance and upgrades to meet future wastewater requirements, are well balanced and under control.

RESULTS OF OPERATIONS

The Authority's revenues from operations are obtained from sewer rentals and earned interest. The Authority owns and maintains a collection system where the effluent is sent to the City of Lebanon Authority for sewage treatment. Total operating expenses, including depreciation and amortization, were within budget in 2025.

A public water extension was completed in 2004. The Authority continued to receive tapping fees for new connections to this water extension when development occurred through May of 2025 when the loan was paid in full. Ownership of the lines is currently the Authority, with the City of Lebanon Authority providing maintenance until such time as the debt is paid off. The Authority is currently working with the City of Lebanon Authority to transfer ownership to CoLA since the debt was paid in full in May of 2025. The residents were making a debt payment of \$60/Quarter per EDU to offset the Authority's bond issue which ended in May of 2025.

FINAL COMMENTS

Calendar year 2025 continued a trend of steady financial performances by the Authority. This strength is needed for the Authority to maintain flexibility in future borrowing decisions and to ensure that there are adequate rates and reserves for operating expenses. In addition, we must continue to plan and provide for the effects of time and usage on the significant investment the Authority has in property and equipment.

CONTACTING THE AUTHORITY'S FINANCIAL OFFICES

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the North Lebanon Township Manager at 725 Kimmerlings Road, Lebanon, PA 17046 or at 717-273-7132.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2025

ASSETS

	Water fund	Sewer fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets:			
Cash, cash equivalents and equity in pooled cash and investments	\$ 177,901	\$ 11,860,561	\$ 12,038,462
Cash, escrow	-	92,748	92,748
Certificate of deposit, escrow	-	13,714	13,714
Accounts and interest receivable	-	822,578	822,578
Prepaid expenses	-	250	250
	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>177,901</u>	<u>12,789,851</u>	<u>12,967,752</u>
Capital assets:			
Property, plant and equipment	2,848,944	19,230,536	22,079,480
Construction in progress	-	21,337	21,337
Less accumulated depreciation	<u>1,460,084</u>	<u>12,623,147</u>	<u>14,083,231</u>
Total capital assets, net	<u>1,388,860</u>	<u>6,628,726</u>	<u>8,017,586</u>
Total assets	<u>\$ 1,566,761</u>	<u>\$ 19,418,577</u>	<u>\$ 20,985,338</u>

See notes to financial statements.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2025

LIABILITIES AND NET POSITION

	Water fund	Sewer fund	Total
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 415,973	\$ 415,973
Escrow payable	-	106,462	106,462
Current portion of PENNVEST loan	-	29,530	29,530
Total current liabilities	-	551,965	551,965
PENNVEST loan, net of current portion	-	147,155	147,155
Total liabilities	-	699,120	699,120
Net position:			
Net investment in capital assets	1,388,860	6,452,041	7,840,901
Unrestricted	177,901	12,267,416	12,445,317
Total net position	1,566,761	18,719,457	20,286,218
Total liabilities and net position	\$ 1,566,761	\$ 19,418,577	\$ 20,985,338

See notes to financial statements.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2025

	Water fund	Sewer fund	Total
Operating revenues:			
Rentals and service charges	\$ 114,754	\$ 3,201,424	\$ 3,316,178
Ready to serve charges	206,700	781,806	988,506
Miscellaneous revenues	-	96,796	96,796
Total operating revenues	321,454	4,080,026	4,401,480
Operating expenses:			
Sewage disposal and treatment	-	1,740,203	1,740,203
Administrative	13,853	756,697	770,550
Other operating expenses	-	405	405
Total operating expenses	13,853	2,497,305	2,511,158
Net operating income before depreciation and amortization	307,601	1,582,721	1,890,322
Less:			
Depreciation	71,223	506,229	577,452
Amortization	-	123,159	123,159
Net operating income	236,378	953,333	1,189,711
Nonoperating income (expenses):			
Grant revenues	-	31,388	31,388
Gain on sale of capital assets	-	75,000	75,000
Loss on extinguishment of debt	-	(552,049)	(552,049)
Interest:			
Earnings	6,328	483,574	489,902
Expense	-	(3,498)	(3,498)
Total nonoperating income (expenses)	6,328	34,415	40,743
Net income	242,706	987,748	1,230,454
Other financing sources (uses), transfers in (out)	(253,696)	253,696	-
Changes in net position	(10,990)	1,241,444	1,230,454
Net position:			
Beginning of year	1,577,751	17,478,013	19,055,764
End of year	\$ 1,566,761	\$ 18,719,457	\$ 20,286,218

See notes to financial statements.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2025

	Water fund	Sewer fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 321,454	\$ 3,964,023	\$ 4,285,477
Cash payments to:			
Suppliers for goods and services	(13,853)	(2,052,518)	(2,066,371)
Employees for salaries and benefits	-	(441,500)	(441,500)
Other operating:			
Revenues	-	96,796	96,796
Expenses	-	(405)	(405)
Net cash provided by operating activities	307,601	1,566,396	1,873,997
Cash flows from noncapital financing activities:			
Grant revenues	-	31,388	31,388
Transfers from (to) other funds, net	(253,696)	253,696	-
Net cash provided by (used in) noncapital financing activities	(253,696)	285,084	31,388
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	(665,053)	(665,053)
Proceeds from sale of capital assets	-	75,000	75,000
Paid on notes and loan:			
Principal	-	(281,358)	(281,358)
Interest	-	(3,498)	(3,498)
Net cash used in capital and related financing activities	-	(874,909)	(874,909)
Cash flows from investing activities:			
Purchase of certificates of deposit	-	(13,714)	(13,714)
Redemption of certificates of deposit	-	13,714	13,714
Interest earnings	6,328	483,575	489,903
Net cash provided by investing activities	6,328	483,575	489,903

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	<u>Water fund</u>	<u>Sewer fund</u>	<u>Total</u>
Net increase in cash, cash equivalents and equity in pooled cash and investments	\$ 60,233	\$ 1,460,146	\$ 1,520,379
Cash, cash equivalents and equity in pooled cash and investments:			
Beginning of year	<u>117,668</u>	<u>10,400,415</u>	<u>10,518,083</u>
End of year	<u>\$ 177,901</u>	<u>\$ 11,860,561</u>	<u>\$ 12,038,462</u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	<u>\$ 236,378</u>	<u>\$ 953,333</u>	<u>\$ 1,189,711</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	71,223	506,229	577,452
Amortization	-	123,159	123,159
(Increase) in assets:			
Accounts and interest receivable	-	(19,207)	(19,207)
Prepaid expenses	-	(250)	(250)
Increase in liabilities, accounts payable and accrued expenses	<u>-</u>	<u>3,132</u>	<u>3,132</u>
Total adjustments	<u>71,223</u>	<u>613,063</u>	<u>684,286</u>
Net cash provided by operating activities	<u>\$ 307,601</u>	<u>\$ 1,566,396</u>	<u>\$ 1,873,997</u>

See notes to financial statements.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

1. Nature of organization and summary of significant accounting policies:

Reporting entity:

North Lebanon Township Municipal Authority was incorporated on November 1, 1982 under the Municipality Authorities Act of 1945, P. L. 382, as amended, pursuant to a resolution by the Board of Supervisors of North Lebanon Township. The Authority was established to acquire or to construct certain sanitary sewage collection, transmission and disposal system facilities, including all related and necessary facilities required for rendering sanitary sewer service in and for North Lebanon Township, Lebanon County, Pennsylvania. On October 17, 1985, the Authority assigned the right to manage the sewer system to North Lebanon Township. On December 15, 1992, the Authority and Township amended and restated this agreement to continue to assign the right to manage the system to the Township. On December 7, 1998, the Township and Authority executed an agreement to transfer the operation and maintenance of all Township sewer systems to the Authority. Effective January 1, 1999, the agreement is effective for one year with subsequent annual renewals. On January 1, 1999, the Township transferred all assets of the Township's sewer system to the Authority. The purpose of the agreement is to unify the operation of the system, including billing rates and the billing function, for the benefit of all sewer customers. The Township will provide all personnel to manage, operate and maintain the sewer systems on a day-to-day basis, for which costs will be reimbursed by the Authority. The Township includes the Authority as a component unit of its reporting entity determined by the criteria established by Governmental Accounting Standards Board (GASB). The Township is financially accountable for the fiscal matters of the Authority. The Authority is fiscally dependent on the Township and has created a financial benefit and burden for the Township, and as such, the Authority is a blended component unit of North Lebanon Township.

Basis of presentation:

The Authority accounts for all funds existing under its jurisdiction, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

The Authority classifies both of the following funds as major funds. The sewer operating and capital reserve are combined to present the Authority's sewer fund:

Major funds:

Water fund – The Authority fund that accounts for maintenance and construction of water lines throughout the Township. Financing is provided by water rentals collected from Township water customers.

Sewer fund – The Authority fund that accounts for maintenance and construction of the sewer system throughout the Township. The fund also accounts for resources for anticipated operating and capital expenditures and debt service. Financing is provided by sewer rentals collected from the Township's sewer system customers and by the Authority's collection of ready-to-serve charges.

Basis of accounting:

The Authority uses the accrual basis of accounting as required by accounting principles generally accepted in the United States of America for proprietary fund types. The financial statements of the Authority have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

1. Nature of organization and summary of significant accounting policies (continued):

Cash, cash equivalents, equity in pooled cash and investments and certificates of deposit:

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and an external investment pool held by Pennsylvania Local Government Investment Trust (PLGIT) with original maturities of three months or less. External investment pools are reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool. Cash on hand and demand deposits are reported at carrying amounts which reasonably approximate fair value.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Authority specifically excludes cash escrow accounts, as described in Note 2, from cash equivalents.

Property, plant and equipment:

Project costs:

All costs incurred in constructing the various systems have been capitalized during the construction period. As the systems become operational to their intended users, the Authority recognizes depreciation on the construction costs using the straight-line method over 20-40 years.

Equipment costs:

All equipment costs are capitalized and depreciated using the straight-line method for periods ranging from five to ten years.

Deferred outflows/inflows of resources:

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. The Authority has no items that qualify for reporting in this category.

The statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods, and so will not be recognized as an inflow of resources until that time. The Authority has no items that qualify for reporting in this category.

Bad debts:

The Authority places liens on customer accounts that are significantly in arrears. The Authority recognizes an expense at the time the account is written off. Uncollectible sewer accounts are immaterial as of the year end, and no allowance for such losses has been recorded.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

1. Nature of organization and summary of significant accounting policies (continued):

Net position:

In the financial statements, net position could be classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents the net position of the Township, which does not meet the definition of "restricted" or "net investment in capital assets."

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets, liabilities and deferred inflows and outflows 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.

Change in accounting principles:

The following summarizes the GASB Statement implemented by the Authority during the year ended December 31, 2025, and the relating effects on the financial statements presentation and disclosure, as applicable:

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The Statement's objective is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement 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. The Authority adopted Statement No. 102 for its December 31, 2025 financial statements. The implementation of this Statement enhanced the Authority's financial statement disclosures, with no effect on the Authority's beginning balances and current year results.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

1. Nature of organization and summary of significant accounting policies (continued):

Pending changes in accounting principles:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model used in decision making and assessing a government's accountability. The provisions of this Statement are effective for the Authority's 2026 financial statements.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The provisions of this Statement are effective for the Authority's 2026 financial statements.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the informational needs of financial statement users. The provisions of this Statement are effective for the Authority's 2027 financial statements.

The effects of the implementation of these standards have not yet been determined.

2. Cash and cash equivalents and external investment pool:

Statutes authorize the Authority to invest in the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposits in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

Custodial credit risk and deposits:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

2. Cash and cash equivalents and external investment pool (continued):

Custodial credit risk and deposits:

As of December 31, 2025, \$447,846 of the Authority's bank balance of \$705,734 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. Act 72 requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

Reconciliation of cash, cash equivalents, equity in pooled cash and investments and certificate of deposit to the financial statements:

Collateral held by the pledging bank under Act 72, but not in the Authority's name	\$ 447,846
Insured by Federal Deposit Insurance Corporation	257,888
Pennsylvania Local Government Investment Trust (PLGIT) AAAm rating:	
Class	15,269
Prime	11,438,352
Outstanding checks	(15,001)
Deposits in transit	370
Petty cash	<u>200</u>

Total cash, cash equivalents, equity in pooled cash and investments and certificate of deposit per the financial statements

\$ 12,144,924

Reconciliation to the financial statements:

Cash, cash equivalents and equity in pooled cash and investments	\$ 12,038,462
Cash, escrow	92,748
Certificate of deposit, escrow	<u>13,714</u>

Total

\$ 12,144,924

Certificate of deposit:

The Authority's certificate of deposit, stated at fair value, consisted of the following as of December 31, 2025:

<u>Certificate of deposit</u>	
First Citizens Community Bank, rate 4.00%, matures April 18, 2026	<u><u>\$ 13,714</u></u>
Reconciliation to the financial statements, certificate of deposit, escrow	<u><u>\$ 13,714</u></u>

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

2. Cash and cash equivalents and external investment pool (continued):

Cash and certificate of deposit escrows:

Cash and certificate of deposit escrows represent funds held in escrow by the Authority until such time as the developer or customer completes construction of a specified project.

External investment pool:

The Authority uses external investment pools to ensure safety and maximize efficiency, liquidity and yield for Authority funds. The external investment pools are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price.

The Authority categorizes the fair value of investments based on the hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 3 inputs.

Pennsylvania Local Government Investment Trust (PLGIT) separately issues audited financial statements that are available to the public via their website. The Authority has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. Alternatively, the Commonwealth of Pennsylvania provides external regulatory oversight of the external investment pools. The pool is audited annually by Ernst & Young, LLP, an independent accounting firm.

The Authority has funds totaling \$9,470,599 invested in PLGIT. PLGIT funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain constant net assets value of \$1 per share. The Authority is invested in the following PLGIT investment options:

- PLGIT Class Shares - A flexible option which requires no minimum balance, no minimum initial investment and a one-day minimum investment period. Dividends are paid monthly.
- PLGIT Prime - A variable rate investment portfolio rated AAAm by Standard & Poor's. This option requires no minimum balance and no minimum initial investment. This option limits redemptions or exchanges to two per calendar month.

Interest rate risk:

The Authority permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements.

Credit risk:

The Authority's selection of depository institutions, brokers, custodians, investment advisors, local government investment pools and money market mutual funds are based on legality, performance, quality of service, creditworthiness, reputation and integrity. In addition, the investment companies used by the Authority must be rated in the highest category by a nationally recognized rating agency. As of December 31, 2025, PLGIT carries an AAAm rating and has an average maturity of less than one year.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

3. Property, plant and equipment:

The following is a summary of property, plant and equipment, at cost, less accumulated depreciation:

	Balance January 1, 2025	Additions	Deletions	Balance December 31, 2025
Capital assets not being depreciated, construction in progress	\$ -	\$ 21,337	\$ -	\$ 21,337
Capital assets being depreciated:				
Systems:				
Water	2,848,944	-	-	2,848,944
Sewer	17,945,193	73,730	-	18,018,923
Equipment	849,710	569,986	208,083	1,211,613
Total capital assets being depreciated	21,643,847	643,716	208,083	22,079,480
Less accumulated depreciation:				
Systems:				
Water	1,388,861	71,223	-	1,460,084
Sewer	11,706,577	441,530	-	12,148,107
Equipment	618,424	64,699	208,083	475,040
Total accumulated depreciation	13,713,862	577,452	208,083	14,083,231
Capital assets, net	\$ 7,929,985	\$ 87,601	\$ -	\$ 8,017,586

4. Long-term debt:

PENNVEST loan:

During 2013, the Authority withdrew loan proceeds of \$486,958 from PENNVEST to finance the construction of the Rockwood sewer project. In 2015, the Authority received additional loan proceeds from PENNVEST of \$79,268. The loan required interest only payments through February 2014. Starting March 1, 2014, the Authority makes monthly interest and principal payments of \$2,597 at an interest rate of 1.0%. The loan payments continue through October 1, 2031.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

4. Long-term debt (continued):

PENNVEST loan:

The following is a schedule of future principal and interest payments to maturity:

Year ending December 31	Principal	Interest	Debt service
2026	\$ 29,530	\$ 1,631	\$ 31,161
2027	29,826	1,335	31,161
2028	30,126	1,035	31,161
2029	30,429	732	31,161
2030	30,734	427	31,161
2031	26,040	121	26,161
Total	<u>\$ 176,685</u>	<u>\$ 5,281</u>	<u>\$ 181,966</u>

The following is a summary of changes in the Authority's PENNVEST loan for the year ended December 31, 2025:

	Balance January 1, 2025	Additions	Payments	Balance December 31, 2025	Due within one year
PENNVEST loan	<u>\$ 205,921</u>	<u>\$ -</u>	<u>\$ 29,236</u>	<u>\$ 176,685</u>	<u>\$ 29,530</u>

Guaranteed Water Revenue Note of 2015B:

In June 2016, the Authority issued Series B of 2015 guaranteed water revenue note in the aggregate principal balance of \$2,196,000. The proceeds of the note were used to: (1) currently refund the remaining portion of the Series B of 2009 guaranteed water revenue bonds and (2) pay the costs and expenses of issuing the Series B of 2015 note. The note was amended on December 15, 2020 to obtain better interest rates, while changing the payments to be remitted monthly. The schedules on the following page reflect the changes as a result of the amendment.

The North Lebanon Township Municipal Authority assigned and pledged to the trustee the revenues and receipts from the Authority's water system, and under certain circumstances, from money to be made available to the trustee pursuant to a guaranty agreement with North Lebanon Township, as guarantor, the Authority and the trustee. In the guaranty agreement, the Township unconditionally covenants to pay the principal and interest on the note if the situation warrants and is entitled to reimbursement by the Authority under a separate reimbursement agreement.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

4. Long-term debt (continued):

Guaranteed Water Revenue Note of 2015B:

The Guaranteed Water Revenue Note of 2015B was paid off during the year ended December 31, 2025.

The following is a summary of changes in the Authority's guaranteed water revenue note for the year ended December 31, 2025:

	Balance			Balance	Due within
	January 1, 2025	Additions	Payments	December 31, 2025	one year
Series of 2015B note	\$ 252,122	\$ -	\$ 252,122	\$ -	\$ -

5. Loss on refunding:

The refunding of the 1993A and 1993B bond issues by the 1997 bond issue, the refunding of a portion of the 1997 bonds by the 2002 and 2005 bond issue and the refunding of the 2002 and 2005 bonds by the Series of 2009A and 2009B bonds resulted in a loss on the refunding.

In 2009, the Authority paid \$1,410,800 in SWAP termination fees for interest rate management plans on the 2002 and 2005 bonds upon the issuance of the Series of 2009A and 2009B bonds in 2009. The termination fee loss has been included in the costs for the loss on refunding. The termination fee, as well as the unamortized bond issuance costs of the 2002 and 2005 refunded bond issues, are being amortized over the shorter life of the 2002 and 2005 bonds of 23 years using the straight-line method.

The loss on refunding was eliminated during the year ended December 31, 2025 since the Guaranteed Water Revenue Note of 2015B that was issued to refund the remaining portion of the Series B of 2009 guaranteed water revenue bonds was paid off. The Authority recognized a loss on extinguishment of debt of \$552,049 on the statement of revenues, expenses and changes in net position for the remaining unamortized loss on refunding.

6. Guaranty agreement:

The Township has guaranteed the Guaranteed Water Revenue Note of 2015B issued by the Authority with a principal balance of \$2,196,000, as set forth in the guaranty agreement between the Township, Authority and ACNB Bank dated November 5, 2015. The Guaranteed Water Revenue Note of 2015B was paid off during the year ended December 31, 2025.

7. Constraints:

Constraints on spending:

The Authority is subject to certain legal and formal constraints that limit its ability to incur expenditures. These constraints are imposed by statutes of the Commonwealth of Pennsylvania and by formal actions of the Authority's highest level of decision-making authority.

NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

7. Constraints (continued):

Constraints on spending:

Spending and budgetary constraints:

The Authority operates under a legally adopted budget, and expenditures are limited by state law and by formal action of the governing body to the amounts appropriated in the annual budget, as amended. Additionally, money of the Authority may not be used for any grant, loan or other expenditure for any purpose other than a service or project directly related to the mission or purpose of the Authority as set forth in the articles of incorporation or in the resolution or ordinance establishing the Authority under Section 5603. These requirements, along with mandates that certain expenditures (such as debt service and specific programmatic spending) be funded before other discretionary activities, represent limitations on spending and mandated spending that reduce the Authority's flexibility to adjust expenditures in response to changing conditions.

8. Subsequent events:

Authority management has evaluated subsequent events through May 29, 2026, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2025, the Commonwealth Financing Authority approved a grant application for the benefit of the Township on January 20, 2026, and issued an award letter dated February 6, 2026. The grant agreement was executed subsequent to year end and provides funding of up to \$246,367 from the Commonwealth of Pennsylvania, acting through the Commonwealth Financing Authority, to the Township for the Wastewater Force Main Replacement Project, including construction, engineering and administrative costs.

The grant is a nonrecognized subsequent event because the approval and execution occurred after December 31, 2025. Accordingly, no grant receivable or revenue has been recognized in the financial statements as of December 31, 2025.

The grant is payable on a reimbursement basis for eligible project costs incurred during the period from January 20, 2026 through June 30, 2029. The grant is limited to 85% of total project cost. Receipt of grant funds is subject to the availability of funds and the Township's compliance with applicable grant agreement requirements, including eligible cost, procurement, documentation, reporting and other administrative requirements.