



**EASTON AREA JOINT
SEWER AUTHORITY**

**EASTON AREA JOINT SEWER AUTHORITY
EASTON, PENNSYLVANIA**

AUDIT REPORT

DECEMBER 31, 2024

EASTON AREA JOINT SEWER AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13
OTHER INFORMATION	
Statement of Authority Revenues, Expenses and Changes in Net Position, Budget and Actual	28



INDEPENDENT AUDITOR'S REPORT

September 23, 2025

Authority Board
Easton Area Joint Sewer Authority
Easton, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Easton Area Joint Sewer Authority, as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise the Easton Area Joint Sewer Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Easton Area Joint Sewer Authority as of December 31, 2024, and the respective changes in its financial position and cash flows thereof, 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"). 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 Easton Area Joint Sewer 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 Easton Area Joint Sewer Authority's 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 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 Easton Area Joint Sewer 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 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 the Easton Area Joint Sewer 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 Easton Area Joint Sewer 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.

Authority Board
Easton Area Joint Sewer Authority

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 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the statement of Authority revenues, expenses, and changes in net position, budget and actual but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED
DECEMBER 31, 2024

OVERVIEW OF THE AUTHORITY

The Easton Area Joint Sewer Authority ("the Authority") was organized and incorporated on December 10, 1976 under the provisions of the "Municipality Authorities Act of 1945," PL. 382, approved on May 2, 1945. The Authority, by virtue of the Act, has the power to acquire, construct, maintain, operate, and expand the sewage treatment plant.

As provided by the Terms of the Consent Decree dated November 2, 1995 amending the Articles of Incorporation, the governing body of the Authority will consist of twelve members appointed by the participating municipalities of the City of Easton, Borough of West Easton, Borough of Wilson, Borough of Tatamy, Palmer Township, and Forks Township.

The discussion and analysis of the Authority's financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2024 and 2023. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

FINANCIAL HIGHLIGHTS

The Authority's overall financial position (including depreciation and rebates), as reflected in total net position, decreased by \$76,164.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Authority is a single-purpose governmental entity. The business-type activity of providing sewage treatment service is reported as a proprietary fund type. All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
DECEMBER 31, 2024

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.

Figure A-1
Required Components of Easton Area Joint Sewer Authority's
Financial Report

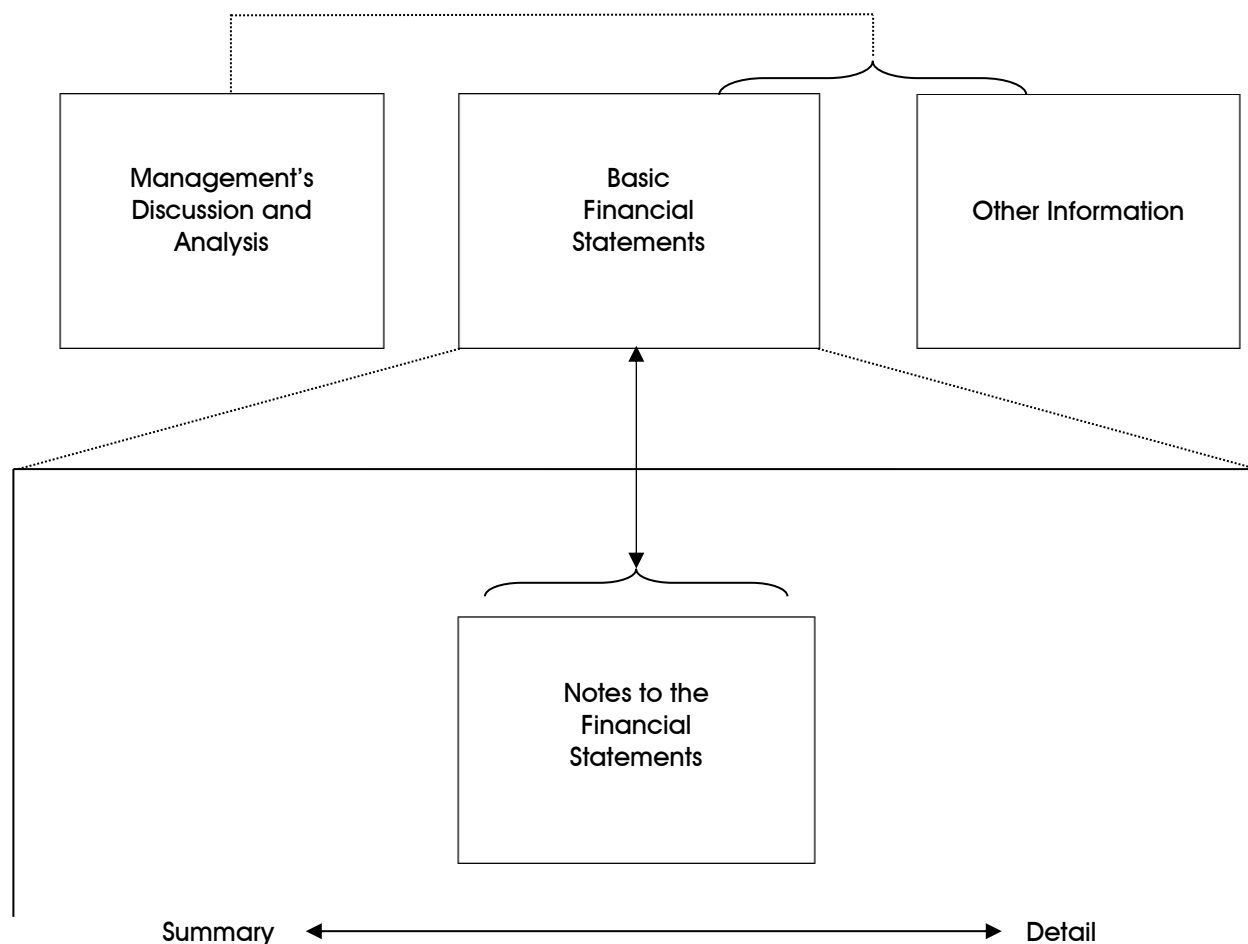


Figure A-2 summarizes the major features of Authority's financial statements, including the portion of the Authority they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
DECEMBER 31, 2024

Figure A-2
Major Features of Easton Area Joint Sewer Authority's
Proprietary Fund

Scope	Activities that the Easton Area Joint Sewer Authority operates similar to private business - Sewage Treatment Service
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Position

The Authority's net position decreased by \$76,164 for the year ended December 31, 2024. Net position is comprised of the following components:

	<u>2024</u>	<u>2023</u>
Net investment in capital assets	\$ 4,010,028	\$ 4,198,320
Restricted for debt service reserve	1,956,663	1,865,623
Restricted for bond redemption and improvement	1,541,932	1,083,101
Unrestricted	<u>1,627,867</u>	<u>2,065,610</u>
Total Net Position	<u>\$ 9,136,490</u>	<u>\$ 9,212,654</u>

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
DECEMBER 31, 2024

Table A-1
Net Position
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$ 2,939,171	\$ 4,257,456
Capital assets	25,675,569	27,026,036
Other assets	<u>7,912,846</u>	<u>7,317,038</u>
Total Assets	<u>36,527,586</u>	<u>38,600,530</u>
Liabilities		
Current liabilities	2,638,749	3,439,851
Noncurrent liabilities	<u>24,752,347</u>	<u>25,948,025</u>
Total Liabilities	<u>27,391,096</u>	<u>29,387,876</u>
Net Position	<u>\$ 9,136,490</u>	<u>\$ 9,212,654</u>

Changes in Net Position

Authority revenue derived from member and nonmember municipalities' operating and capital contributions represents 84% of total revenues. Industrial surcharge and pretreatment cost recovery billings account for 8%, with other revenues for the remaining 8% of total revenues.

Table A-2
Changes in Net Position
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 10,567,777	\$ 10,102,262
Operating expenses	<u>(9,039,776)</u>	<u>(8,350,604)</u>
Operating Income	<u>1,528,001</u>	<u>1,751,658</u>
Nonoperating Revenues (Expenses):		
Interest expense	(855,647)	(868,005)
Interest income	573,359	487,564
Rebates to municipalities	<u>(1,321,877)</u>	<u>(873,926)</u>
Change in Net Position	<u>(76,164)</u>	<u>497,291</u>
Net Position, Beginning	<u>9,212,654</u>	<u>8,715,363</u>
Net Position, Ending	<u>\$ 9,136,490</u>	<u>\$ 9,212,654</u>

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
DECEMBER 31, 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2024, the Authority had \$25,675,569 invested in a broad range of capital assets net of depreciation and amortization including equipment, buildings, vehicles, treatment plant, site improvements, and conveyance system. This amount represents a net increase from acquisitions less deletions and depreciation and amortization of \$1,350,467 compared with December 31, 2023.

Debt Administration

To begin the 2024 year, the Authority had total outstanding debt principal of \$25,535,000. During the year, the Authority incurred debt of \$7,030,000 and made scheduled principal payments and a refunding payment totaling of \$8,295,000. Total outstanding capital debt obligations as of December 31, 2024 were \$24,270,000.

More detailed information about long-term liabilities is included in the notes to financial statements.

	<u>2024</u>	<u>2023</u>
Sewer Revenue Bonds, Series of 2015	\$ 9,020,000	\$ 16,200,000
Sewer Revenue Bonds, Series of 2021	9,315,000	9,335,000
Sewer Revenue Bonds, Series of 2024	<u>5,935,000</u>	<u>-</u>
Total	<u>\$ 24,270,000</u>	<u>\$ 25,535,000</u>

In addition, during 2022, the Authority entered into a lease agreement for a truck with a sewer cleaner. As of December 31, 2024, the remaining lease liability was \$172,060.

AUTHORITY BUDGET

During the year, the Representatives of the Member Municipalities (the Authority Board) can authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Authority. There were no revisions made to the original budget for the year ended December 31, 2024. A statement showing the Authority's unrevised original budget amounts compared with amounts actually paid and received is provided on page 28.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The municipalities comprising the Authority have experienced growth over the last five years. According to the projected new residential and commercial developments, provided by the City of Easton

EASTON AREA JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
DECEMBER 31, 2024

surrounding municipalities of Palmer, Forks, Williams, Bethlehem, Lower Nazareth Townships, and the Boroughs of Wilson, West Easton, Tatamy, and Stockertown, the customer base is expected to continue to increase by normal growth percentages.

There were no significant variances in actual revenues and expenses for the year ended 2024 compared to 2023. Budget estimates of revenues and expenses for the 2025 operating year are not significantly greater than 2024 budget estimates.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

Our financial report is designed to provide local municipalities, investors, and creditors with a general overview of the Authority's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Authority office at Easton Area Joint Sewer Authority, 50-A, South Delaware Drive, Easton, PA 18042-9405.

EASTON AREA JOINT SEWER AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS

Current Assets:

Cash and cash equivalents - unrestricted	\$ 2,690,450
Surcharge and cost recovery receivables	248,721
Total Current Assets	<u>2,939,171</u>

Non-current Assets:

Restricted cash and cash equivalents:

Construction project reserve fund	4,414,251
Debt service revenue fund	1,956,663
Bond redemption and improvement fund	1,541,932
Depreciable capital assets, net	25,675,569
Total Non-Current Assets	<u>33,588,415</u>

TOTAL ASSETS	<u><u>\$ 36,527,586</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 1,173,777
Payroll taxes payable	721
Other current liabilities	75,127
Accrued interest payable	61,679
Bonds payable including unamortized premium	1,243,595
Lease payable	83,850
Total Current Liabilities	<u>2,638,749</u>

Non-current Liabilities:

Bonds payable including unamortized premium	24,664,137
Lease payable	88,210
Total Noncurrent Liabilities	<u>24,752,347</u>

TOTAL LIABILITIES	<u>27,391,096</u>
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NET POSITION

Net investment in capital assets	4,010,028
Restricted for debt reserve requirements	1,956,663
Restricted for bond redemption and improvements	1,541,932
Unrestricted	<u>1,627,867</u>

TOTAL NET POSITION	<u>9,136,490</u>
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TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 36,527,586</u></u>
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The accompanying notes are an integral part of these financial statements.

EASTON AREA JOINT SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

OPERATING REVENUES:	
Local government subsidies	\$ 9,340,222
Surcharge, cost recovery charges	1,227,555
TOTAL OPERATING REVENUES	<u>10,567,777</u>
OPERATING EXPENSES:	
Sewage treatment expenses	6,520,890
Other operating expenses	521,869
Administrative expenses	127,481
Depreciation and amortization	1,869,536
TOTAL OPERATING EXPENSES	<u>9,039,776</u>
OPERATING INCOME	<u>1,528,001</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	573,359
Interest expense	(855,647)
Rebates to municipalities	<u>(1,321,877)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,604,165)</u>
CHANGE IN NET POSITION	(76,164)
NET POSITION, BEGINNING OF YEAR	<u>9,212,654</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,136,490</u></u>

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

**EASTON AREA JOINT SEWER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from local governments	\$ 9,340,222
Other receipts	1,535,726
Payments to employees and benefits	(10,650)
Payment for services and goods	(7,092,246)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,773,052</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on bonds payable	(8,295,000)
Proceeds from bonds payable	7,417,064
Interest paid	(1,029,188)
Principal paid on lease payable	(79,706)
Acquisition of capital assets	(578,084)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,564,914)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Rebates distributed to municipalities	(2,195,803)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,195,803)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	573,359
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>573,359</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(414,306)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,017,602</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 10,603,296</u></u>
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 1,528,001
Depreciation and amortization	1,869,536
Changes in assets and liabilities:	
(Increase) Decrease in surcharge and recovery receivables	308,171
Increase (Decrease) in accounts payable	1,139,283
Increase (Decrease) in intergovernmental payable	(1,071,936)
Increase (Decrease) in payroll taxes payable	(10)
Increase (Decrease) in other liabilities	7
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 3,773,052</u></u>

Cash and cash equivalents - unrestricted	\$ 2,690,450
Construction project reserve fund	4,414,251
Debt service revenue fund	1,956,663
Bond redemption and improvement fund	1,541,932
	<u><u>\$ 10,603,296</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Decrease in accounts payable related to capital assets	\$ 59,015
Amortization of bond premium (included as a component of interest expense)	<u><u>\$ 158,596</u></u>

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

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE SEWER AUTHORITY AND REPORTING ENTITY

Reporting Entity

The Easton Area Joint Sewer Authority ("the Authority") was created as a joint sewer authority under the provisions of the act of the General Assembly of the Commonwealth of Pennsylvania, approved on May 2, 1945, P.L. 382, known as the Municipality Authorities Act of 1945, pursuant to ordinances enacted by the City of Easton, Township of Forks, Township of Palmer, Borough of Wilson, Borough of West Easton, and municipalities comprising the Bushkill-Lower Lehigh Joint Sewer Authority. Articles of Incorporation of the Authority were approved by the Secretary of the Commonwealth on December 10, 1976. The Authority filed Articles of Amendment dated November 16, 2015 to increase the term of existence of the Easton Area Joint Sewer Authority to fifty years from the date of the approval of this Amendment. The Commonwealth of Pennsylvania, Department of State, granted a Certificate of Amendment in December 2015. As provided by the terms of the Consent Decree dated November 2, 1995 amending the Articles of Incorporation, the governing body of the Authority will consist of twelve members appointed by the Participating Municipalities of the City of Easton, Borough of West Easton, Borough of Wilson, Borough of Tatamy, Palmer Township, and Forks Township.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations of the sewage treatment plant and related conveyance system of the Authority.

The Authority is a municipal corporation governed by an appointed sewer member board. As required by generally accepted accounting principles, these financial statements are to present the Authority (the primary government) and organizations for which the primary government is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. The Authority does not have any component units.

Treatment Plant Lease

As a result of a long-term lease dated January 31, 1977 of \$1 per year for 99 years ending January 31, 2076 between the City of Easton and the Authority, the original purposes of the Authority were to expand the sewage treatment plant capacity from five to ten million gallons per day, rehabilitate sewer lines, and assume the future operation of the plant providing sewage treatment services to its incorporating Participating Municipalities. Non-incorporating municipalities also receiving sewage treatment services are Bethlehem Township, Lower Nazareth Township, Williams Township, and the Borough of Stockertown. The Authority filed

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE SEWER AUTHORITY AND REPORTING ENTITY (cont'd)

Articles of Amendment dated November 16, 2015 to increase the term of existence of the Authority to fifty years from the date of the approval of this Amendment. The Commonwealth of Pennsylvania, Department of State, granted a Certificate of Amendment in December 2015.

Service Agreement

The Sewage Treatment Service Agreement, dated as of April 1, 1988, as amended ("the Service Agreement") between the Authority and the City of Easton, the Boroughs of Tatamy, West Easton, and Wilson, and the Townships of Forks and Palmer ("the Participating Municipalities") governs the provision of bulk sewage treatment service by the Authority, prescribes the allocation among the Participating Municipalities of treatment capacity in the plant, the adoption of Authority budgets, payment of bills, compliance with laws, rules and regulations, the adoption by each Participating Municipality of an annual budget, the setting of sewer rates and charges by the Authority Board, and the payment of all amounts due by Participating Municipalities without suspension notwithstanding distribution or other failure of plant operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

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, with the exception of investment earnings.

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 charges; 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.

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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.

Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds and unamortized bond premiums that are attributable to the acquisition, construction, or improvement of those assets. Unspent construction fund balances are reported as part of the "net investment in capital 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. The Authority has classified the Debt Service and Bond Redemption and Improvement Reserves per the provisions of the Trust Indenture as restricted.

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

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sewer Rate Covenant

Under the Indenture, the Authority covenants that it has adopted a resolution fixing and charging sewer rentals, rates, and other charges to the municipalities under the Service Agreement for service rendered by the Authority in connection with the Sewage Treatment Plant. The Authority also covenants to keep such resolution or a subsequent similar resolution or resolutions in full force and effect continuously during the time any Bonds shall remain outstanding.

The Authority further covenants under the Indenture that such sewer rentals, rates, and other charges imposed pursuant to the resolution or resolutions in effect at the time shall be at least such that the estimated amounts to be received by the Authority therefrom, together with other estimated receipts and revenues from the Sewage Treatment Plant to be received by the Authority will be sufficient:

- 1) To pay the reasonable administrative expenses of the Authority in connection with the Sewage Treatment Plant and in connection with the Bonds issued hereunder, in each fiscal year;
- 2) To pay the reasonable operating expenses of the Authority, in each fiscal year;
- 3) To provide an amount, in each fiscal year, so long as the 2015 Bonds shall remain outstanding, beginning with the fiscal year ended December 31, 2016 and for the 2021 Bonds beginning fiscal year ending December 31, 2024 equal to at least 110% of the debt service requirements, in such fiscal year, on the 2015, 2021, and 2024 Bonds then outstanding;
- 4) If the Trustee shall have withdrawn any money from the Debt Service Reserve Fund to cure any deficiency in the Debt Service Fund, to provide an amount that, together with investment income on money remaining in the Debt Service Reserve Fund and other money available or to become available in the Clearing Fund or in the Bond Redemption and Improvement Fund for the purpose, will be sufficient to restore the money so withdrawn from the Debt Service Reserve Fund at or before the end of the twelve (12) months following the date of such withdrawal; and
- 5) To provide an amount, in each fiscal year in which additional bonds shall be outstanding, beginning with the first fiscal year in which Debt Service Requirements on such additional bonds shall be payable solely from receipts and revenues from the Sewage Treatment Plant, equal to at least 110% of the Debt Service Requirements, in such fiscal year, on the additional bonds then outstanding, plus mandatory payments, if any, required to be made in such fiscal year to any fund created under the Indenture, to the extent that such Debt Service Requirements or mandatory payments otherwise shall not be provided for under the Indenture.

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provided, however, in the event the actual amounts received by the Authority are less than the estimated amounts used to comply with the rate covenant, the Authority covenants that it shall revise rates to accurately reflect the actual amount received to meet the requirements of paragraphs 1 through 5 above.

Restricted Cash and Cash Equivalents

Construction Project Reserve Fund

The Construction Project Reserve Fund was created under the 2015 and 2021 Indenture in which proceeds of Bonds for Capital Improvements are deposited pending application to the costs of construction pursuant to a requisition procedure.

Bond Redemption and Improvement Fund

On or before November 16, 2016, and on or before November 16 of each fiscal year thereafter, after all transfers currently required to be made from the Clearing Fund shall have been made, the Trustee, without further direction from the Authority, shall withdraw from the Clearing Fund and shall deposit in the Bond Redemption and Improvement Fund any balance remaining in the Clearing Fund.

There also shall be deposited in the Bond Redemption and Improvement Fund any other authorized amounts and any other money that may be available to the Authority for any purposes provided in the Indenture.

If a deficiency shall exist in the Debt Service Fund, including any sinking fund or in the applicable account or accounts of the Debt Service Reserve Fund, and there shall be insufficient money in the Clearing Fund to eliminate such deficiency, the Trustee, without further direction from the Authority, shall forthwith transfer a sufficient amount or amounts, as money shall be available, from the Bond Redemption and Improvement Fund to eliminate such deficiency or deficiencies.

Money in the Bond Redemption and Improvement Fund shall be used or applied by the Authority, from time to time (provided there is no deficiency in the Debt Service Fund or in the Debt Service Reserve Fund and no event of default has occurred and which is continuing), but only to the extent of money available therein, and upon delivery to the Trustee of an Officers' Certificate, for or toward payment of extraordinary repairs or costs, costs of acquisition, or costs of construction related to the 2015 and 2021 capital projects or other capital additions, for redemption or purchase of outstanding Sewer Revenue Bonds, and for and toward any other lawful purpose.

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Debt Service Reserve Fund

There is a Debt Service Reserve Fund created under the 2015 Trust Indenture. The Debt Service Reserve Fund shall include an account for each series of bonds issued under the Indenture. Each series of bonds shall have a senior and superior lien on the amounts in the account within the Debt Service Reserve Fund related to such series, and all other bonds outstanding under the Indenture shall be subordinated and subject to the prior payment in full of such series of Bonds with respect to the amounts in such related account.

In connection with the issuance of additional bonds, the amount of the reserve requirement for the account in the Debt Service Reserve Fund related to such series of additional bonds shall be established in the Supplemental Indenture pursuant to which such series of additional bonds is issued. If the Authority so chooses, the reserve requirement for an account may be zero.

There is created a 2015 account within the Debt Service Reserve Fund which shall relate to the 2015 Bonds. Concurrently with the issuance of the 2015 Bonds, the Trustee shall deposit in the 2015 Account of the Debt Service Reserve Fund an amount equal to the reserve requirement with respect to the 2015 Bonds.

"Reserve requirement" means, with respect to the 2015 Bonds and the 2015 account within the Debt Service Reserve Fund, an amount equal to \$1,690,139, which is the least of (a) the maximum annual Debt Service Requirements with respect to the 2015 Bonds, (b) 125% of the average annual Debt Service Requirements with respect to the 2015 Bonds, and (c) 10% of the proceeds of the 2015 Bonds minus original issue discount, if any, with respect to any series of additional bonds, the reserve requirement with respect to such series shall have the meaning set forth in the relevant Supplemental Indenture; it is permitted, for a series of additional bonds, that the reserve requirements may be zero.

In connection with the issuance of the 2021 Bonds, no deposit shall be made by the Authority into the Debt Service Reserve Fund established under the Indenture and by purchase and acceptance of the 2021 Bonds, the holders of the 2021 Bonds agree that funds in the Debt Service Reserve Fund shall not secure the 2021 Bonds, and that the holders of the 2021 Bonds have no claim on or right to any funds held in the Debt Service Reserve Fund established under the Indenture.

If, for any reason, the amount on deposit in an account of the Debt Service Reserve Fund at any time shall be less than the reserve requirement for such account, then and in that event, on or before November 16 of each fiscal year, after all certain prior transfers are made, the Trustee shall withdraw from the Clearing Fund and shall deposit in such account of the Debt Service Reserve Fund the balance then remaining in the Clearing Fund or so much thereof as shall be necessary to increase such account of the Debt Service Reserve Fund to the reserve requirement provided, however, that in the event of withdrawals from an account of the Debt

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Service Reserve Fund for the payment of the related series of Bonds, such account of the Debt Service Reserve Fund is required to be restored to the reserve requirement within twelve months from the date of such withdrawals.

The Trustee, without further direction from the Authority, shall apply money in the applicable account of the Debt Service Reserve Fund toward payment of principal and interest from time to time becoming payable on the related series of bonds to the extent that the Debt Service Fund at any time shall be deficient for such purpose.

Capital Assets

The Authority's capitalization policy is as follows:

With respect to asset improvements, costs over \$5,000 should be capitalized if:

- The estimated life of the asset is extended by more than 25%, or
- The cost results in an increase in the capacity of the asset, or
- The efficiency of the asset is increased by more than 10%, or
- There are significant changes the character of the asset.

Otherwise, the cost should be expensed as repair or maintenance.

Network System – A group of related or similar assets that are interdependent and where the principal portion of the network relies on the entire network system and not on the individual assets. Network systems fall into two categories: infrastructure and non-infrastructure. Infrastructure networks relate to sewer lines, storm water drainage system, and roads. Non-infrastructure networks relate to the computer system, telephone system, and library collection.

Assets are to be capitalized only if they have a cost of \$5,000 or more and an estimated useful life of five years or more. Individual assets that cost less than \$5,000 but that operate as part of a network system will be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is five years or more. A network is determined to be where individual components may be below the \$5,000 but are interdependent, and the overriding value to the Authority is on the entire network and not the individual assets. Assets are depreciated and amortized using the straight-line method over their estimated useful lives.

The following ranges are established as guidelines in setting estimated useful lives for asset reporting:

Buildings and improvements	20 - 50 years
Land improvements	10 - 20 years

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Machinery and equipment	10 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 40 years
Sanitary sewer system	75 - 90 years
Right to use lease asset	Amortized over the life of the lease

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.

NOTE 3 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, 2024, the carrying amount of the Authority's deposits was \$10,603,296, and the bank balance was \$10,634,143. Of the bank balance, \$325,125 was covered by federal depository insurance, and \$768,361 was collateralized by pooled securities in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72").

The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured, and the collateral held by the depository's agent was not in the Authority's name.

The remaining \$9,540,657 of the Authority's deposits were invested in money market funds managed by Goldman Sachs. Goldman Sachs is registered with the Securities and Exchange Commission and subject to regulatory oversight. The objective of the fund is to maintain a stable net asset value of \$1 per share. In addition, the fund is rated by nationally recognized rating organizations (Moody's Investors Service rating of Aaa-mf and Standard & Poor's rating of AAAM as of December 31, 2024) and is subject to an independent annual audit.

NOTE 4 INDUSTRIAL SURCHARGE, TESTING, AND COST RECOVERY RECEIVABLES

As of December 31, 2024, industrial waste surcharges, testing, and cost recovery receivable in the amount of \$248,721 represents unpaid industrial surcharge, testing, and costs recovery billings to industrial entities.

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 SEWAGE TREATMENT PLANT AND RELATED FACILITIES

The Sewage Treatment Plant and related sewer facilities ("the Sewer Facilities") are presently operated by the City under the Management Agreement with the Authority, and provides certain transportation and treatment services for the Participating Municipalities, pursuant to the Service Agreement.

The Sewer Facilities consist of three major pump stations and their associated force mains, several interceptor lines, and one 10 million gallons per day ("MGD") wastewater treatment plant. The pumping stations, which are dry pit/wet well in-ground concrete structures, with some portions built over 60 years ago, are:

- Lehigh Drive, located on Lehigh Drive in the City rated at 3.0 MGD and has three pumps with one serving as a spare;
- Second Street, located on Second Street in the City rated at 25 MGD and has five pumps of which one is a spare; and
- South Delaware, located on South Delaware Drive in the City rated at 30 MGD and has six pumps of which one is a spare.

These pump stations have undergone modernization over the years with both Second Street and South Delaware being upgraded in capacity in 1977 and in later years having variable speed control systems installed on a limited number of pumps to improve efficiency and reduce electrical operating costs. The Lehigh Drive and Second Street stations have additionally had their major electrical components replaced, relocated, and raised to protect them from areawide flooding.

The Sewage Treatment Plant was originally built, and is presently owned, by the City. The City entered into a long-term lease with the Authority that included the Sewage Treatment Plant and other facilities (pump stations and associated components, etc.) for a term of 99 years at \$1 for each year ending through January 31, 2076. The Amendment approved by the Commonwealth of Pennsylvania has extended the term of the lease for 50 years from December 2015. The Authority is also responsible for several interceptor and common use lines which transport the wastewater to the three pump stations and from the end of the force mains to the Sewage Treatment Plant. The original Sewage Treatment Plant was built over 60 years ago and has undergone several modernizations, upgrades, and component capacity expansions in 1977, 1988, 1997, and continuing to date. The Sewage Treatment Plant was re-rated in 1993 by the Pennsylvania Department of Environmental Resources ("PaDEP"), under the federal National Pollution Discharge Elimination System ("NPDES") Permit No. PA0027235, to 10 MGD.

The current Sewage Treatment Plant, from a process treatment standpoint, consists of an influent meter chamber, one grit removal unit, two automatic and three manual bar screens,

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 SEWAGE TREATMENT PLANT AND RELATED FACILITIES (cont'd)

two primary clarifiers, one primary effluent pump station with four pumps to which one is a spare, three oxidation ditches capable of providing secondary biological and ammonia reductions, three final clarifiers, disk filter tertiary treatment system, two chlorination basins, dechlorination facilities, and an effluent metering device prior to gravity discharge to the Delaware River; and from a sludge handling standpoint consists of one secondary and two primary anaerobic digesters which handle the primary and secondary sludge, one gravity belt thickener, and three aerobic digesters which act as thickening tanks for the secondary sludge and two centrifuges to dewater the generated sludge. The sludge is currently disposed by contract with a local PaDEP permitted landfill. For the last several years, to a certain extent, the aerobic digesters have not been required to process the sludge in a cost-effective manner. The Sewage Treatment Plant has an Operations Building, Control Building, Primary Screening Building, Grit Building, Centrifuge Building, Blower Building, Chlorine Building, Sludge Thickener (Filtration) Building, Disk Filter System Building, and Boiler Building. The Sewage Treatment Plant's electrical service is provided through GPU Energy via a 34,500 primary feed, and the Plant has its own emergency generator (880KW, 1100KVA) capable of powering the entire facility.

NOTE 6 CAPITAL ASSETS

A summary of changes in the Authority's capital assets is as follows:

	Beginning Balance	Increases	Ending Balance
Depreciable Assets:			
Treatment plant, equipment, and site improvements	\$ 51,537,695	\$ 1,101	\$ 51,538,796
Conveyance portion of capital asset structure	16,253,552	517,968	16,771,520
Right to use lease asset	520,328	-	520,328
Total Assets	<u>\$ 68,311,575</u>	<u>\$ 519,069</u>	<u>\$ 68,830,644</u>
Depreciation and Amortization:			
Treatment plant, equipment, and site improvements	\$ 32,467,730	\$ 1,510,307	\$ 33,978,037
Conveyance portion and capital asset structure	8,752,768	307,196	9,059,964
Right to use lease asset (Amortization)	65,041	52,033	117,074
Total Accumulated Depreciation and Amortization	<u>\$ 41,285,539</u>	<u>\$ 1,869,536</u>	<u>\$ 43,155,075</u>
Total Net Capital Assets	<u>\$ 27,026,036</u>	<u>\$ (1,350,467)</u>	<u>\$ 25,675,569</u>

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 BONDS PAYABLE

The following is a summary of changes in bonds payable for the year ended December 31, 2024:

Type of Debt	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Sewer Revenue Bonds:					
Series of 2015	\$ 16,200,000	\$ -	\$ 7,180,000	\$ 9,020,000	\$ -
Series of 2021	9,335,000	-	20,000	9,315,000	20,000
Series of 2024	-	7,030,000	1,095,000	5,935,000	1,065,000
	25,535,000	7,030,000	8,295,000	24,270,000	1,085,000
Premium	1,409,264	387,064	158,596	1,637,732	158,595
	<u>\$ 26,944,264</u>	<u>\$ 7,417,064</u>	<u>\$ 8,453,596</u>	<u>\$ 25,907,732</u>	<u>\$ 1,243,595</u>

Sewer Revenue Bonds, Series of 2015

The Authority issued \$23,620,000 principal amount of Sewer Revenue Bonds, Series of 2015 ("the Bonds"), dated as of the date of delivery; December 29, 2015, maturing in various principal amounts (as herein described) on December 1 of each year from December 1, 2016 to 2035, inclusive. Interest is payable semi-annually on June 1 and December 1 at interest rates ranging from 2.0% to 5.0%, commencing June 1, 2016, until maturity or prior redemption.

The purpose of the issuance of the Sewer Revenue Bonds, Series of 2015 in the aggregate amount of \$23,620,000 was to provide the refunding of the 2010 Bonds, the refunding of the 2013 Subordinated Note, funding the 2015 Capital Project, the establishment of necessary reserves, and other funds and the payment of costs and issuance of the 2015 Bonds. The 2015 Capital Project defined by the Trust Indenture dated December 1, 2015 means the acquisition and construction of certain additions, extensions, alterations, replacements, and improvements to the existing sewage treatment facilities.

Redemption Provision

In the manner and upon the terms and conditions in the Indenture, the Bonds maturing on or after December 1, 2024 shall be subject to optional redemption in whole or in part, in any order of maturity or portion of a maturity as selected by the Authority, prior to maturity on December 1, 2023 or any date thereafter.

Application of Proceeds

Proceeds of the Bonds, together with other available funds of the Authority, were used to: (1) refund all of the Authority's \$4,095,000 outstanding Sewer Revenue Refunding Bonds, Series

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 BONDS PAYABLE (cont'd)

of 2010; (2) refund and retire the Authority's \$3,350,504 Subordinated Sewer Revenue Note, Series of 2013; (3) make a deposit to the Debt Service Reserve Fund under the Indenture; (4) fund the acquisition and construction of certain additions, extensions, alterations, replacements, and improvements to the existing sewage treatment facilities; and (5) pay the costs of issuing and insuring the Bonds.

Security

The Bonds are limited revenue obligations of the Authority, payable solely from the pledged "Receipts and Revenues from the Sewage Treatment Plant," as described in the Indenture.

The debt schedule for the Sewer Revenue Bonds, Series of 2015 is presented below, payment dates, principal, semi-annual interest, total debt service, and fiscal year end debt service.

Sewer Revenue Bonds, Series of 2021

General Description

The Sewer Revenue Bonds, Series of 2021 ("the Bonds") were issued in fully registered form, without coupons, in the aggregate principal amount of \$9,380,000 and were dated as of the delivery date of the Bonds. The Bonds bear interest payable on June 1 and December 1 at interest rates ranging from 1.0% to 3.0% commencing on December 1, 2021 and were issued in denominations of \$5,000 and integral multiples thereof. Principal is paid each December 1 through 2040.

Optional Redemption of Bonds

The Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Authority, on or after June 1, 2026, either as a whole at any time or in part from time to time, in such order of maturity and within a maturity or portion of a maturity as the Authority shall select, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, together with accrued interest to the redemption date.

Application of Proceeds

The majority of the Bonds will be placed in a construction fund to be used to pay for costs associated with completion of the following projects:

New Administration and Laboratory Building, Digester Mixing, Fats, Oils, and Grease (FOG) Receiving and Combined Heat and Power (CHP) Facilities, Installation of New Force Main for

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 BONDS PAYABLE (cont'd)

the Second Street Pump Station, Anaerobic Digester No. 1 Cleaning and Inspection, Motor Control Center Replacements, and Mechanical Bar Screen Replacement.

A new Administration Building has been completed at the WWTP. The scope of work for this project includes site work, building footer and foundation work, underground utility installation, general construction, architectural, HVAC, electrical, and plumbing work to construct a new Administration Building. The new building includes offices, meeting rooms, a laboratory with ancillary equipment, storage areas, designated and temperature controlled information technology equipment space, restrooms, and a women's locker room.

Sewer Revenue Bonds, Series of 2024

General Description

The Sewer Revenue Bonds, Series of 2024 ("the Bonds") were issued in fully registered form, with a 5% coupon, in the aggregate principal amount of \$7,030,000 and were dated as of the delivery date of the Bonds. The Bonds bear interest payable on June 1 and December 1 at interest rates ranging from 1.0% to 3.0% commencing on December 1, 2024 and were issued in denominations of \$5,000 and integral multiples thereof. Principal is paid each December 1 through 2030.

Optional Redemption of Bonds

The Bonds are not subject to optional redemption prior to their respective maturity dates.

Application of Proceeds

Proceeds of the Bonds, together with other available funds of the Authority, will be used to: (1) currently refund a portion of the Authority's outstanding Sewer Revenue Bonds, Series of 2015; and (2) pay the costs of issuing and insuring the Bonds. The current refunding resulted in a cash flow surplus of \$271,672.

Security for the Bonds

The Bonds are payable as to principal and interest from (a) the receipts and revenues from the Sewage Treatment Plant, as defined in the Indenture, which include payments from the Participating Municipalities and other bulk municipal customers to the Authority pursuant to the Service Agreement, and any other intermunicipal agreements, and (b) money on deposit in the Funds established under the Indenture and held by the Trustee (except the Rebate Fund) as security for the Bonds issued under the Indenture.

The Sewer Revenue Bonds, Series 2015, 2021, and 2024 mature as follows:

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 BONDS PAYABLE (cont'd)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,085,000	\$ 857,039
2026	1,135,000	803,589
2027	1,190,000	747,639
2028	1,250,000	688,539
2029	1,330,000	626,339
2030-2034	7,530,000	2,367,900
2035-2039	8,825,000	1,102,688
2040	1,925,000	57,750
Totals	<u>\$ 24,270,000</u>	<u>\$ 7,251,483</u>

NOTE 8 LEASE LIABILITY

In September 2022, the Authority entered into a lease agreement with Bank Capital Services, LLC dba F.N.B. Equipment Finance, a subsidiary of First National Bank of Pennsylvania for the financing of vehicle purchase. The annual interest rate applicable to the agreement is 5.20%. The Authority will make rental payments each consisting of principal and interest for a lease term of 48 months. At the end of the lease term, the Authority has the option to purchase the vehicle for \$1.

The following is a summary of changes in lease outstanding for the year ended December 31, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Lease	<u>\$ 251,766</u>	<u>\$ -</u>	<u>\$ 79,706</u>	<u>\$ 172,060</u>	<u>\$ 83,850</u>

The total principal and interest on the lease receivable as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 83,850	\$ 8,947	\$ 92,797
2026	88,210	4,587	92,797
Total	<u>\$ 172,060</u>	<u>\$ 13,534</u>	<u>\$ 185,594</u>

EASTON AREA JOINT SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 LITIGATION

In accordance with legal counsel, there are no legal matters in which the Authority is a defendant that could materially affect the financial situation of the Authority as of December 31, 2024.

NOTE 10 CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Authority may participate in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant of loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

An Alternative and Clean Energy Grant Agreement was entered into between the Commonwealth of Pennsylvania (Grantor) and the Easton Area Joint Sewer Authority (Grantee) in a contract amount of \$1,737,000. The Grantor agrees to pay the Grantee eligible project costs incurred under the Grant between July 14, 2020 and June 30, 2023. The Authority obtained an extension for payment of eligible project costs through June 25, 2025. The Authority has not submitted any reimbursement requests as of December 31, 2024.

NOTE 11 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through September 23, 2025, the date the financial statements were available to be issued.

OTHER INFORMATION

EASTON AREA JOINT SEWER AUTHORITY
STATEMENT OF AUTHORITY REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2024

	O = Operating C = Capital	Budgeted Amounts	Actual Amounts	Positive/ (Negative) Variance
REVENUES				
Budget contributions	O	\$ 6,371,439	\$ 7,152,285	\$ 780,846
Budget contributions	C	2,943,037	2,187,937	(755,100)
Industrial program - pretreatment cost recovery income	O	340,000	605,975	265,975
Interest income	O	3,000	116,024	113,024
Reimbursement - pretreatment program	O	175,000	340,386	165,386
Permits, applications, and other	O	8,200	5,386	(2,814)
TOTAL REVENUES		9,840,676	10,407,993	567,317
EXPENDITURES				
Solicitor services	O	61,000	71,987	(10,987)
Board/officer compensation	O	11,600	10,650	950
Administrative/recording secretary	O	15,060	1,800	13,260
Auditing services	O	15,300	13,920	1,380
Auditing services	C	2,100	3,480	(1,380)
Accounting services	O	23,000	26,910	(3,910)
Accounting services	C	3,000	-	3,000
Legal services	O	5,000	-	5,000
Administrative, meeting, office	O	40,000	34,666	5,334
Fringe benefits	O	4,000	42	3,958
Engineering consulting	O	107,000	95,185	11,815
Engineering - pretreatment	O	10,300	10,192	108
IPP data management system	O	4,250	27,007	(22,757)
Sewage treatment expense	O	6,242,852	6,504,919	(262,067)
Sewage treatment expense	C	100,000	15,971	84,029
Contracted laboratory services	O	104,914	101,372	3,542
Liability and vehicle insurance	O	55,000	57,787	(2,787)
Pretreatment consulting service	O	173,362	-	173,362
Debt service - including 10% coverage - 2015 series	C	1,854,203	865,315	988,888
Debt service - 2021 series	C	328,735	328,735	-
Debt service - 2024 series	C	-	1,306,688	(1,306,688)
Bond fees	C	5,000	161,159	(156,159)
Contingency costs	C	100,000	-	100,000
Lease - jet vac truck	C	93,000	92,795	205
Capital costs	C	407,000	-	407,000
Common use line inspect and maintenance and repairs	C	50,000	16,713	33,287
Permits and licensing	O	25,000	16,481	8,519
TOTAL EXPENDITURES		9,840,676	9,763,774	76,902
REVENUES OVER (UNDER) EXPENDITURES		\$ -	644,219	\$ 644,219
Reconciliation of Budgeted Revenues and Expenditures				
to Statement of Revenues, Expenses and Changes				
in Net Position:				
Depreciation and amortization			(1,869,536)	
Amortization of bond premium			158,596	
Debt service principal retired			1,265,000	
Lease principal retired			79,706	
Interest from capital			457,335	
Debt service coverage			234,585	
Insurance reimbursement			275,808	
Rebates to municipalities			(1,321,877)	
CHANGE IN NET POSITION			\$ (76,164)	