

**GREATER HAZLETON JOINT SEWER AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JULY 31, 2025 AND 2024**

AND

INDEPENDENT AUDITORS' REPORT

AND

SUPPLEMENTARY INFORMATION

AND

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

AND

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED

JULY 31, 2025

GREATER HAZLETON JOINT SEWER AUTHORITY
WEST HAZLETON, PA 18202
JULY 31, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Hazleton Joint Sewer Authority
West Hazleton, PA 18202

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Greater Hazleton Joint Sewer Authority (the "Authority") as of and for the years ended July 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority as of July 31, 2025 and 2024, and the respective changes in its financial position, and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Audit Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Audit Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters; the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

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 13 and the Defined Benefit Pension Trust Fund Schedule of Changes in Authority's Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer Contributions, the Schedule of Investment Returns, and the Other Post Employment Benefits (OPEB) Other Than Pensions Schedule of Changes in Authority's Net OPEB

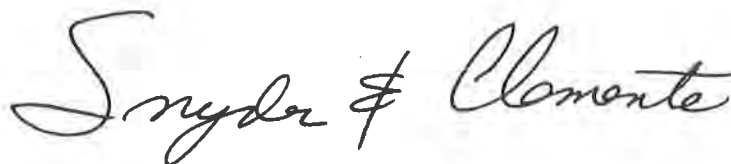
Liability and Related Ratios on pages 78 through 82, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 83 – 86 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 83 – 86 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Snyder & Clemente". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

Sugarloaf, Pennsylvania
January 12, 2026

GREATER HAZLETON JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JULY 31, 2025
(UNAUDITED)

INTRODUCTION

The following discussion and analysis of the Greater Hazleton Joint Sewer Authority's (the "Authority") annual financial report provides an overview and analysis of their financial performance for the fiscal year ended July 31, 2025. This presentation is intended to further the readers' understanding of the financial statements that follow, and it is recommended that it be read in conjunction with the accompanying basic financial statements and notes to those statements in order to obtain a thorough understanding of the Authority's financial condition as of July 31, 2025.

Management's Discussion and Analysis is designed to focus on the current year's activities and resulting changes in the Authority's financial position and also includes currently known facts that may have a significant impact on the Authority's financial position now and in the foreseeable future.

FINANCIAL HIGHLIGHTS

At July 31, 2025 the Authority's total assets decreased by \$14,906,383 from July 31, 2024. This net decrease was the result of several changes, including a net decrease in capital assets (net of accumulated depreciation) of \$14,332,366, a decrease in cash and cash equivalents of \$616,068 and an increase in restricted assets in the amount of \$81,666, offset by a decrease in other current assets of \$39,615.

Total liabilities decreased \$1,232,347, which was primarily caused by an increase in the current portion of long-term debt of \$96,291 and a decrease in Accounts Payable for Capital Assets of \$540,655 as well as a decrease in long-term debt, net of current portion of \$246,005, a decrease of \$32,621 in OPEB liability, a decrease of \$459,509 in net pension liability, and an increase of \$6,557 in compensated absences.

Total net position of \$45,089,020 was \$14,037,131 lower than the prior year, primarily due to write-off of a permanent impairment of the Nitrification/Denitrification structure as further described in Note 14 of the financial statements. Net investment in capital assets decreased by \$14,180,842 primarily due to the write-off. Consistent with the terms of its Series 2020 Sewer Revenue Bonds, a portion of the Authority's total net position at July 31, 2025, \$1,572,934, was restricted for bond covenants. The portion of the net position that was unrestricted increased by \$222,338 the net effect of all of the changes as previously noted.

The Authority's total operating revenues increased \$187,956 from the previous year with modest increases in all revenue categories due to growth in the service area.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Total operating expenses of \$13,327,900 increased by \$934,668 from the prior year. Plant operations expense increased \$111,229 primarily due to contractual increases in salary/wages and maintenance/repairs offset by decreases in chemicals and biosolids disposal costs. Collections system expense increased \$283,347 mainly due to increases in salaries/wages, health insurance and equipment maintenance costs with moderate increases in most categories. There was also an increase of \$640,992 in administrative expense, primarily due to increases of \$488,424 and \$121,959 for pension plan expense and group health insurance, respectively.

Investment income decreased by \$45,877, as a result of slightly lower rates of return. Interest expense remained relatively consistent with 2024, decreasing by \$7,467. The Authority also received a \$2,000,000 ARPA grant through Luzerne County in 2024 to partially fund a capital project. There was no grant received in 2025. The Impairment Loss for the Nitrification/Denitrification structure resulted in a one-time non-operating expense of \$15,256,075. These overall changes resulted in a net non-operating expense of \$15,054,897 for 2025 as compared to \$2,147,374 of revenue for 2024.

Overall, the Authority experienced a decrease in net position of \$14,037,131 for the fiscal year ended July 31, 2025 as compared to a net increase of \$3,911,852 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's primary mission is to provide wastewater treatment service to the Greater Hazleton Area.

The Authority does not provide other general government types of services or programs. The Authority's operations, capital expenditures and debt payments are funded almost entirely through rates, fees and other charges for these wastewater treatment services. As such, the Authority is considered to be, and therefore presents its financial report as, a stand-alone enterprise fund.

The Authority's financial statements consist of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements and the related notes to the financial statements, and supplementary (both required and other) information. The MD&A serves as an introduction to the basic financial statements and provides analysis and overview of the Authority's financial activities.

As a stand-alone proprietary fund, the Authority's basic financial statements consist of *Statements of Net Position*, *Statements of Revenues, Expenses and Changes in Net Position* and *Statements of Cash Flows*. In addition, the basic financial statements also include *Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position*, both for the Authority's Pension Trust Fund. These statements, together with the *Management's Discussion and Analysis*, provide both short-term and long-term financial information and implications for the Authority's financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Presentation of comparative schedules further enhances the reader's ability to gauge the Authority's fiscal strength and provides useful trend information. To further illuminate the information contained in these statements, *Notes to Financial Statements* and certain supplementary information appear immediately following the basic financial statements.

In addition to this discussion and analysis, other required supplementary information is presented.

The *Statements of Net Position*, similar to a balance sheet, presents the Authority's basic financial position through disclosure of information about the Authority's assets and liabilities. Net position represents the difference between total assets and total liabilities.

The *Statements of Revenues, Expenses and Changes in Net Position*, similar to private sector statements, provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represent the changes in net position, which links these statements to the *Statements of Net Position*.

The *Statements of Cash Flows* deals specifically with the flow of cash and cash equivalents arising from operating, capital and financing activities, non-capital activities, and investing activities. Because the Authority's *Statements of Revenues, Expenses and Changes in Net Position* are a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the *Statements of Cash Flows* also includes reconciliations between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in these statements.

The *Statements of Fiduciary Net Position – Pension Trust Fund*, also similar to a balance sheet, presents the basic financial position of the Authority's Pension Trust Fund. Net position held in trust for pension benefits represents the difference between total fiduciary assets and total fiduciary liabilities.

The *Statements of Changes in Fiduciary Net Position – Pension Trust Fund*, also similar to private sector statements, provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting) for its Pension Trust Fund. The difference between these inflows and outflows represent the changes in fiduciary net position, which links these statements to the *Statements of Fiduciary Net Position*.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately after the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents important required supplementary information and other non-required supplementary information that provides further detail regarding the financial statements. These statements and schedules can be found immediately following the notes to the financial statements.

Major Features of the Greater Hazleton Joint Sewer Authority's Financial Statements

	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Activities the Authority operates similar to private businesses	Funds for which the Authority is the trustee or agent for someone else's resources, such as the employees' pension trust fund
Required Financial Statements	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources 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	All assets and liabilities, both short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

FINANCIAL ANALYSIS

Total Assets, Total Liabilities, and Total Net Position

Significant changes within the Authority's categories of assets and liabilities are as follows:

<u>ASSETS</u>			
	<u>2025</u>	Increase <u>(Decrease)</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 13,014,131	\$ (616,068)	\$ 13,630,199
Other Current Assets	2,906,409	(39,615)	2,946,024
Restricted Assets	1,733,227	81,666	1,651,561
Capital Assets (Net of Accumulated Depreciation)	61,558,845	(14,332,366)	75,891,211
TOTAL ASSETS	<u>\$ 79,212,612</u>	<u>\$ (14,906,383)</u>	<u>\$ 94,118,995</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions and OPEB	315,845	(124,563)	440,408
<u>LIABILITIES</u>			
	<u>2025</u>	Increase <u>(Decrease)</u>	<u>2024</u>
Current Liabilities	\$ 3,537,616	\$ 39,886	\$ 3,497,730
Current Liabilities	160,293	(540,655)	700,948
Noncurrent Liabilities	29,013,901	(731,578)	29,745,479
TOTAL LIABILITIES	<u>\$ 32,711,810</u>	<u>(1,232,347)</u>	<u>\$ 33,944,157</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Reservation of Capacity Fees	\$ 300,971	(147,318)	\$ 448,289
Deferred Amounts Related to Pensions and OPEB	1,426,656	385,850	1,040,806
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,727,627</u>	<u>\$ 238,532</u>	<u>\$ 1,489,095</u>
<u>NET POSITION</u>			
	<u>2025</u>	Increase <u>(Decrease)</u>	<u>2024</u>
Net Investment in Capital Assets	\$ 32,435,288	\$ (14,180,842)	\$ 46,616,130
Restricted for Bond Covenants	1,572,934	(78,627)	1,651,561
Unrestricted	11,080,798	222,338	10,858,460
TOTAL NET POSITION	<u>\$ 45,089,020</u>	<u>(14,037,131)</u>	<u>\$ 59,126,151</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

At July 31, 2025 the Authority has classified certain assets as restricted with such restrictions commensurate with the related restrictions imposed by the Trust Indentures securing the Authority's Sewer Revenue Bonds. Similar funds established under the terms of the Trust Indenture, for the safety and security of the bondholders, were also classified as restricted, as was the accrued interest receivable on the investments in such funds.

During the fiscal year ended July 31, 2025 the Authority added \$175,044 in capital assets, including treatment plant and pump station, equipment, and office equipment, and it continued construction of several capital projects adding \$3,840,842 to construction in progress. There was a net decrease of \$14,332,366 to total capital assets after offsetting depreciation expense of \$3,097,178 and the impairment loss of \$15,256,074. In the current year, construction projects and acquisitions were funded by general operating funds and loans through the Pennsylvania Infrastructure Investment Authority (PENNVEST).

Total liabilities decreased by \$1,232,347 mainly due to principal payments made on long-term debt and decreases to Net Pension Liability and OPEB Liability.

Revenues

The Authority is not empowered to levy or collect taxes, nor does the Authority receive funding from the taxing authorities within its service area. The Authority's operations and debt service, as well as certain capital asset acquisitions and construction, are funded almost entirely from fees charged to its customers for wastewater treatment and transmission services. However, it should be noted that some debt is issued for the purpose of capital asset acquisition and construction. As such, the Authority's revenue stream is impacted by fluctuations in demand for its services and other economic factors.

Operating Revenue

Total sewage treatment and transmission revenue increased by \$112,960 from 2024 to 2025 due to modest increases in all customer revenue categories except outside hauled waste.

A summary of the Authority's sewer treatment revenues is as follows:

<u>SEWER TREATMENT REVENUES</u>	<u>2025</u>	<u>Increase (Decrease)</u>	<u>2024</u>
Residential	\$ 6,531,404	58,137	\$ 6,473,267
Independent Outside Haulers	2,506,571	(72,613)	2,579,184
Industrial	1,115,615	38,745	1,076,870
Non-residential	1,035,773	14,489	1,021,284
Surcharge	302,308	37,394	264,914
Schools	251,646	6,559	245,087
Penalties	184,096	3,405	180,691
TOTAL SEWER TREATMENT REVENUES	<u>\$ 11,927,413</u>	<u>\$ 86,116</u>	<u>\$ 11,841,297</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

A summary of the Authority's sewer transmission revenues is as follows:

<u>SEWER TRANSMISSION REVENUES</u>	<u>2025</u>	<u>Increase (Decrease)</u>	<u>2024</u>
Residential	\$ 1,587,247	12,099	\$ 1,575,148
Non-residential	274,090	3,676	270,414
Industrial	194,841	9,642	185,199
Schools	36,951	1,363	35,588
Penalties	50,473	64	50,409
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 2,143,602</u>	<u>\$ 26,844</u>	<u>\$ 2,116,758</u>

Non-Operating Revenues (Expenses)

From 2024 to 2025, interest income decreased by \$45,877 as a result of lower rates of return. Receipt of contributed capital in the form of a \$2,000,000 grant for the Area 2/3 Locust Street CSO Separation and Force Main Replacement Project was received in 2024. Loss on the Disposal of an Asset was \$91,048 in 2024 compared to \$16,100 gain in 2025. In 2025, interest expense was \$7,467 lower than in the prior year. The most significant change in 2025 was the Impairment Loss taken for the Nitrification/Denitrification structure in the amount of \$15,256,075. These overall changes resulted in net non-operating expense of \$15,054,897 for 2025 as compared to net non-operating income of \$2,147,374 for 2024.

A summary of the changes in the Authority's non-operating revenues and expenses are as follows:

<u>NONOPERATING REVENUES AND (EXPENSES)</u>	<u>2025</u>	<u>Net Change</u>	<u>2024</u>
Interest Income	\$ 644,688	\$ (45,877)	\$ 690,565
Grants	-	(2,000,000)	2,000,000
Impairment Loss	(15,256,075)	(15,256,075)	-
Gain (Loss) on Disposal of Assets	16,100	107,148	(91,048)
Interest Expense	(459,610)	(7,467)	(452,143)
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>\$ (15,054,897)</u>	<u>\$ (17,202,271)</u>	<u>\$ 2,147,374</u>

Expenses

Operating Expenses

Total 2025 operating expenses of \$13,327,900 increased by \$934,668 from the prior year.

During 2025, collection system expenses increased by \$283,347 primarily because of an increase to repairs, replacements, and maintenance of collection and conveyance lines. Treatment Plant expenses increased by \$111,229 primarily because of increases to salaries and wages and repairs/maintenance.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

During 2025 total administrative expenses increased by \$640,992 with slight increases or decreases within the categories. The most notable increases were \$488,424 in pension plan expense because of the initial funding of the Supplemental Plan and \$121,959 in group insurance.

A summary of the changes in the Authority's operating expenses is as follows:

<u>OPERATING EXPENSES</u>	<u>2025</u>	Increase (Decrease)	<u>2024</u>
Plant	\$ 5,575,405	\$ 111,229	\$ 5,464,176
Depreciation	3,097,179	(60,362)	3,157,541
Administrative	2,648,568	640,992	2,007,576
Collection System	1,368,036	283,347	1,084,689
Pumping Stations	<u>638,712</u>	<u>(40,538)</u>	<u>679,250</u>
TOTAL OPERATING EXPENSES	<u>\$ 13,327,900</u>	<u>\$ 934,668</u>	<u>\$ 12,393,232</u>

Decrease in Net Position

During 2025 the Authority's total operating revenues exceeded total operating expenses by \$1,017,766. After considering the non-operating revenues and expenses, the Authority experienced a net decrease in net position of \$14,037,131.

Acquisition and Construction of Capital Assets

Major capital assets placed into service during fiscal year ended July 31, 2025 include the following:

July 31, 2025

Equipment:

Flow Meter (Gashouse Pump Station)	19,827
New Pumps - Diamond Avenue PS	65,562
New WWTP Secondary Effluent Pump	74,650

Office Equipment:

Computer Network Firewall	7,470
Copier - Administration Building	3,990
Copier - Control Building	<u>3,545</u>

TOTAL	<u>\$ 175,044</u>
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MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

The \$7,330,943 balance remaining in construction in progress is largely composed of the Locust Street CSO Separation and Force Main Replacement Project. A summary of the changes in construction in progress is as follows:

\$	3,490,101	Balance 7/31/2024
	3,840,842	Additions
	-	Placed into Service
\$	<u>7,330,943</u>	Balance 7/31/2025

Debt Administration

At July 31, 2025 the Authority had \$27,327,771 in notes and bonds outstanding, versus \$26,952,808 in notes and bonds outstanding at July 31, 2024.

More detailed information about the Authority's outstanding debt is presented in the notes to the financial statements and can also be obtained from Authority management.

Economic Factors

Although the Authority is not required to have legally adopted budgets, the Authority prepares a budget for use as a management control device during the fiscal year. The Authority's management and Board of Directors considered many factors when preparing the July 31, 2025 budget and the fees that will be charged for supplying wastewater treatment and transmission services to its customers. Among the factors considered were the following:

- Operating revenues from customer accounts connected to the sewage disposal system are expected to increase due to anticipated residential and industrial/warehousing growth in the service area.
- Anticipated average salary and wage increases of 3.0% for Maintenance and Clerical Collective Bargaining Agreement (CBA) employees.
- An increase to the Group Insurance line item is anticipated due to a 17.6% premium increase for calendar year 2026.
- Expenditures related to the ongoing construction and completion of projects currently classified as Construction in Progress are expected.
- Adjustments to various chemical expense line items that correspond to the history of usage in the treatment process over the previous year and increases or decreases to the chemical cost from the prior year due to higher or lower bid prices received from suppliers in late June are projected and incorporated into the annual budget.
- Electrical expense are expected to decrease through 2026 due to a more favorable contract for purchase of electricity through December 31, 2026.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

- A projected continued increase in repairs and maintenance expenses to account for aging equipment from upgrade projects completed in the 1990's and 2000's, additional equipment placed in service from the incinerator installation, and the need to inventory additional spare parts due to longer supply chain lead times.
- Undertaking ACT-537 and Long-Term Control Planning to reduce inflow/infiltration to the WWTP and reduce/eliminate Combine Sewer Overflow (CSO) discharges in the collection system through future capital projects is considered for the upcoming fiscal year.
- The Authority Board has authorized its engineer to move forward with process evaluation at the WWTP to identify the most beneficial treatment process to maintain NPDES permit compliance by replacing the existing Nitrification/Denitrification process due to the impairment loss. Once the process is selected, a capital project to design and build the new process will be forthcoming.

**CONTACTING
GREATER HAZLETON JOINT SEWER AUTHORITY'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Greater Hazleton Joint Sewer Authority and to demonstrate the Authority's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Christopher Carsia, Director of Operations or Gregory Olander, Director of Administration at P.O. Box 651, Hazleton, PA 18201-0651.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF NET POSITION
JULY 31, 2025 AND 2024

	<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 13,014,131	\$ 13,630,199
Accounts Receivable, Net		1,580,131	1,632,205
Unbilled Revenue		1,208,341	1,202,694
Prepaid Expenses		<u>117,937</u>	<u>111,125</u>
TOTAL CURRENT ASSETS		<u>15,920,540</u>	<u>16,576,223</u>
RESTRICTED ASSETS			
Cash and Cash Equivalents		<u>1,733,227</u>	<u>1,651,561</u>
TOTAL RESTRICTED ASSETS		<u>1,733,227</u>	<u>1,651,561</u>
CAPITAL ASSETS			
Non-Depreciable		7,652,808	3,806,966
Depreciable, Net of Accumulated Depreciation		<u>53,906,037</u>	<u>72,084,245</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)		<u>61,558,845</u>	<u>75,891,211</u>
TOTAL ASSETS		<u>79,212,612</u>	<u>94,118,995</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions		261,270	372,997
Deferred Amounts Related to OPEB		<u>54,575</u>	<u>67,411</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>315,845</u>	<u>440,408</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 79,528,457</u>	<u>\$ 94,559,403</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF NET POSITION
JULY 31, 2025 AND 2024

	<u>LIABILITIES</u>	<u>2025</u>	<u>2024</u>
CURRENT LIABILITIES			
Payable from Current Assets:			
Current Portion of Long-Term Debt		\$ 2,854,430	\$ 2,758,139
Accounts Payable - Operating		274,758	257,076
Accounts Payable - Capital Assets		160,293	700,948
Accrued Payroll and Compensated Absences		240,183	292,887
Accrued and Withheld Payroll Taxes		2,544	2,536
Accrued Interest Expense		<u>165,701</u>	<u>187,092</u>
TOTAL CURRENT LIABILITIES		<u>3,697,909</u>	<u>4,198,678</u>
NONCURRENT LIABILITIES			
Long-Term Debt, Net of Current Portion		26,269,125	26,515,130
OPEB Liability		2,488,643	2,521,264
Net Pension Liability		188,062	647,571
Compensated Absences		<u>68,071</u>	<u>61,514</u>
TOTAL NONCURRENT LIABILITIES		<u>29,013,901</u>	<u>29,745,479</u>
TOTAL LIABILITIES		<u>32,711,810</u>	<u>33,944,157</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Reservation of Capacity Fees		300,971	448,289
Deferred Amounts Related to Pensions		304,732	-
Deferred Amounts Related to OPEB		<u>1,121,924</u>	<u>1,040,806</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>1,727,627</u>	<u>1,489,095</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>34,439,437</u>	<u>35,433,252</u>
<u>NET POSITION</u>			
Investment in Capital Assets, Net of Related Debt		32,435,288	46,616,130
Restricted for Bond Covenants		1,572,934	1,651,561
Unrestricted		<u>11,080,798</u>	<u>10,858,460</u>
TOTAL NET POSITION		<u>\$ 45,089,020</u>	<u>\$ 59,126,151</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Sewage Treatment Revenues	\$ 11,927,413	\$ 11,841,297
Sewage Transmission Revenues	2,143,602	2,116,758
Reservation of Capacity Fee Revenues	158,464	153,510
Other Operating Revenues	109,987	39,595
Tapping Fee Revenues	6,200	6,550
TOTAL OPERATING REVENUES	<u>14,345,666</u>	<u>14,157,710</u>
OPERATING EXPENSES		
Plant	5,575,405	5,464,176
Depreciation	3,097,179	3,157,541
Administrative	2,648,568	2,007,576
Collection System	1,368,036	1,084,689
Pumping Station	638,712	679,250
TOTAL OPERATING EXPENSES	<u>13,327,900</u>	<u>12,393,232</u>
OPERATING INCOME	<u>1,017,766</u>	<u>1,764,478</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	644,688	690,565
Grants	-	2,000,000
Impairment Loss (Note 14)	(15,256,075)	-
Gain (Loss) on Disposal of Assets, Net	16,100	(91,048)
Interest Expense	(459,610)	(452,143)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(15,054,897)</u>	<u>2,147,374</u>
CHANGE IN NET POSITION	(14,037,131)	3,911,852
NET POSITION - BEGINNING	<u>59,126,151</u>	<u>55,214,299</u>
NET POSITION - ENDING	<u>\$ 45,089,020</u>	<u>\$ 59,126,151</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 14,244,775	\$ 14,261,084
Cash Payments to Suppliers for Goods and Services	(6,488,107)	(6,382,512)
Cash Payments to Employees for Services	(3,759,600)	(2,644,891)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,997,068</u>	<u>5,233,681</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Grants	-	2,000,000
Proceeds from Debt Issuance	3,133,519	-
Proceeds from Disposition of Capital Asset	16,100	1,500
Principal Payments on Debt	(2,758,556)	(2,647,448)
Interest Paid	(1,005,678)	(1,059,229)
Acquisition and Construction of Capital Assets	(4,561,543)	(3,445,924)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,176,158)</u>	<u>(5,151,101)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	644,688	690,565
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>644,688</u>	<u>690,565</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(534,402)	773,145
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,281,760</u>	<u>14,508,615</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,747,358</u>	<u>\$ 15,281,760</u>
 CASH AND CASH EQUIVALENTS ARE REPORTED IN THE STATEMENT OF NET POSITION AS FOLLOWS:		
Current Assets:		
Cash and Cash Equivalents	13,014,131	13,630,199
Restricted Assets:		
Cash and Cash Equivalents	<u>1,733,227</u>	<u>1,651,561</u>
 TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 14,747,358</u>	<u>\$ 15,281,760</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Operating Income	\$ 1,017,766	\$ 1,764,478
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,097,179	3,157,541
Changes in Assets, Liabilities, and Deferred Amounts:		
(Increase) Decrease In:		
Accounts Receivable	52,074	50,450
Unbilled Revenue	(5,647)	(34,129)
Prepaid Expenses	(6,812)	34,828
Deferred Outflows of Resources Related to Pensions	111,727	216,962
Deferred Outflows of Resources Related to OPEB	12,836	12,836
Increase (Decrease) In:		
Accounts Payable - Operating	17,682	21,221
Accrued Payroll and Compensated Absences	(46,147)	31,152
Accrued and Withheld Payroll Taxes	8	(153)
OPEB Liability	(32,621)	18,106
Net Pension Liability	(459,509)	(189,335)
Deferred Inflows of Resources Related to Reservation of Capacity	(147,318)	87,049
Deferred Inflows of Resources Related to Pensions	304,732	-
Deferred Inflows of Resources Related to OPEB	81,118	62,675
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,997,068</u>	<u>\$ 5,233,681</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Reconciliation of Cash Paid for Interest:		
Interest Expense	\$ (459,610)	\$ (452,143)
Amortization of Bond Original Issue Premiums (OIPs)	(524,677)	(586,683)
Accrued Interest Expense		
Current Year	165,701	187,092
Prior Year	(187,092)	(207,495)
CASH PAID FOR INTEREST	<u>\$ (1,005,678)</u>	<u>\$ (1,059,229)</u>
Reconciliation of Cash Paid for Acquisition and Construction of Capital Assets:		
Acquisition and Construction of Capital Assets:		
Cost of Property and Equipment	\$ (4,020,888)	\$ (3,969,509)
Accounts Payable - Used to Finance Acquisition and Construction of Capital Assets:		
Current Year	160,293	700,948
Prior Year	(700,948)	(177,363)
CASH PAID FOR ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	<u>\$ (4,561,543)</u>	<u>\$ (3,445,924)</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
 STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUNDS
 DECEMBER 31, 2024 AND 2023

<u>ASSETS</u>	2024			2023
	<u>Non-Union Plan</u>	<u>Employees' Plan</u>	<u>Total</u>	<u>Employees' Plan</u>
Cash and Cash Equivalents	\$ 32,374	\$ 182,940	\$ 215,314	\$ 177,409
Investments				
Common Stocks	187,758	1,428,469	1,616,227	1,272,697
Mutual Funds	259,640	1,245,014	1,504,654	1,160,818
Exchange Traded Funds and Closed-End Funds	62,137	1,244,352	1,306,489	1,117,174
Corporate Bonds	-	-	-	8,886
U.S. Government Securities	-	12,775	12,775	32,146
Total Investments	<u>509,535</u>	<u>3,930,610</u>	<u>4,440,145</u>	<u>3,591,721</u>
Interest Receivable	-	-	-	251
TOTAL ASSETS	541,909	4,113,550	4,655,459	3,769,381
<u>LIABILITIES</u>				
CURRENT LIABILITY				
Accrued Fees	-	9,288	9,288	-
<u>FIDUCIARY NET POSITION</u>				
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 541,909</u>	<u>\$ 4,104,262</u>	<u>\$ 4,646,171</u>	<u>\$ 3,769,381</u>

Note: The Plan's financial statements are for the years ended December 31, 2024 and 2023.

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023
	<u>Non-Union Plan</u>	<u>Employees' Plan</u>	<u>Total</u>	<u>Employees' Plan</u>
OPERATING REVENUES				
Pension Contributions - Employer	\$ 551,157	\$ 200,000	\$ 751,157	\$ 223,000
Investment Income (Loss)				
Net Appreciation in Fair Value of Investments:				
Realized Gain (Loss)	(21)	104,112	104,091	5,792
Unrealized Gain (Loss)	(15,710)	87,633	71,923	373,194
Interest	-	588	588	1,186
Dividends	7,376	135,517	142,893	104,307
TOTAL INVESTMENT INCOME (LOSS)	<u>(8,355)</u>	<u>327,850</u>	<u>319,495</u>	<u>484,479</u>
TOTAL NET ADDITIONS	<u>542,802</u>	<u>527,850</u>	<u>1,070,652</u>	<u>707,479</u>
OPERATING EXPENSES				
Retiree Benefits Paid	-	140,671	140,671	132,015
Administrative Expenses:				
Investment Fees	893	40,932	41,825	35,678
Actuary Fees	-	9,288	9,288	17,794
Accounting Fees	-	2,078	2,078	2,209
TOTAL OPERATING EXPENSES	<u>893</u>	<u>192,969</u>	<u>193,862</u>	<u>187,696</u>
CHANGE IN FIDUCIARY NET POSITION FOR THE YEAR	541,909	334,881	876,790	519,783
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS:				
BEGINNING OF YEAR	<u>-</u>	<u>3,769,381</u>	<u>3,769,381</u>	<u>3,249,598</u>
END OF YEAR	<u>\$ 541,909</u>	<u>\$ 4,104,262</u>	<u>\$ 4,646,171</u>	<u>\$ 3,769,381</u>

Note: The Plan's financial statements are for the years ended December 31, 2024 and 2023.

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

1. NATURE OF OPERATIONS, ORGANIZATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Nature of Operations

The Greater Hazleton Joint Sewer Authority (the "Authority") is a municipal authority incorporated under the Pennsylvania Municipality Authorities Act of 1945, approved May 2, 1945 P.L. 382, as amended and supplemented. The Authority is a separate governmental unit granted independent authority by the Commonwealth of Pennsylvania to allow the Authority's Board of Directors to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency.

The Authority collects and treats residential, commercial, and industrial sewage originating in the municipalities of Hazleton City, Hazle Township, West Hazleton Borough, and a small portion of Sugarloaf Township, and the Authority also accepts hauled waste from outside independent contractors. The Authority operates under the direction of a nine-member Board of Directors representing Hazleton City (six members), Hazle Township (one member), and West Hazleton Borough (two members).

The Governmental Accounting Standards Board (GASB) established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The Authority reports related organizations under the guidance of Statement No. 14 of the Governmental Accounting Standards Board. Statement No. 14 defines the primary government, and establishes the criteria for which potential component units are included in the reporting entity. The criteria used in determining whether such organizations should be included in the Authority's financial reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria.

The Authority is financially accountable for:

1. Organizations that make up the legal Authority entity.
2. Legally separate organizations of Authority officials appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. Impose its Will – If the Authority can significantly influence programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the Authority (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

- c. Organizations that are Fiscally Dependent on the Authority – Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the Authority.

The Authority is not a component unit for financial statements purposes. The Authority has determined that it has no potential component unit which should be evaluated.

B. Basis of Presentation

The accounting policies of the Greater Hazleton Joint Sewer Authority conform to generally accepted accounting principles for local government units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

The Authority does not provide other general government types of services or programs. The Authority's operations, capital expenditures and debt payments are funded almost entirely through rates, fees and other charges for these services. As such, the Authority is considered to be, and therefore presents its financial report as, a stand-alone enterprise fund. Accordingly, there are no government-wide financial statements that are typically presented when an entity is to provide other general governmental types of services or programs.

The Authority's financial statements consist of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements and the related notes to the financial statements, and supplementary information. The MD&A serves as an introduction to the basic financial statements and provides analysis and overview of the Authority's financial activities.

As a stand-alone enterprise fund, the Authority's basic financial statements consist of *Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provides both short-term and long-term financial information and implications for the Authority's financial position.

C. Fund Accounting

The Authority is operated as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Trust and Agency Fund – Pension – the plan’s financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

D. Measurement Focus

The proprietary fund type is accounted for on a cost of service measurement focus. All assets and liabilities (current and non-current) associated with the activity of the fund are included on its balance sheet. The proprietary fund operating statements present increases and decreases in total net position.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Authority utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized in the accounting period in which the liability is incurred.

F. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

G. Capital Assets

Capital assets are stated at cost. Significant additions, renewals, or betterments which extend the useful life of the assets are capitalized. Expenditures for normal maintenance and repairs are charged to operating expenses. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Sewer Treatment Plant, Pumps, and Transmission Mains	20 to 50 Years
Storage Buildings	20 Years
Vehicles	5 Years
Equipment	8 to 20 Years
Office Equipment	3 to 5 Years

The Authority reviews the carrying value of capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of such capital assets may be impaired.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

H. Budget and Budgetary Accounting

Since the Authority operates under the Pennsylvania Municipality Authorities Act; it is not required to legally adopt budgets. However, the Authority employs an operating budget for use as a management control device and to comply with the requirements of the trust indentures securing its Sewer Revenue Bonds.

I. Interest Capitalized

The Authority follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. For the years ended July 31, 2025 and 2024, the Authority capitalized \$15,678 and \$-0- of interest costs, respectively.

J. Cash Equivalents

The Authority considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

K. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates affecting the financial statements were:

Management's estimate of the useful lives of the capital assets is based on historical useful lives of similar assets as well as an analysis of individual assets.

Management's estimate of the allowance for doubtful accounts is based on historical collection rates, the aging of the accounts, and an analysis of individual accounts.

Management's estimate of the net pension liability and related expenses is based upon estimates and assumptions about the probability of events far into the future, including future employment, employee mortality, and investment income and the related discount rate.

Management's estimate of the other postemployment benefit liability is based upon estimates and assumptions about the probability of events far into the future, including future employment, employee mortality, and investment income and the related discount rate.

L. Net Position

Investment in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and 1) reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets and 2) increased by the unspent portion of the proceeds of the related bonds, mortgages, notes or other borrowings.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Restricted for Bond Covenants consist of net position restricted by the terms of the Authority's bonded debt.

Unrestricted net position consists of net position that does not meet the definition of "Restricted for Bond Covenants" or "Investment in Capital Assets, Net of Related Debt".

M. Net Position Flow Assumption

Occasionally, the Authority 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 proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to considered restricted – net position to be depleted before unrestricted – net position.

N. Operating Revenues and Expenses and Revenue Recognition

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which is the collection and treatment of residential, commercial, and industrial sewage. The Authority also recognizes as operating revenue other miscellaneous cash receipts not arising from investing or financing activities. Operating expenses for the Authority include the cost of collecting, pumping, and treating sewage, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses. Nonoperating revenues result from nonexchange transactions or ancillary activities.

Generally, the Authority recognizes revenue as wastewater treatment and transmission services are provided to its customers, which happens as the services are delivered and the performance obligation is satisfied ("point of sale"). The Authority typically does not have long-term contracts with customers. Accordingly, the Authority's revenues are recognized ratably according to the period in which the services are provided.

O. Unbilled Revenue

The Authority provides continuous service to its customers and renders billings on cycle dates on a quarterly basis. As a result, revenues earned for service provided, but not billed, are accrued on a pro-rata basis at the end of the fiscal year.

P. Long-Term Obligations

Long-term Obligations are carried at cost, net of any applicable premiums and discounts. Original issue bond premiums and discounts are amortized over the life of the bonds utilizing the effective interest method of amortization. The balance of unamortized premiums and discounts is presented as a net increase or decrease to bonds payable. Costs associated with issuance are expensed during the period the obligations are issued.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Q. Advertising

The Authority expenses all advertising costs as they are incurred. Total advertising costs for the years ended July 31, 2025 and 2024 were \$3,225 and \$4,701, respectively.

R. Subsequent Events

In preparing these financial statements, management of Greater Hazleton Joint Sewer Authority has evaluated events and transactions subsequent to July 31, 2025 through January 12, 2026, the date these financial statements were available to be issued.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

A summary of cash and cash equivalents is as follows:

	July 31, 2025 Proprietary <u>Fund</u>	December 31, 2024 Pension <u>Trust</u>	July 31, 2024 Proprietary <u>Fund</u>	December 31, 2023 Pension <u>Trust</u>
Operating Checking Accounts	\$ 1,969,267	\$ -	\$ 3,419,031	\$ -
Pennsylvania Treasury's INVEST Program for Local Governments	10,978,921	-	10,145,227	-
Money Market Accounts	1,798,970	215,314	1,717,302	177,409
Petty Cash and Cash on Hand	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$ 14,747,358</u>	 <u>\$ 215,314</u>	 <u>\$ 15,281,760</u>	 <u>\$ 177,409</u>

These amounts have been reported in the financial statements as follows:

	July 31, 2025 Proprietary <u>Fund</u>	December 31, 2024 Pension <u>Trust</u>	July 31, 2024 Proprietary <u>Fund</u>	December 31, 2023 Pension <u>Trust</u>
Current Assets:				
Cash and Cash Equivalents	\$ 13,014,131	\$ 215,314	\$ 13,630,199	\$ 177,409
Restricted Assets:				
Cash and Cash Equivalents	<u>1,733,227</u>	<u>-</u>	<u>1,651,561</u>	<u>-</u>
 TOTAL	 <u>\$ 14,747,358</u>	 <u>\$ 215,314</u>	 <u>\$ 15,281,760</u>	 <u>\$ 177,409</u>

Custodial Credit Risk – Bank Deposits – July 31, 2025

Custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of July 31, 2025, \$14,247,448 of the Authority's proprietary fund cash balance of \$14,747,358 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Authority's name in accordance with Pennsylvania Act 72 of 1971	<u>\$ 3,268,236</u>
Uninsured and uncollateralized	<u>\$ 10,978,921</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
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FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Custodial Credit Risk – Bank Deposits – July 31, 2024

Custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of July 31, 2024, \$14,889,710 of the Authority's proprietary fund cash balance of \$15,281,760 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Authority's name in accordance with Pennsylvania Act 72 of 1971	<u>\$ 4,636,335</u>
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Uninsured and uncollateralized	<u>\$ 8,565,630</u>
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Restricted Assets – Trustee Accounts – Sewer Revenue Bonds

Certain proceeds of the Authority's Sewer Revenue Bonds, and certain resources set aside for their repayment, are classified as Restricted Assets on the Statement of Net Position because they are maintained in separate bank accounts by a trustee, and their use is limited by applicable bond covenants. The "Clearing Fund" account is used to report resources set aside to pay or reimburse the Authority for certain administrative and operating expenses. The "Construction Fund" account is used to report resources set aside to pay costs of acquisition or construction relating to capital projects financed by the bonds. The "Debt Service Fund" account is used to report resources set aside to pay scheduled interest and principal due on the bonds. The "Debt Service Reserve Fund" account is used to report resources set aside to make up potential future deficiencies in the "Debt Service Fund" account. The "Bond Redemption and Improvement Fund" account is used to report resources set aside to meet unexpected contingencies or to pay extraordinary repairs and completion of project costs.

Pennsylvania Treasury's INVEST Program for Local Governments:

The Authority has an account with the Pennsylvania Treasury's INVEST Program for Local Governments ("INVEST"), an external investment pool. Although not registered with the Securities and Exchange Commission, the program permits the Pennsylvania State Treasurer to service as an investment manager and invest the funds of the Authority with the objective of safety of principal, liquidity, and high yield consistent with sound investment strategy. The Authority is permitted to purchase and redeem shares at \$1.00 per share; they in turn are pooled with other local government shares to acquire and sell certain investment securities. Dividends are paid monthly.

Since INVEST is not a bank, the related deposits are not insured by FDIC and are not collateralized on an individual or pooled basis under PA Act 72 of 1971.

The Fund is subject to an annual audit. A copy of the audit and more information concerning the program can be obtained from:

Treasury Department
Commonwealth of Pennsylvania
Invest Program
Room 123 - Finance Building
Harrisburg, PA 17120
(866) 300-4603

GREATER HAZLETON JOINT SEWER AUTHORITY
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Investments

To the extent available, investments are recorded at fair value based on quoted market prices in active markets at the date of valuation. Additional information regarding the fair value measurement of investments is disclosed in Note 4. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

	December 31, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Pension Trust Funds:				
Common Stocks	\$ 1,093,594	\$ 1,616,227	\$ 827,672	\$ 1,272,697
Mutual Funds	1,553,051	1,504,654	1,162,742	1,160,818
Exchange Traded Funds and Closed-End Funds	1,313,119	1,306,489	1,164,714	1,117,174
Corporate Bonds	-	-	8,760	8,886
U.S. Government Securities	12,771	12,775	32,146	32,146
TOTAL PENSION TRUST FUNDS	<u>\$ 3,972,535</u>	<u>\$ 4,440,145</u>	<u>\$ 3,196,034</u>	<u>\$ 3,591,721</u>

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year includes the net appreciation (depreciation) of these investments reported in the prior year.

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practices.

The deposits and investments of the Pension Trust Fund are administered by trustees and are held separately from those of other Authority funds. The investments are captioned as "Investments" in the Statement of Fiduciary Net Position – Pension Trust Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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As of July 31, 2025 the Authority's investment balances exposed to interest rate risk was as follows:

Investment Type	<u>Investment Maturities (in Years)</u>				
	Market Value	Less Than 1	1 - 5	6 - 10	More Than 10
Pension Trust Funds:					
U.S. Government Securities	12,775	12,775	-	-	-
Total	12,775	12,775	-	-	-

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt investment is measured by Nationally Recognized Statistical Rating Agencies (NRSRA) such as Moody's Investors Services (Moody's). The Authority does not have a formal investment policy that addresses credit risk.

A summary of the credit risk of the fixed income investments (other than US Government and US government guaranteed) are as follows:

Pension Trust Fund - December 31, 2024

<u>Rating</u>	<u>Amount</u>
Moody's AAA	\$ -
Moody's A1	-
Moody's A2	-
Moody's A3	-
Investments Exempt from Rating	4,440,145
Total Pension Trust Fund Investments	\$ 4,440,145

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, that Authority will not be able to recover that value of investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that addresses custodial credit risk. The Authority's investment broker maintains private insurance coverage over and above SIPC coverage, with a cap of \$1 billion for all claims with no per-client limit for securities.

Investments in external investment pools or in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. The term securities as used in this paragraph includes securities underlying repurchase agreements and investment securities.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority does not have a formal investment policy that addresses concentration of credit risk.

The following table summarizes the percentage of each investment type held by the Authority:

Pension Trust Funds - December 31, 2024		
	Amount	% of Total
U.S. Government Securities:		
U.S. Treasury Notes	\$ 12,775	0.29%
Total U.S. Government Securities	12,775	0.29%
Exchange Traded Funds and Closed-End Funds	1,306,489	29.42%
Mutual Funds	1,504,654	33.89%
Stocks	1,616,227	36.40%
TOTAL PENSION FUND INVESTMENTS	\$ 4,440,145	100.00%

Investments in any one issuer (other than U.S. Government Securities) that represent 5% or more of total Pension Fund investments as of December 31, 2024 are as follows:

Pension Trust Funds			
OakMark International Inst.	Mutual Fund	\$ 296,063	6.67%
Proshares TR S&P 500 DV Arist	Exchange Traded Fund	250,966	5.65%

Obligations of or guaranteed by the U.S. Government do not require disclosure of concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that addresses foreign currency risk, however, the Authority held no investments that were exposed to foreign currency risk as of July 31, 2025.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

3. FAIR VALUE MEASUREMENTS

To the extent available, the Authority's investments are recorded at fair value at July 31, 2025. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest, and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Investments whose values are based on quoted prices (unadjusted for identical assets in active markets that a government can access at the measurement date.

Level 2 - Investments with inputs-other than quoted prices included in Level 1-that are observable for an asset, either directly or indirectly.

Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the Authority's investments within the fair value hierarchy as of July 31, 2025:

Pension Trust Funds - December 31, 2024				
	Value	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Debt Securities:				
U.S. Government Securities:				
U.S. Treasury Notes	\$ 12,775	\$ 12,775	\$ -	\$ -
Total Debt Securities	12,775	12,775	-	-
Other Securities:				
Exchange Traded Funds and				
Closed End Funds	1,306,489	1,306,489	-	-
Mutual Funds	1,504,654	1,504,654	-	-
Common Stocks	1,616,227	1,616,227	-	-
Total Investments by Fair Value Level	\$ 4,440,145	\$ 4,440,145	\$ -	\$ -

GREATER HAZLETON JOINT SEWER AUTHORITY
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FOR THE YEARS ENDED JULY 31, 2025 AND 2024

The following table summarizes the Authority's investments within the fair value hierarchy as of July 31, 2024:

Pension Trust Fund - December 31, 2023				
	Value	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Debt Securities:				
U.S. Government Securities:				
U.S. Treasury Notes	\$ 32,146	\$ 32,146	\$ -	\$ -
Corporate Bonds	8,886	8,886	-	-
Total Debt Securities	41,032	41,032	-	-
Other Securities:				
Exchange Traded Funds and				
Closed End Funds	1,117,174	1,117,174	-	-
Mutual Funds	1,160,818	1,160,818	-	-
Common Stocks	1,272,697	1,272,697	-	-
Total Investments by Fair Value Level	\$ 3,591,721	\$ 3,591,721	\$ -	\$ -

4. RESTRICTED ASSETS – TRUSTEE ACCOUNTS – SEWER REVENUE BONDS

A summary of restricted assets at July 31, 2025 and 2024 is as follows:

	2025	2024
Series of 2018:		
Debt Service Reserve Fund Account	\$ 1,295	\$ 1,093
Series of 2020:		
Clearing Fund	246,445	88,649
Debt Service Reserve Fund Account	1,368,724	1,480,472
Total Series of 2020	1,615,169	1,569,121
Series of 2021:		
Clearing Fund	100,047	65,352
Debt Service Fund Account	16,711	15,990
Total Series of 2021	116,758	81,342
Total Series of 2018, 2020, and 2021	\$ 1,733,222	\$ 1,651,556
	2025	2024
Restricted Assets:		
Cash and Cash Equivalents	\$ 1,733,227	\$ 1,651,561
Total Restricted Assets	\$ 1,733,227	\$ 1,651,561

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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5. ACCOUNTS RECEIVABLE, NET

A summary of the Authority's accounts receivable balances at July 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Accounts Receivable	\$ 1,880,131	\$ 1,932,205
Less: Allowance for Uncollectable Accounts	<u>(300,000)</u>	<u>(300,000)</u>
ACCOUNTS RECEIVABLE, NET	<u>\$ 1,580,131</u>	<u>\$ 1,632,205</u>

The Authority has a variety of methods available to collect its outstanding receivables, including water shut-offs, municipal liens, and sheriff sales. At July 31, 2025 the Authority has approximately one hundred sixty-five (165) liens outstanding. During fiscal year 2025, the Authority was paid for and satisfied approximately thirty (30) liens.

6. PREPAID EXPENSES

A summary of prepaid expenses at July 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Prepaid Insurance	\$ 113,137	\$ 106,325
Prepaid Legal Expense	<u>4,800</u>	<u>4,800</u>
TOTAL PREPAID EXPENSES	<u>\$ 117,937</u>	<u>\$ 111,125</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

7. CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended July 31, 2025:

	August 1, 2024 Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	July 31, 2025 Ending <u>Balance</u>
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 208,165	\$ -	\$ -	\$ 208,165
Construction in Progress	3,490,101	3,840,842	-	7,330,943
Deposits on Capital Assets	<u>108,700</u>	<u>5,000</u>	<u>-</u>	<u>113,700</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3,806,966</u>	<u>3,845,842</u>	<u>-</u>	<u>7,652,808</u>
CAPITAL ASSETS BEING DEPRECIATED:				
Sewer Treatment Plant, Pumps and				
Transmission Mains	100,492,290	-	23,028,038	77,464,252
Storage Buildings	98,232	-	-	98,232
Vehicles	1,293,793	-	-	1,293,793
Collection Systems	6,373,281	-	-	6,373,281
Equipment	2,619,247	160,039	8,843	2,770,443
Office Equipment	<u>212,572</u>	<u>15,005</u>	<u>9,890</u>	<u>217,687</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>111,089,415</u>	<u>175,044</u>	<u>23,046,771</u>	<u>88,217,688</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Sewer Treatment Plant, Pumps, and				
Transmission Mains	35,329,178	2,626,586	7,771,964	30,183,800
Storage Buildings	98,232	-	-	98,232
Vehicles	1,032,585	100,663	-	1,133,248
Collection Systems	905,673	149,806	-	1,055,479
Equipment	1,459,831	209,862	8,843	1,660,850
Office Equipment	<u>179,671</u>	<u>10,261</u>	<u>9,890</u>	<u>180,042</u>
TOTAL ACCUMULATED DEPRECIATION	<u>39,005,170</u>	<u>3,097,178</u>	<u>7,790,697</u>	<u>34,311,651</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>72,084,245</u>	<u>(2,922,134)</u>	<u>15,256,074</u>	<u>53,906,037</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 75,891,211</u>	<u>\$ 923,708</u>	<u>\$ 15,256,074</u>	<u>\$ 61,558,845</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Capital asset activity consisted of the following for the year ended July 31, 2024:

	August 1, 2023 Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	July 31, 2024 Ending <u>Balance</u>
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 208,165	\$ -	\$ -	\$ 208,165
Construction in Progress	377,184	3,112,917	-	3,490,101
Deposits on Capital Assets	<u>44,840</u>	<u>108,700</u>	<u>44,840</u>	<u>108,700</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>630,189</u>	<u>3,221,617</u>	<u>44,840</u>	<u>3,806,966</u>
CAPITAL ASSETS BEING DEPRECIATED:				
Sewer Treatment Plant, Pumps and Transmission Mains	105,352,996	259,471	5,120,177	100,492,290
Storage Buildings	98,232	-	-	98,232
Vehicles	1,321,201	-	27,408	1,293,793
Collection Systems	1,905,072	4,468,209	-	6,373,281
Equipment	2,175,689	496,388	52,830	2,619,247
Office Equipment	<u>205,284</u>	<u>36,873</u>	<u>29,585</u>	<u>212,572</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>111,058,474</u>	<u>5,260,941</u>	<u>5,230,000</u>	<u>111,089,415</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Sewer Treatment Plant, Pumps, and Transmission Mains	33,750,446	2,629,639	1,050,907	35,329,178
Storage Buildings	98,232	-	-	98,232
Vehicles	876,528	183,465	27,408	1,032,585
Collection Systems	267,281	638,392	-	905,673
Equipment	1,328,671	183,990	52,830	1,459,831
Office Equipment	<u>195,714</u>	<u>10,640</u>	<u>26,683</u>	<u>179,671</u>
TOTAL ACCUMULATED DEPRECIATION	<u>36,516,872</u>	<u>3,646,126</u>	<u>1,157,828</u>	<u>39,005,170</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>74,541,602</u>	<u>1,614,815</u>	<u>4,072,172</u>	<u>72,084,245</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 75,171,791</u>	<u>\$ 4,836,432</u>	<u>\$ 4,117,012</u>	<u>\$ 75,891,211</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

8. ACCRUED PAYROLL AND COMPENSATED ABSENCES

A summary of accrued payroll and compensated absences at July 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Accrued Payroll	\$ 27,971	\$ 70,089
Accrued Compensated Absences	<u>280,283</u>	<u>284,312</u>
 TOTAL ACCRUED PAYROLL AND COMPENSATED ABSENCES	 <u>\$ 308,254</u>	 <u>\$ 354,401</u>

These amounts have been reported in the Statements of Net Position as follows:

	<u>2025</u>	<u>2024</u>
Current Liabilities - Accrued Payroll	\$ 27,971	\$ 70,089
Current Liabilities - Compensated Absences	212,212	222,798
Long-Term Portion Noncurrent Liabilities - Compensated Absences	<u>68,071</u>	<u>61,514</u>
 TOTAL ACCRUED PAYROLL AND COMPENSATED ABSENCES	 <u>\$ 308,254</u>	 <u>\$ 354,401</u>

Employees of the Authority are entitled to paid vacation, personal, and sick days depending on length of service, job classification and other factors. Vacation and personal days not used at the end of the calendar year can be carried forward.

A summary of the Authority's changes in its compensated absences for the years ended July 31, 2025 and 2024 is as follows:

	August 1, 2024 Beginning Balance	Net Reduction	July 31, 2025 Ending Balance	Estimated Amounts Due Within One Year
Compensated Absences	<u>\$ 284,312</u>	<u>\$ (4,029)</u>	<u>\$ 280,283</u>	<u>\$ 212,212</u>
	August 1, 2023 Beginning Balance	Net Addition	July 31, 2024 Ending Balance	Estimated Amounts Due Within One Year
Compensated Absences	<u>\$ 271,702</u>	<u>\$ 12,610</u>	<u>\$ 284,312</u>	<u>\$ 222,798</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

9. LONG TERM DEBT

A. Sewer Revenue Bond, Series of 2018

On March 1, 2018 the Authority issued its Sewer Revenue Bond, Series of 2018 (the "Bond"), in the principal amount of \$2,895,000. The net proceeds of the Bond were for permanent financing, in part, for certain capital additions more commonly known as the "Incinerator Project".

The sources and uses of the funds relative to the issuance of the Bond, exclusive of accrued interest, were as follows:

Source of Funds:

Par Amount of Series 2018 Bond	\$ 2,895,000
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TOTAL SOURCES OF FUNDS	<u>\$ 2,895,000</u>
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Uses of Funds:

Deposit to Construction Fund	\$ 2,832,804
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Costs of Issuance	<u>62,196</u>
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TOTAL USES OF FUNDS	<u>\$ 2,895,000</u>
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The Bond was dated March 1, 2018 and accrues interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date. The Bond bears interest at a fixed rate of 3.73%.

Redemption Provisions

The Bond is subject to optional redemption as follows:

Optional Redemption:

The Bond is subject to a one-time redemption prior to maturity, at the option of the Authority, upon payment of that specific principal amount so determined for redemption by the Authority not to exceed \$1,447,500, such principal amount to be redeemed together with accrued interest thereon to the regular payment date determined by the Authority for redemption and without any premium or penalty. After such one-time partial prepayment, the remaining principal balance shall be re-amortized, in order to achieve equal monthly installments, through maturity. Other than the one-time partial redemption, the remaining principal balance shall not be subject to redemption prior to March 1, 2023. On March 1, 2023 or on any scheduled payment date thereafter, the Bond may be redeemed, in whole, but not in part, upon payment of the outstanding principal amount of this bond together with accrued interest thereon to the regular payment date determined by the Authority for redemption and without any premium or penalty.

GREATER HAZLETON JOINT SEWER AUTHORITY
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The following table sets forth, for each respective year ending July 31, the amounts required to be made available in such year for the repayment of principal and interest.

Fiscal Year Ending <u>July 31,</u>	Principal <u>Amount</u>	Total <u>Interest</u>
2026	\$ 139,421	\$ 80,927
2027	144,711	75,637
2028	150,202	70,146
2029	155,901	64,446
2030	161,817	58,531
2031 - 2035	905,977	195,760
2036 - 2038	<u>575,066</u>	<u>30,890</u>
TOTAL	<u>\$ 2,233,095</u>	<u>\$ 576,337</u>

B. PennVest Loan #27906

On May 1, 2018 the Authority issued a promissory note with PennVest in the total principal amount of \$2,425,000, the proceeds of which were used to partially fund the Authority's incinerator installation, ash handling system, and sludge dewatering projects. The note bears interest at a fixed rate of 1.00%. The following table sets forth, for each respective year ending July 31, the amounts required to be made available in such year for the repayment of principal and interest.

Fiscal Year Ending <u>July 31,</u>	Maturing <u>Principal</u>	Total <u>Interest</u>
2026	120,009	13,821
2027	121,214	12,615
2028	122,432	11,397
2029	123,662	10,167
2030	124,904	8,925
2031 - 2035	643,596	25,550
2036 - 2038	<u>181,160</u>	<u>1,311</u>
TOTAL	<u>\$ 1,436,977</u>	<u>\$ 83,786</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

C. Sewer Revenue Bonds, Series of 2020

On May 15, 2020 the Authority issued its Sewer Revenue Bonds, Series of 2020 (the "2020 Bonds"), in the principal amount of \$12,135,000. The net proceeds of the 2020 Bonds were used to refund the Authority's Sewer Revenue Bonds, Series of 2012. The sources and uses of the funds relative to the issuance of the 2020 Bonds were as follows:

SOURCES

Purchase Price for the Bonds			
Par Amount	12,135,000		
Plus Net Original Issue Premium (OIP)	1,420,885		
Less Underwriter's Discount	<u>(60,675)</u>	\$	13,495,210
Funds Under the Indenture			
Existing Clearing Fund	1,097,442		
Existing Debt Service Reserve Fund	<u>1,463,240</u>	<u>\$</u>	<u>2,560,682</u>
TOTAL SOURCES			<u>\$ 16,055,892</u>

USES

Deposit to Debt Service Fund		\$	14,536,653
(1) Bond Proceeds	13,330,271		
(2) Existing Clearing Fund	1,097,442		
(3) Existing Debt Service Reserve Fund	<u>108,940</u>		
Deposit to Debt Service Reserve Fund			1,354,300
Municipal Bond Insurance Policy Premium			34,017
Pay Costs of Issuance			124,367
Balance Deposited into the Debt Service Fund			<u>6,555</u>
TOTAL USES			<u>\$ 16,055,892</u>

The 2020 Bonds were issued as fully registered bonds in denominations of \$5,000 and multiple intervals thereof. The 2020 Bonds were dated May 15, 2020 and accrue interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

The 2020 Bonds are issued by the Authority on a parity basis pursuant to and secured by the Indenture and are secured by a pledge of, lien upon, and security interest created from the Authority, as debtor, under the Indenture to the Trustee, as secured party, in and to all receipts and revenues from the sewer system, as such phrase is defined and applied under the Indenture. In addition, the 2020 Bonds are secured by moneys held in the funds created under the Indenture, including the Debt Service Reserve Fund.

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Redemption Provisions

The 2020 Bonds are subject to optional redemption as follows:

Optional Redemption:

The 2020 Bonds stated to mature on and after May 15, 2029, are subject to redemption prior to maturity, at the option of the Authority, as a whole on May 15, 2028, or on any date thereafter, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption. In the event that less than all bonds of any particular maturity are to be redeemed, the bonds of such maturity to be redeemed shall be drawn by lot by the Trustee. Any such redemption shall be upon payment of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption.

If less than all bonds of any particular maturity are to be redeemed, the bonds of such maturity to be redeemed shall be drawn by lot by the Trustee or DTC, as applicable.

In the event any bonds are in a denomination greater than \$5,000, a portion of such bonds may be redeemed, but portions of bonds shall be redeemed only in the principal amount of \$5,000 or any whole multiple thereof. For purposes of redemption, a bond shall be treated as representing that number of bonds that is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such bond being subject to redemption. In the case of partial redemption of a bond, payment of the redemption price shall be made only upon surrender of such bond in exchange for a bond or bonds of authorized denomination in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

The stated interest rates and maturities of the 2020 Bonds outstanding as of July 31, 2025 are as follows:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
\$	1,050,000	4.000%	5/15/2026
	1,090,000	4.000%	5/15/2027
	1,145,000	4.000%	5/15/2028
	1,185,000	4.000%	5/15/2029
	1,230,000	3.000%	5/15/2030
	1,270,000	3.000%	5/15/2031
	1,305,000	2.000%	5/15/2032
	680,000	2.000%	5/15/2033

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The following table sets forth, for each respective year ending July 31, the amounts required to be made available in such year for the payment on principal (including mandatory redemption) and interest on the 2020 Bonds.

Fiscal Year Ending <u>July 31,</u>	Principal <u>Amount</u>	Total <u>Interest</u>
2026	\$ 1,050,000	\$ 293,500
2027	1,090,000	251,500
2028	1,145,000	207,900
2029	1,185,000	162,100
2030	1,230,000	114,700
2031 - 2033	<u>3,255,000</u>	<u>131,100</u>
TOTAL	<u>\$ 8,955,000</u>	<u>\$ 1,160,800</u>

D. Sewer Revenue Bonds, Series of 2021

On October 27, 2021 the Authority issued its Sewer Revenue Bonds, Series of 2021 (the "2021 Bonds"), in the principal amount of \$16,995,000. The net proceeds of these bonds were used to refund the Authority's Pennvest Loan #27769 and Pennvest Loan #58103. The sources and uses of the funds relative to the issuance of the 2021 Bonds were as follows

SOURCES

Par Amount	\$ 16,995,000
Plus Net Original Issue Premium (OIP)	<u>2,713,833</u>

TOTAL SOURCES \$ 19,708,833

USES

Payoff Pennvest Loan #27769, plus accrued interest	\$ 19,109,534
Payoff Pennvest Loan #58103, plus accrued interest	289,501
Underwriter's Discount	84,975
Municipal Bond Insurance Policy Premium	31,400
Debt Service Reserve Fund Surety	21,888
Other Costs of Issuance	156,884
Deposit to Debt Service Fund	<u>14,651</u>

TOTAL USES \$ 19,708,833

The bonds were issued as fully registered bonds in denominations of \$5,000 and multiple intervals thereof. The 2021 bonds were dated May 15, 2022 and accrue interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

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The Bonds are issued by the Authority on a parity basis pursuant to and secured by the Indenture. The Bonds are secured by a pledge of, lien upon, and security interest created from the Authority, as debtor, under the Indenture to the Trustee, as secured party, in and to all Receipts and Revenues from the Sewer System, as such phrase is defined and applied under the Indenture. In addition, the Bonds are secured by moneys held in the funds created under the Indenture, including the Debt Service Reserve Fund.

The stated interest rates and maturities of the 2021 Bonds outstanding as of July 31, 2025 are as follows:

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
\$ 1,545,000	4.000%	5/15/2026
1,610,000	4.000%	5/15/2027
1,670,000	4.000%	5/15/2028
1,740,000	4.000%	5/15/2029
1,770,000	4.000%	5/15/2030
1,840,000	4.000%	5/15/2031
1,395,000	4.000%	5/15/2032

The following table sets forth, for each respective year ending July 31, the amount required to be made available in such year for the payment on principal (including mandatory redemption) and interest on the 2021 Bonds.

<u>Fiscal Year Ending July 31,</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2026	\$ 1,545,000	\$ 462,800
2027	1,610,000	411,000
2028	1,670,000	336,600
2029	1,740,000	269,800
2030	1,770,000	200,200
2031 - 2032	<u>3,235,000</u>	<u>185,200</u>
TOTAL	<u>\$ 11,570,000</u>	<u>\$ 1,865,600</u>

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E. PennVest Loan #77114

On June 18, 2024 the Authority issued a promissory note with the Pennsylvania Infrastructure Investment Authority (PennVest) in the total principal amount of \$527,600. The note is in the form of a drawdown loan, the proceeds of which are to be used for the architecture and engineering costs associated with the combined sewer system and replacement of critical force main from the Locust Street Pump Station. The project involves the construction of 11,000 feet of new sanitary sewer and 77 sanitary sewer manholes for the combined sewer system separation portion of the project.

The note bears interest at a fixed rate of 1.00% for an interest-only period that begins on the first principal draw. The interest-only period ends upon the project being completed or 36 months, whichever occurs first. Subsequently, the note provides for a 240 month principal amortization with 1.00% interest fixed through the term. Monthly principal and interest payments are projected to be \$2,426.

The note is secured by a lien on all sewer revenues of the Authority, including all receipts and revenues generated from all sanitary sewerage collection, transportation, treatment, and disposal system facilities now or hereafter owned, operated or maintained by the Authority. The lien is subordinate to the first lien of Fidelity Deposit and Discount Bank, in its capacity as Trustee, under the Authority's Sewer Revenue Bonds, Series of 2018, Sewer Revenue Bonds, Series of 2020, and Sewer Revenue Bonds, Series of 2021 the previous PennVest loan #27906 and PennVest loan #71468, closing simultaneously with this PennVest loan #77114.

During the year ended July 31, 2025, the Authority drew down \$452,549 on the note. The Authority is in the interest-only period of the note. The Authority paid \$3,143 in interest expense for the fiscal year ended July 31, 2025.

F. PennVest Loan #71468

On June 18, 2024 the Authority issued a promissory note with the Pennsylvania Infrastructure Investment Authority (PennVest) in the total principal amount of \$3,960,000. The note is in the form of a drawdown loan, the proceeds of which are to be used for the construction costs associated with the combined sewer system and replacement of critical force main from the Locust Street Pump Station. The project involves the construction of 11,000 feet of new sanitary sewer pipe and 77 sanitary sewer manholes for the combined sewer system separation portion of the project.

The note bears interest at a fixed rate of 1.00% for an interest-only period that begins on the first principal draw. The interest-only period ends upon the project being completed or 36 months, whichever occurs first. Subsequently, the note provides for a 240 month principal amortization with 1.00% interest fixed through the term. Monthly principal and interest payments are projected to be \$18,212.

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The note is secured by a lien on all sewer revenues of the Authority, including all receipts and revenues generated from all sanitary sewerage collection, transportation, treatment, and disposal system facilities now or hereafter owned, operated or maintained by the Authority. The lien is subordinate to the first lien of Fidelity Deposit and Discount Bank, in its capacity as Trustee, under the Authority's Sewer Revenue Bonds, Series of 2018, Sewer Revenue Bonds, Series of 2020, and Sewer Revenue Bonds, Series of 2021, the previous PennVest loan #27906, and PennVest loan #77114, closing simultaneously with this PennVest loan #77468.

During the year ended July 31, 2025, the Authority drew down \$2,680,970 on this note. The Authority is in the interest-only period of the note. The Authority paid \$12,535 in interest expense for the fiscal year ended July 31, 2025.

G. Total Estimated Annual Debt Service Requirements

A summary of the total estimated future debt service requirements for all bonds and notes outstanding as of July 31, 2025 is as follows:

Fiscal Year Ending <u>July 31,</u>	<u>Maturing Principal</u>	<u>Total Interest</u>
2026	2,854,430	851,048
2027	2,965,925	750,752
2028	3,087,634	626,043
2029	3,204,563	506,513
2030	3,286,721	382,356
2031 - 2035	8,039,573	537,610
2036 - 2038	755,406	32,201
Unamortized*	<u>3,133,519</u>	<u>31,335</u>
 TOTAL	 <u>\$ 27,327,771</u>	 <u>\$ 3,717,858</u>

*Unamortized debt is composed of PennVest loans #77114 and 71468 which are in an interest-only repayment term until June 18, 2027 or the Locust Street Separation Project is completed.

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Bond and Loan Balance Activity

Bond and loan balance activity for the year ended July 31, 2025 was as follows:

	August 1, 2024 Beginning Balance	Additions	Reductions	July 31, 2025 Ending Balance	Amounts Due Within One Year
Bonds and Loans Payable:					
Sewer Revenue Bonds - Series of 2021	\$ 13,055,000	\$ -	\$ 1,485,000	\$ 11,570,000	\$ 1,545,000
Sewer Revenue Bonds - Series of 2020	9,975,000	-	1,020,000	8,955,000	1,050,000
Sewer Revenue Bonds - Series of 2018	2,367,016	-	134,741	2,232,275	139,421
PennVest Loan #77114	-	452,549	-	452,549	-
PennVest Loan #71468	-	2,680,970	-	2,680,970	-
PennVest Loan #27906	1,555,792	-	118,815	1,436,977	120,009
	<u>26,952,808</u>	<u>3,133,519</u>	<u>2,758,556</u>	<u>27,327,771</u>	<u>2,854,430</u>
Unamortized Bond Premiums:					
OIP Series of 2021	1,594,712	-	354,816	1,239,896	-
OIP Series of 2020	725,749	-	169,861	555,888	-
	<u>2,320,461</u>	<u>-</u>	<u>524,677</u>	<u>1,795,784</u>	<u>-</u>
TOTAL BONDS AND LOANS PAYABLE, NET	<u>\$ 29,273,269</u>	<u>\$ 3,133,519</u>	<u>\$ 3,283,233</u>	<u>\$ 29,123,555</u>	<u>\$ 2,854,430</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
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Bond and loan balance activity for the year ended July 31, 2024 was as follows:

	August 1, 2023 Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	July 31, 2024 Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Bonds and Loans Payable:					
Sewer Revenue Bonds - Series of 2021	\$ 14,485,000	\$ -	\$ 1,430,000	\$ 13,055,000	\$ 1,485,000
Sewer Revenue Bonds - Series of 2020	10,945,000	-	970,000	9,975,000	1,020,000
Sewer Revenue Bonds - Series of 2018	2,496,831	-	129,815	2,367,016	134,324
PennVest Loan #27906	<u>1,673,425</u>	<u>-</u>	<u>117,633</u>	<u>1,555,792</u>	<u>118,815</u>
	<u>29,600,256</u>	<u>-</u>	<u>2,647,448</u>	<u>26,952,808</u>	<u>2,758,139</u>
Unamortized Bond Premiums:					
OIP Series of 2021	1,987,656	-	392,944	1,594,712	-
OIP Series of 2020	<u>919,488</u>	<u>-</u>	<u>193,739</u>	<u>725,749</u>	<u>-</u>
	<u>2,907,144</u>	<u>-</u>	<u>586,683</u>	<u>2,320,461</u>	<u>-</u>
TOTAL BONDS AND LOANS PAYABLE, NET	<u>\$ 32,507,400</u>	<u>\$ -</u>	<u>\$ 3,234,131</u>	<u>\$ 29,273,269</u>	<u>\$ 2,758,139</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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H. Net Long-Term Debt

A summary of the Authority's Long-Term Debt outstanding as of July 31, 2025 and 2024 is as follows:

	2025	2024
Sewer Revenue Bonds, Series of 2021	\$ 11,570,000	\$ 13,055,000
Plus:		
Net Original Issue Premium	1,239,896	1,594,712
Net Carrying Amount - Sewer Revenue Bonds, Series of 2021	12,809,896	14,649,712
Sewer Revenue Bonds, Series of 2020	8,955,000	9,975,000
Plus:		
Net Original Issue Premium	555,888	725,749
Net Carrying Amount - Sewer Revenue Bonds, Series of 2020	9,510,888	10,700,749
Sewer Revenue Bonds, Series 2018	2,232,275	2,367,016
PennVest Loan #77114	452,549	-
PennVest Loan #71468	2,680,970	-
PennVest Loan #27906	1,436,977	1,555,792
Total Debt Outstanding	29,123,555	29,273,269
Less: Amount Due in One Year	2,854,430	2,758,139
TOTAL LONG-TERM DEBT, NET	\$ 26,269,125	\$ 26,515,130

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS

A. General Information about the Authority's Plan

1. Plan Description

The Authority's Other Post-Employment Benefits (OPEB) Other than Pensions offered to employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the provisions of a collective bargaining agreement between the Authority and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, on behalf of Local Union 8567-13 for Clerical Employees as well as Maintenance Employees effective May 15, 2017 to May 14, 2022.

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2. Employees Covered by the Plan

The following employees and retirees were covered by the plan:

	<u>As of</u> <u>7/31/2025</u>
Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	6
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>35</u>
 TOTAL COVERED EMPLOYEES	 <u><u>41</u></u>

3. Plan Provisions

The OPEB plan provides the following benefits:

- a. Normal Retirement Eligibility - Minimum of age 62. A retiree must reach Normal Retirement in order to be eligible for retiree health benefits.
- b. Early Retirement Eligibility - Minimum of age 55 with 10 years of services. Individuals that retire early are eligible for life insurance only.
- c. Medical Benefits - Medical, prescription drug, and dental coverage same as active until eligible for Medicare. Upon Medicare eligibility, the Authority will reimburse the retiree 100% of the premium for a Medicare Supplement Plan.
- d. Retiree Contribution - Prior to Medicare eligibility, the retiree is responsible for paying 50% of the premium. Retiree is not required to contribute toward the cost of a Medicare Supplement plan.
- e. Spousal Coverage - For Non-Management retirees, only until the retiree becomes eligible for Medicare, and provided the retiree contributes 50% of the premium for spousal coverage. For Management retirees, Non-Medicare coverage provided the retiree contributes 50% of the premium. Once Medicare eligible, the spouse is covered in full. For both Non-Management and Management retirees that become eligible for Medicare prior to their spouse, the spouse may continue in non-Medicare coverage for a maximum of 3 years by paying 100% of the cost of COBRA.
- f. Dependent Child Coverage - Yes, until the age of 26 or the retiree becomes eligible for Medicare, whichever occurs first.
- g. Survivor Benefits - None.
- h. Life Insurance - \$15,000 benefit.

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4. Contributions

The Authority is not currently making contributions to a qualified trust.

B. Investments

1. Investment Policy - The Authority does not have a GASB qualified trust, and therefore, there are no investments.
2. Rate of Return - There are no investments.

C. OPEB Liability

1. Net OPEB Liability

The components of the Net OPEB liability of the Authority at July 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Total OPEB Liability (TOL)	\$ 2,488,643	\$ 2,521,264
Plan Fiduciary Net Position	-	-
Net OPEB Liability (NOL)	<u>\$ 2,488,643</u>	<u>\$ 2,521,264</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 <u>0.0%</u>	 <u>0.0%</u>

2. Actuarial Assumptions

An actuarial valuation of the total OPEB liability is performed biennially. The total OPEB liability was determined as part of an actuarial valuation at August 1, 2023. Updated procedures were used to roll forward to the Authority's fiscal year ending July 31, 2025. This report is based upon the following actuarial assumptions, asset valuation method, and cost method:

a. Actuarial Methods

1. Liabilities- All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.

b. Actuarial Assumptions

1. Economic Assumptions

- a. Investment Return- There are no invested assets.
- b. Salary Increases- 4.0% compounded annually.
- c. Discount Rate- 4.96%.

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2. Healthcare Cost Trend Rate

- a. Non-Medicare medical and prescription drug costs assume an initial rate of 8.50% in fiscal 2024, then 7.90% in fiscal 2025, grading down to the ultimate trend rate of 4.00% in fiscal 2061.
- b. Medicare supplement costs assume an initial rate of 6.25% in fiscal 2024, then 5.65% in fiscal 2025, grading down to the ultimate trend rate of 4.00% in fiscal 2061.
- c. Dental costs are assumed to increase by 2% per year.

3. Demographic Assumptions

- a. Mortality- Mortality rates are 2010 Pub-G mortality tables projected 5 years past the valuation date using mortality improvement scale MP-2021.
- b. Termination - None assumed.
- c. Disability - None assumed.
- d. Retirement is assumed to occur at normal retirement age of 62.
- e. Participation - 100% of eligible retirees are assumed to participate.
- f. Marital Status - 50% of future retirees are assumed to have a spouse participating in coverage. Female spouses are assumed to be 3 years younger than male spouses.
- g. Children - It is assumed that by the age of normal retirement (age 62), there will be no children in coverage.

3. Long-Term Expected Rate of Return

Since there are no invested assets, there is no long-term expected rate of return.

4. Discount Rate

The discount rate is 4.20% based on the July 31, 2024 S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices.

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5. Net OPEB Liability Sensitivity- Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 4.96% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease 3.96%	Current Discount Rate 4.96%	1% Increase 5.96%
Net OPEB Liability	\$ 2,825,186	\$ 2,488,643	\$ 2,208,981

6. Net OPEB Liability Sensitivity- Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher and 1 percent lower than expected:

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	\$ 2,153,005	\$ 2,488,643	\$ 2,907,439

7. Changes in Net OPEB Liability

The following table shows the changes in net OPEB liability recognized for the year ended July 31, 2025:

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 31, 2024	\$ 2,521,264	\$ -	\$ 2,521,264
Changes for the Year:			
Service Cost	159,855	-	159,855
Interest	111,482	-	111,482
Changes in Assumptions and Cost Method	(249,843)	-	(249,843)
Contributions - Employer	-	54,115	(54,115)
Benefit Payments*	(54,115)	(54,115)	-
Net Changes	(32,621)	-	(32,621)
Balances at July 31, 2025	\$ 2,488,643	\$ -	\$ 2,488,643

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The following table shows the changes in net OPEB liability recognized for the year ended July 31, 2024:

	Increase/(Decrease)		
	Total OPEB	Plan	Net OPEB
	Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at July 31, 2023	\$ 2,503,158	\$ -	\$ 2,503,158
Changes for the Year:			
Service Cost	168,288	-	168,288
Interest	108,252	-	108,252
Differences Between Expected and Actual Experience	(75,528)	-	(75,528)
Changes in Assumptions and Cost Method	(133,159)	-	(133,159)
Contributions - Employer	-	49,747	(49,747)
Benefit Payments*	(49,747)	(49,747)	-
Net Changes	18,106	-	18,106
Balances at July 31, 2024	\$ 2,521,264	\$ -	\$ 2,521,264

*Payments are actuarially determined expected benefit payments, which may vary from actual benefit payments due to implied subsidy and experience that is different than expected.

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The annual OPEB expense recognized can be calculated two different ways. First it is the change in the amounts reported on the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in OPEB Liability plus the changes in deferred outflows plus employer contributions, as follows:

		Measurement Year Ended <u>July 31, 2025</u>
Change in OPEB Liability:		
July 31, 2025	2,488,643	
July 31, 2024	2,521,264	\$ (32,621)
Change in Deferred Outflows of Resources:		
July 31, 2025	(12,836)	(12,836)
Change in Deferred Inflows of Resources:		
July 31, 2025	81,118	81,118
Contributions and Administrative Expense - Authority		79,787
NET OPEB EXPENSE		\$ 115,448

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		Measurement Year Ended <u>July 31, 2024</u>
Change in OPEB Liability:		
July 31, 2024	2,521,264	
July 31, 2023	<u>2,503,158</u>	\$ 18,106
Change in Deferred Outflows of Resources:		
July 31, 2024	<u>(12,836)</u>	(12,836)
Change in Deferred Inflows of Resources:		
July 31, 2024	<u>62,675</u>	62,675
Contributions and Administrative Expense - Authority		<u>75,419</u>
NET OPEB EXPENSE		<u>\$ 143,364</u>

Alternatively, annual OPEB expense can be calculated by its individual components, as follows:

	<u>July 31, 2025</u>	<u>July 31, 2024</u>
Service Cost	\$ 159,855	\$ 168,288
Interest on Total OPEB Liability	111,482	108,252
Difference Between Expected and Actual Experience	(86,969)	(86,969)
Changes in Assumptions and Cost Method	<u>(68,920)</u>	<u>(46,207)</u>
NET OPEB EXPENSE	<u>\$ 115,448</u>	<u>\$ 143,364</u>

E. Deferred Outflows and Deferred Inflows of Resources

At July 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience*	\$ -	\$ 478,784
Changes in Assumptions**	<u>54,575</u>	<u>643,140</u>
TOTAL DEFERRED AMOUNTS	<u>\$ 54,575</u>	<u>\$ 1,121,924</u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the OPEB expense as follows:

Year Ended July 31:

2026	155,889
2027	155,889
2028	155,889
2029	155,889
2030	137,793
Thereafter	306,000

*The majority of the difference is due to lower than expected projected increases in Non-Medicare medical and prescription drug premiums, Medicare Supplement reimbursement and dental costs, in addition to the fact that a number of active participants are eligible for and expected to retire did not retire.

**The discount rate changed from 4.20% used for the calculations for the measurement date July 31, 2024 to 4.96% used for the calculations for the measurement date July 31, 2025.

11. EMPLOYEES RETIREMENT PLAN

A. General Information about the Pension Plan

1. Plan Description

The Greater Hazleton Joint Sewer Authority Employees' Pension Plan (the "Plan") is a single-employer defined benefit pension plan controlled by the plan document. The Plan is governed by the Authority which may amend plan provisions, and which is responsible for the management of plan assets. The Authority has delegated the authority to manage certain plan assets to Morgan Stanley.

The Authority filed actuarial valuation report Form 203c with the Public Employee Retirement Commission. The report dated January 1, 2023, was the most recent certified by the Authority's chief administrative officer. This report indicated the Authority maintains a pension plan to provide pension or retirement benefits for Non-Uniformed employees.

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2. Employees Covered by The Plan

As of January 1, 2025 and 2024, the following employees were covered by the benefit terms:

	Actuarial Valuation Date	
	<u>1/1/25</u>	<u>1/1/24</u>
Active Employees	21	25
Retirees and Beneficiaries Currently Receiving Benefits	14	11
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>3</u>	<u>2</u>
TOTAL COVERED EMPLOYEES	<u>35</u>	<u>36</u>

3. Benefit Provisions

As of January 1, 2025, the Plan provides for the following retirement and other benefits:

- a. Eligibility - All employees who have completed 1,000 hours of service within 12 months and not employed within 5 years of Normal Retirement Date. Effective May 15, 2017, participation in the Plan is frozen. No new employees entered the Plan after May 15, 2017.
- b. Retirement Dates:
 1. Normal Retirement Date - First day of month following the member's sixty-second (62nd) birthday.
 2. Early Retirement Date - Attainment of member's fifty-fifth (55th) birthday and completion of ten (10) years of credited service.
 3. Postponed Retirement Date - A member may continue to work past his Normal Retirement Date in accordance with the Age Discrimination Act.
 4. Disability Retirement Date - Qualified for Social Security Disability or demonstrates to the Committee that the member has a permanent and total disability.
- c. Retirement Benefits:
 1. Normal Retirement Benefit - Shall be determined for each year of service in accordance with the following table:

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For Participants Whose Date of Determination is On or After	Hours of Service Within Calendar Year		
	1000-1399	1400-1799	1800 or More
5/15/1987	\$ 8.00	\$ 12.00	\$ 15.00
5/15/1993	10.50	16.00	20.00
5/15/1994	11.00	17.00	21.25
5/15/1995	11.50	17.50	21.50
5/15/1996	12.03	18.04	22.55
5/15/1997	12.59	18.88	23.60
5/15/1998	13.15	19.72	24.65
5/15/1999	13.87	20.80	26.00
5/15/2000	14.93	22.40	28.00
5/15/2001	16.53	24.80	31.00
5/15/2002	17.60	26.40	33.00
5/15/2003	18.67	28.00	35.00
5/15/2006	21.33	32.00	40.00
5/15/2011	24.00	36.00	45.00
5/15/2014	26.67	40.00	50.00
5/15/2017	29.33	44.00	55.00
5/15/2022	29.86	44.80	56.00
5/15/2023	32.53	48.40	61.00

2. Early Retirement Benefit
 - a. Early Deferred Benefit – Shall be equal to the employee’s accrued benefit as of their date of early retirement payable at age 62.
 - b. Early Immediate Benefit – Shall be equal to the equivalent actuarial value of the employee’s early deferred benefit.
 3. Postponed Retirement Benefit - Benefits shall increase in the normal manner as affected by continuing employment beyond age 62.
 4. Disability Retirement Benefit - Shall be equal to the equivalent actuarial value of the employee’s accrued benefit as of the date of disability.
- d. Vested Benefits:
1. Accrued Benefit – Normal retirement benefit earned to date of termination of employment.

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2. Vested Benefit – Determined by multiplying the Accrued Benefit by the applicable percentage, as follows:

<u>Years of Credited Service at Date of Determination</u>	<u>Vesting Percent</u>
Less than 5	None
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

e. Death Benefits:

1. Pre-Retirement – Equal to the present value of the member’s accrued benefit at date of death.
2. Post-Retirement – None, unless the member chooses a Life with 10 Year Certain or Joint & Survivor Option.

f. Retirement Benefit Payments:

1. Normal Retirement Benefit – Payable in equal monthly installments during the employee’s lifetime.
2. Qualified Joint & Survivor Options – Equivalent actuarial value of the Normal Retirement Benefit.
 - a. 100% Survivor – Spouse receives the same monthly benefit the member was receiving.
 - b. 50% Survivor – Spouse receives 50% of the monthly benefit the member was receiving.
3. Ten Years Certain and Life Option – The equivalent actuarial value of the Normal Retirement Benefit. Payable in monthly installments during the employee’s lifetime. If the employee dies before receiving 120 monthly payments, the balance of the 120 payments will be made to the member’s beneficiary(ies).

g. Plan Anniversary Date - January 1

- h. Administrative Committee - Committee has general responsibility for the administration and interpretation of the Plan. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

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i. Investment Committee - Committee reviews the investment performance and methods of the Trustee and any other funding agencies. With approval of the Board of Directors, it may appoint and remove or change the Trustee and any such funding agency. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

j. Plan Document:

A. Effective Date of Plan	5/15/75
B. Amendment #1	5/15/75
C. Amendment #2 Rewrite	5/15/78
D. Amendment #3	5/15/81
E. Amendment #4	5/15/84
F. Amendment #5	5/15/93
G. Amendment #6	2/10/97
H. Amendment #7	5/15/02
I. Amendment #8	2/19/03
J. Amendment #9	9/6/06
K. Amendment #10	8/21/12
L. Amendment #11	1/30/14
M. Amendment #12	5/15/17
N. Amendment #13	9/13/21
O. Amendment #14	5/15/22
P. Amendment #15	5/15/23

4. Contributions

Act 205 requires that annual contributions to the plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. In accordance with the Plan's governing document, employees are not required to contribute to the Plan. Any funding requirements established by the MMO must be paid by the Authority in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

GREATER HAZLETON JOINT SEWER AUTHORITY
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B. Summary of Significant Accounting Policies

1. Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

2. Valuation of Investments

The Plan's assets are valued at fair market value.

C. Investments

1. Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The Plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Equities	35%	Governmental Securities	0%
Corporate Fixed	0%	Mutual Funds, ETFs & CEFs	60%
		Cash	5%

The asset classes that are currently displayed are based on the actual market value asset allocation.

2. Rate of Return

For the year ended July 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Deferred Retirement Option Program (DROP)

The Plan does not provide a Deferred Retirement Option Program.

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E. Pension Liability

1. Net Pension Liability

The components of the net pension liability of the Authority as of July 31, 2025 were as follows:

Total Pension Liability (TPL)	\$ 4,675,950
Plan Fiduciary Net Position	4,544,117
Net Pension Liability (NPL)	\$ 131,833
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.2%

2. Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2023. Update procedures were used to roll forward to the Plan's fiscal year ended July 31, 2025. This report is based upon the following actuarial assumptions, asset valuation method, and cost method:

a. Actuarial Methods

1. Liabilities- All plan benefits are valued using the Entry Age Normal Cost Valuation method.

b. Actuarial Assumptions

1. Economic Assumptions

- a. Investment Return- 6.5% per annum, net of investment expenses.

2. Demographic Assumptions

- a. Mortality- RP-2000 Mortality Table projected to 2017 using Scale AA.

- i. Pre-Retirement Mortality: PubG-2010 Employee Mortality projected 5 years past the valuation date using Scale MP-2021.
- ii. Post-Retirement Mortality: PubG-2010 Healthy Retiree Mortality projected 5 years past the valuation date using Scale MP-2021.
- iii. Beneficiaries Mortality: PubG-2010 Contingent Survivor Mortality projected 5 years past the valuation date using Scale MP-2021.
- iv. Disabled Mortality: PubG-2010 Disabled Mortality projected 5 years past the valuation date using Scale MP-2021.

- b. Termination- None assumed.

- c. Disability- None assumed.

- d. Retirement Age- Normal retirement age or age on valuation date if greater.

- e. Form of Annuity- Single Life Annuity

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3. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.44%), are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 31, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
		Governmental	
Equities	6.35%	Securities	1.00%
Corporate Fixed	3.17%	Mutual Funds	
		ETFs & CEFs	6.35%
		Cash	1.00%

The Long-Term Expected Real Rates of Return are based on the 2024 Horizon Survey.

4. Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Authority rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 6.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease	Current	1% Increase
	<u>5.50%</u>	Discount Rate	<u>7.50%</u>
		<u>6.50%</u>	
Net Pension Liability (Asset)	\$ 544,376	\$ 131,833	\$ (350,098)

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6. Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at July 31, 2024	\$ 4,799,307	\$ 4,151,736	\$ 647,571
Changes for the Year:			
Service Cost	54,545	-	54,545
Interest	290,873	-	290,873
Experience Gains	(288,971)	-	(288,971)
Contributions - Employer*	-	200,000	(200,000)
Net Investment Income	-	381,473	(381,473)
Benefit Payments	(179,804)	(179,804)	-
Administrative Expense	-	(9,288)	9,288
Net Changes	(123,357)	392,381	(515,738)
Balance at July 31, 2025	\$ 4,675,950	\$ 4,544,117	\$ 131,833

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at July 31, 2023	\$ 4,575,544	\$ 3,738,638	\$ 836,906
Changes for the Year:			
Service Cost	74,849	-	74,849
Interest	297,448	-	297,448
Contributions - Employer*	-	223,000	(223,000)
Net Investment Income	-	356,346	(356,346)
Benefit Payments	(148,534)	(148,534)	-
Administrative Expense	-	(17,714)	17,714
Net Changes	223,763	413,098	(189,335)
Balance at July 31, 2024	\$ 4,799,307	\$ 4,151,736	\$ 647,571

*Employer contributions as of fiscal year end July 31, 2025 and 2024.

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7. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The annual pension expense recognized can be calculated two different ways. First it is the change in the amounts reported on the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows plus employer contributions, as follows:

		Measurement Year Ended July 31, 2025
Change in Net Pension Liability:		
July 31, 2025	131,833	
July 31, 2024	647,571	\$ (515,738)
Change in Deferred Outflows of Resources:		
July 31, 2025	(261,270)	
July 31, 2024	(372,997)	111,727
Change in Deferred Inflows of Resources:		
July 31, 2025	286,736	
July 31, 2024	-	286,736
Contributions - Authority*		200,000
Contributions - 457(b) Match		91,044
Actuarial Fees		11,003
NET PENSION EXPENSE		\$ 184,772

*Contributions as of fiscal year ended July 31, 2025.

		Measurement Year Ended July 31, 2024
Change in Net Pension Liability:		
July 31, 2024	647,571	
July 31, 2023	836,906	\$ (189,335)
Change in Deferred Outflows of Resources:		
July 31, 2024	(372,997)	
July 31, 2023	(589,959)	216,962
Contributions - Authority*		223,000
Contributions - 457(b) Match		78,641
Actuarial Fees		1,750
NET PENSION EXPENSE		\$ 331,018

*Contributions as of fiscal year ended July 31, 2024.

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Alternatively, annual pension expense can be calculated by its individual components, as follows:

	<u>July 31, 2025</u>	<u>July 31, 2024</u>
Service Cost	\$ 54,545	\$ 74,849
Interest on Total Pension Liability	290,873	297,448
Differences Between Expected and Actual Experience	(75,311)	(3,328)
Changes of Assumptions	66,796	67,088
Projected Earnings on Pension Plan Investments	(266,967)	(241,232)
Differences Between Projected and Actual Earnings on Investments	3,501	38,088
Administrative Expense	<u>9,288</u>	<u>17,714</u>
Employee Pension Plan Expense	82,725	250,627
Contributions - 457(b) Match	91,044	78,641
Actuarial Fees	<u>11,003</u>	<u>1,750</u>
NET PENSION EXPENSE	<u><u>\$ 184,772</u></u>	<u><u>\$ 331,018</u></u>

8. Deferred Outflows and Deferred Inflows of Resources

At July 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 68,621	\$ 265,255
Changes in Assumptions	192,649	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>-</u>	<u>21,481</u>
TOTAL DEFERRED AMOUNTS	<u><u>\$ 261,270</u></u>	<u><u>\$ 286,736</u></u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year Ended July 31:

2026	\$	88,146
2027		(57,371)
2028		(43,998)
2029		(12,243)
2030		-
Thereafter		-

12. EMPLOYEES SUPPLEMENTAL PLAN

A. General Information about the Supplemental Pension Plan:

1. Plan Description

The Greater Hazleton Joint Sewer Authority established the Employees' Supplemental Pension Plan (the "Supplemental Plan") on August 1, 2024. The Supplemental Plan is a single employer defined benefit pension plan controlled by the plan document. The Supplemental Plan is governed by the Greater Hazleton Joint Sewer Authority, which may amend plan provisions, and which is responsible for the management of plan assets. The Greater Hazleton Joint Sewer Authority has delegated the authority to manage certain plan assets to Morgan Stanley.

2. Employees Covered by the Plan

The Supplemental Plan provides membership to any non-union Employee who was a Member in the Greater Hazleton Joint Sewer Authority Employees' Pension Plan as of May 15, 2017.

	<u>Actuarial Valuation Date</u>
	<u>1/1/25</u>
Active Employees	5
Retirees and Beneficiaries Currently Receiving Benefits	0
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	<u>0</u>
TOTAL COVERED EMPLOYEES	<u>5</u>

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3. Benefit Provisions

As of January 1, 2025, the Plan provides for the following retirement and other benefits:

- a. Eligibility – Any non-union Employee who was a Member in the Greater Hazleton Joint Sewer Authority Employees' Pension Plan as of May 15, 2017.
- b. Retirement Dates:
 - i. Normal Retirement Date – First day of month following the members sixty-second (62nd) birthday.
 - ii. Early Retirement Date – Attainment of members fifty-fifth (55th) birthday and completion of ten (10) years credited service.
 - iii. Postponed Retirement Date – A member may continue to work past his Normal Retirement Date in accordance with the Age Discrimination Act.
 - iv. Disability Retirement Date - Qualified for Social Security Disability or demonstrates to the Committee that the member has a permanent and total disability.
- c. Retirement Benefits:
 - i. Normal Retirement Benefit – Shall be determined as 1.0% of compensation times all years of credited service, less the Normal Retirement Benefit as determined under the Greater Hazleton Joint Sewer Authority Employees' Pension Plan.
 - ii. Early Retirement Benefit – Shall be equal to the member's accrued benefit as of their date of early retirement payable at age 62.
 - iii. Early Immediate Benefit – Shall be equal to the equivalent actuarial value of the member's early deferred benefit.
 - iv. Postponed Retirement Benefit – Benefits shall increase in the normal manner as affected by continuing employment beyond age 62.
- d. Vested Benefits:
 - i. Accrued Benefit – Normal Retirement Benefit earned to date of termination of employment.
 - ii. Vested Benefit – Determined by multiplying the Accrued Benefit by the applicable percentage, as follows:

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<u>Years of Credited Service at Date of Determination</u>	<u>Vesting Percent</u>
Less than 5	None
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

- e. Death Benefits:
 - i. Pre-Retirement – Equal to the present value of the member’s accrued benefit at date of death.
 - ii. Post-Retirement – None, unless the member chooses a Life with 10 Year Certain or Joint and Survivor Option.

- f. Retirement Benefit Payments:
 - 1. Normal Retirement Benefit – Payable in equal monthly installments during the employee’s lifetime.
 - 2. Qualified Joint & Survivor Options – Equivalent actuarial value of the Normal Retirement Benefit.
 - c. 100% Survivor – Spouse receives the same monthly benefit the member was receiving.
 - d. 50% Survivor – Spouse receives 50% of the monthly benefit the member was receiving.
 - 3. Ten Years Certain and Life Option – The equivalent actuarial value of the Normal Retirement Benefit. Payable in monthly installments during the employee’s lifetime. If the employee dies before receiving 120 monthly payments, the balance of the 120 payments will be made to the member’s beneficiary(ies).

- g. Plan Anniversary Date – August 1

- h. Administrative Committee - Committee has general responsibility for the administration and interpretation of the Plan. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

- i. Investment Committee - Committee reviews the investment performance and methods of the Trustee and any other funding agencies. With approval of the Board of Directors, it may appoint and remove or change the Trustee and any such funding agency. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

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- j. Plan Document:
 - i. Effective Date of Plan – August 1, 2024

4. Contributions

Act 205 requires that annual contributions to the plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. In accordance with the Plan's governing document, employees are not required to contribute to the Plan. Any funding requirements established by the MMO must be paid by the Authority in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

The Supplemental Plan's policy is to prepare its financial statements on the accrual basis of accounting. Members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Supplemental Plan.

2. Valuation of Investments

The Plan's assets are valued at fair market value.

C. Investments

1. Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The Plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Equities	42%	Mutual Funds,	
Cash	1%	ETFs & CEFs	57%

The asset classes that are currently displayed are based on the actual market value asset allocation.

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 NOTES TO FINANCIAL STATEMENTS
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2. Rate of Return

For the year ended July 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension Liability:

1. Net Pension Liability

The components of the net pension liability of the Authority as of July 31, 2025 were as follows:

Total Pension Liability (TPL)	\$ 638,837
Plan Fiduciary Net Position	582,608
Net Pension Liability (NPL)	\$ 56,229
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.2%

2. Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2025. Update procedures were used to roll forward to the Plan's fiscal year ended July 31, 2025. This report is based upon the following actuarial assumptions, asset valuation method, and cost method:

c. Actuarial Methods

2. Liabilities- All plan benefits are valued using the Entry Age Normal Cost Valuation method.

d. Actuarial Assumptions

3. Economic Assumptions

- b. Investment Return- 6.5% per annum, net of investment expenses.

4. Demographic Assumptions

- a. Mortality- RP-2000 Mortality Table projected to 2017 using Scale AA.
 - i. Pre-Retirement Mortality: PubG-2010 Employee Mortality projected 5 years past the valuation date using Scale MP-2021.
 - ii. Post-Retirement Mortality: PubG-2010 Healthy Retiree Mortality projected 5 years past the valuation date using Scale MP-2021.
 - iii. Beneficiaries Mortality: PubG-2010 Contingent Survivor Mortality projected 5 years past the valuation date using Scale MP-2021.
 - iv. Disabled Mortality: PubG-2010 Disabled Mortality projected 5 years past the valuation date using Scale MP-2021.

GREATER HAZLETON JOINT SEWER AUTHORITY.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JULY 31, 2025 AND 2024

- b. Termination- None assumed.
- c. Disability- None assumed.
- d. Retirement Age- Normal retirement age or age on valuation date if greater. Due to the size of the plan, a conservative retirement assumption was used.
- e. Form of Annuity- Single Life Annuity.

3. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.47%), are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 31, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
		Governmental	
Equities	6.35%	Securities	1.00%
Corporate Fixed	3.17%	Mutual Funds	
		ETFs & CEFs	6.35%
		Cash	1.00%

The Long-Term Expected Real Rates of Return are based on the 2024 Horizon Survey.

4. Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Authority rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREATER HAZLETON JOINT SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JULY 31, 2025 AND 2024

5. Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 6.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease <u>5.50%</u>	Current Discount Rate <u>6.50%</u>	1% Increase <u>7.50%</u>
Net Pension Liability (Asset)	\$ 133,073	\$ 56,229	\$ (9,635)

6. Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at August 1, 2024	\$ -	\$ -	\$ -
Changes for the Year:			
Changes in Benefit Terms	638,837	-	638,837
Contributions - Employer*	-	551,157	(551,157)
Net Investment Income (Loss)	-	31,451	(31,451)
Net Changes	638,837	582,608	56,229
Balance at July 31, 2025	\$ 638,837	\$ 582,608	\$ 56,229

*Employer contributions are as of fiscal year ended July 31, 2025.

7. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The annual pension expense recognized can be calculated two different ways. First it is the change in the amounts reported on the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in Net Pension Liability plus the changes in deferred outflows plus employer contributions, as follows:

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

			<u>Measurement Year Ended July 31, 2025</u>
Change in Net Pension Liability:			
July 31, 2025	56,229		
July 31, 2024	-	\$	56,229
Change in Deferred Inflows of Resources:			
July 31, 2025	17,996		
July 31, 2024	-		17,996
Contributions - Authority*			551,157
Actuary Fees			9,288
			\$ 634,670
NET PENSION EXPENSE			\$ 634,670

*Contributions as of fiscal year ended July 31, 2025.

Alternatively, annual pension expense can be calculated by its individual components, as follows:

			<u>July 31, 2025</u>
Changes in Benefit Terms		\$	638,837
Projected Earnings on Pension Plan Investments			(8,956)
Differences Between Projected and Actual Earnings on Investments			(4,499)
Actuary Fees			9,288
			\$ 634,670
NET PENSION PLAN EXPENSE			\$ 634,670

8. Deferred Outflows and Deferred Inflows of Resources

At July 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$	17,996
			17,996
TOTAL DEFERRED AMOUNTS	\$ -	\$	17,996

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the future pension expense as follows:

Year Ended July 31:

2026	\$	4,499
2027		4,499
2028		4,499
2029		4,499
2030		-
Thereafter		-

13. PENSION PLANS REPORTING – FINANCIAL STATEMENTS

The Authority reported the following amounts related to its pension plans in its financial statements for the year ended July 31, 2025.

	<u>Employee's Plan</u>	<u>Supplemental Plan</u>	<u>Total Reported on Financial Statements</u>
Net Pension Liability July 31, 2025	\$ 131,833	\$ 56,229	\$ 188,062
Deferred Outflows of Resources July 31, 2025	\$ 261,270	\$ -	\$ 261,270
Deferred Inflows of Resources July 31, 2025	\$ 286,736	\$ 17,996	\$ 304,732
Pension Plan Expense	\$ 184,772	\$ 634,670	\$ 819,442

14. IMPAIRMENT OF CAPITAL ASSET

During the year ended July 31, 2025, the Authority determined that its denitrification process structure sustained a permanent impairment due to an Alkali-Silica Reaction (ASR) occurring within the concrete of the structure. This condition was identified following an engineering study after noticing large, unusual cracks in the concrete exterior of the structure. In April, 2025, after reviewing the results of the study, it was concluded that the damage is irreparable and the asset is permanently impaired. The impairment loss is reflected in the Authority's financial statements for the year ended July 31, 2025. The calculation is summarized as follows:

<u>Description</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>	<u>Impairment Loss</u>
Denitrification Process	\$ 23,028,038	\$ 7,771,963	\$ 15,256,075	\$ (15,256,075)

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

The Authority has filed a claim with its insurer seeking recovery of losses related to the ASR reaction. The insurer has disputed coverage. Any future recognition of recoveries will follow applicable accounting guidance and will be recorded when recovery becomes probable and reasonably estimable.

15. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has property, general liability, workers' compensation, and employee health coverage. Claims have not exceeded coverage in any of the past three fiscal years.

16. SIGNIFICANT CONCENTRATIONS AND CONSTRAINTS

Concentrations and constraints may limit the Authority's ability to acquire resources or control spending. A concentration is a lack of sufficient diversity related to an aspect of a significant revenue source or expense. A constraint is a limitation imposed on a government by an external party, or by formal action of the government's highest level of decision-making authority. At July 31, 2025, the Authority did not identify any significant concentrations requiring disclosure.

As noted subsequently in Note 14B, the capacity of the Authority's treatment plant is operationally limited according to its engineered capacity and the regulatory limits imposed on it by the state. In the event of significant increased demand for the Authority's services, the Authority may not be able to accommodate additional customers seeking to tap into the system. Accordingly, the Authority is in the process of responding to this risk by reserving current capacity and undertaking projects to expand future capacity.

17. COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

The Authority has entered into various substantial construction contracts related to capital projects and major improvements to the Authority's treatment facilities, several of which are incomplete as of July 31, 2025. Details concerning the nature and amount of the contracts can be obtained from the Authority.

B. Reservations of Capacity Agreements

The Authority's treatment plant capacity is operationally limited to processing for a certain number of what is commonly known as Equivalent Dwelling Units (EDUs). The Authority has a limited number of EDUs available for tap on to its collection system. The number of EDUs available is regulated and set by the Pennsylvania Department of Environmental Protection (PA DEP). Expansion of the treatment plant to increase the number of EDUs would require regulatory approval and oversight by the PA DEP.

GREATER HAZLETON JOINT SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Given the Authority's limited ability to increase capacity as noted above; the Authority is authorized by the provisions of the Municipality Authorities Act of 1945, as amended, to charge a Reservation of Capacity Fee (ROCF) provided the ROCF is based on debt and fixed operating expenses, but which fee may not exceed 60% of the average sanitary sewer bill for residential customers within the sewer service area for the same billing period. Pursuant to the terms of the Agreements, payment for the entire term was due at signing, and the Authority holds the funds in escrow during the term of the agreements. The ROCF cannot be applied to or credited towards future fees imposed upon the developer by the Authority.

The ROCF shall be earned for the time period the Agreements are effective, rounded to the end of the current month and refundable on a pro-rata basis for any whole calendar months remaining in a given one-year period after the date in which the developer has informed the Authority in writing of its intent to terminate the Agreement. Accordingly, the Authority has recognized a deferred inflow of resources on its Statement of Net Position in connection with the ROCF Agreements. The Authority will recognize the associated revenue as it is earned on a pro-rata basis according to the Agreements.

A summary of each agreement and its terms is provided below:

<u>Developer</u>	<u>Date of Agreement</u>	<u>Term</u>	<u>EDUs Reserved</u>
Developer 1	September 22, 2022	5 Years	280
Developer 2	September 28, 2023	3 Years	259
Developer 3	May 19, 2025	3 Years	12
Developer 4	July 28, 2025	3 Years	10

The Reservation of Capacity Fee (ROCF) charges, the amounts that are earned and deferred at July 31, 2025 is summarized below.

<u>Developer</u>	<u>ROCF Charge</u>	<u>Earned in Previous Years</u>	<u>Earned Current Year</u>	<u>Deferred Inflows</u>
Developer 1	\$ 433,440	\$ 158,888	\$ 86,688	\$ 187,864
Developer 2	240,559	66,822	80,186	93,551
Developer 3	11,146	-	620	10,526
Developer 4	<u>9,288</u>	<u>-</u>	<u>258</u>	<u>9,030</u>
TOTALS	<u>\$ 694,433</u>	<u>\$ 225,710</u>	<u>\$ 167,752</u>	<u>\$ 300,971</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

Estimated deferred inflows related to reservation of capacity fees to be recognized in future fiscal years are as follows:

Year Ending July 31:

2026	\$ 173,685
2027	106,863
2028	<u>20,423</u>

TOTAL ESTIMATED DEFERRED AMOUNTS RELATED TO RESERVATION OF CAPACITY FEES	<u>\$ 300,971</u>
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C. Union Agreements

The Authority has entered into employment agreements with the unions representing certain groups of its employee workforce. The agreements provide for certain compensation, benefits, and other working conditions, all as more fully detailed in those agreements. It should be noted that these benefits include certain post-employment benefits for retirees as previously described. Details regarding the nature of the agreements can be obtained from Authority management.

D. State Assisted Grant Programs

The Authority participates in state assisted grant programs. These programs are subject to financial and program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Although the amount, if any, of the expenditures which may be disallowed cannot be determined as of the date of the financial statements, it is the opinion of Authority management that any such amounts would be immaterial and would not have a material adverse effect on the Authority's financial position.

E. Operating Regulations, Permits and Licenses

The nature of the Authority's operations subjects it to various federal, state and local regulations, permits, and licenses related to plant operations and discharges from the Authority's treatment facilities. Details concerning these regulations, permits, and licenses can be obtained from the Authority.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

18. EFFECTS OF NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued the following statements with effective dates subsequent to July 31, 2025. The Authority has not evaluated the effects these statements will have on its financial statements.

<u>Statement</u>	<u>Effective for Reporting Periods Beginning After</u>	<u>Authority's Fiscal Year End Effective Date</u>
No. 102 <i>Certain Risk Disclosures</i>	June 15, 2024	July 31, 2026
No. 103 <i>Financial Reporting Model Improvements</i>	June 15, 2025	July 31, 2027
No. 104 <i>Disclosure of Capital Assets</i>	June 15, 2025	July 31, 2027
No. 105 <i>Subsequent Events</i>	June 15, 2026	July 31, 2028

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST FUND – EMPLOYEES PLAN
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
LAST 10 FISCAL YEARS
JULY 31, 2025
(UNAUDITED)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability										
Service Cost	\$ 54,545	\$ 74,849	\$ 68,720	\$ 78,829	\$ 77,421	\$ 76,474	\$ 76,474	\$ 80,111	\$ 72,828	\$ 65,518
Interest	290,873	297,448	260,522	249,400	208,641	226,587	220,445	208,185	186,290	176,073
Changes of Benefit Terms	-	-	237,789	48,372	-	-	-	151,206	-	-
Differences Expected and Actual Experience	(288,971)	-	136,565	-	(64,364)	-	(102,011)	-	(14,850)	-
Changes of Assumptions	-	-	-	-	494,609	-	-	-	9,060	-
Benefit Payments, Including										
Refunds of Member Contributions	(179,804)	(148,534)	(134,740)	(159,268)	(118,782)	(111,834)	(114,196)	(128,197)	(111,559)	(113,802)
Net Change in Total Pension Liability	(123,357)	223,763	568,856	217,333	597,525	191,227	80,712	311,305	141,769	127,789
Total Pension Liability - Beginning	4,799,307	4,575,544	4,006,688	3,789,355	3,191,830	3,000,603	2,919,891	2,608,586	2,466,817	2,339,028
Total Pension Liability - Ending	\$ 4,675,950	\$ 4,799,307	\$ 4,575,544	\$ 4,006,688	\$ 3,789,355	\$ 3,191,830	\$ 3,000,603	\$ 2,919,891	\$ 2,608,586	\$ 2,466,817
Plan Fiduciary Net Position										
Contributions - Employer	\$ 200,000	\$ 223,000	\$ 223,000	\$ 223,000	\$ 700,000	\$ 223,000	\$ 473,000	\$ 473,000	\$ 220,000	\$ 177,500
Net Investment Income (Loss)	381,473	356,346	237,350	(478,883)	644,483	125,579	53,657	110,394	142,262	(13,215)
Benefit Payments, Including										
Refunds of Member Contributions	(179,804)	(148,534)	(134,740)	(159,268)	(118,782)	(111,834)	(114,196)	(128,197)	(111,559)	(113,802)
Administrative Expense	(9,288)	(17,714)	(13,650)	(16,350)	(37,477)	(40,814)	(27,047)	(30,151)	(10,705)	(21,533)
Net Change in Plan Fiduciary Net Position	392,381	413,098	311,960	(431,501)	1,188,224	195,931	385,414	425,046	239,998	28,950
Plan Net Position - Beginning	4,151,736	3,738,638	3,426,678	3,858,179	2,669,955	2,474,024	2,088,610	1,663,564	1,423,566	1,394,616
Plan Net Position - Ending	\$ 4,544,117	\$ 4,151,736	\$ 3,738,638	\$ 3,426,678	\$ 3,858,179	\$ 2,669,955	\$ 2,474,024	\$ 2,088,610	\$ 1,663,564	\$ 1,423,566
Authority's Net Pension Liability (Asset)	\$ 131,833	\$ 647,571	\$ 836,906	\$ 580,010	\$ (68,824)	\$ 521,875	\$ 526,579	\$ 831,281	\$ 945,022	\$ 1,043,251
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.2%	86.5%	81.7%	85.5%	101.8%	83.6%	82.5%	71.5%	63.8%	57.7%
Covered Employee Payroll	\$ 2,754,520	\$ 2,648,577	\$ 2,426,937	\$ 2,310,296	\$ 2,283,751	\$ 2,195,915	\$ 2,151,537	\$ 2,068,786	\$ 1,970,888	\$ 1,886,036
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	4.8%	24.4%	34.5%	25.1%	-3.0%	23.8%	24.5%	40.2%	47.9%	55.3%

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION TRUST FUND – SUPPLEMENTAL PLAN
 SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 LAST 10 FISCAL YEARS**
 JULY 31, 2025
 (UNAUDITED)

	<u>2025</u>
Total Pension Liability	
Service Cost	\$ -
Interest	-
Changes of Benefit Terms	638,837
Differences Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including	
Refunds of Member Contributions	-
Net Change in Total Pension Liability	638,837
Total Pension Liability - Beginning	-
Total Pension Liability - Ending	<u>\$ 638,837</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 551,157
Net Investment Income	31,451
Benefit Payments, Including	
Refunds of Member Contributions	-
Administrative Expense	-
Net Change in Plan Fiduciary Net Position	582,608
Plan Net Position - Beginning	-
Plan Net Position - Ending	<u>\$ 582,608</u>
Authority's Net Pension Liability (Asset)	<u>\$ 56,229</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>91.2%</u>
Covered Employee Payroll	<u>\$ 561,038</u>
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	<u>10.0%</u>

**This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION TRUST FUNDS – EMPLOYEES PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AND INVESTMENT RETURNS
 LAST 10 FISCAL YEARS
 JULY 31, 2025
 (UNAUDITED)

Schedule of Employer Contributions
 Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 105,418	\$ 105,418	\$ 143,314	\$ 143,314	\$ 201,705	\$ 199,735	\$ 195,238	\$ 195,238	\$ 177,335	\$ 177,335
Contributions in Relation to the Actuarially Determined Contribution	<u>TBD*</u>	<u>223,000</u>	<u>223,000</u>	<u>223,000</u>	<u>223,000</u>	<u>700,000</u>	<u>473,000</u>	<u>473,000</u>	<u>220,000</u>	<u>177,500</u>
Contribution Excess	<u>TBD*</u>	<u>\$ (117,582)</u>	<u>\$ (79,686)</u>	<u>\$ (79,686)</u>	<u>\$ (21,295)</u>	<u>\$ (500,265)</u>	<u>\$ (277,762)</u>	<u>\$ (277,762)</u>	<u>\$ (42,665)</u>	<u>\$ (165)</u>

*Actuarially Determined Contribution as reported in this schedule is based on a calendar year and the contributions in relation to the calendar year 2025 cannot yet be determined.

Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>9.18%</u>	<u>9.46%</u>	<u>6.85%</u>	<u>-12.34%</u>	<u>21.90%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>5.00%</u>	<u>2.38%</u>	<u>6.51%</u>	<u>12.55%</u>	<u>-0.93%</u>

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION TRUST FUNDS – SUPPLEMENTAL PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AND INVESTMENT RETURNS
 LAST 10 FISCAL YEARS**
 JULY 31, 2025
 (UNAUDITED)

Schedule of Employer Contributions
 Last 10 Fiscal Years**

	<u>2025</u>
Actuarially Determined Contribution	\$ 21,831
Contributions in Relation to the Actuarially Determined Contribution	TBD*
Contribution Excess	TBD*

*Actuarially Determined Contribution as reported in this schedule is based on a calendar year and the contributions in relation to the calendar year 2025 cannot yet be determined.

Last 10 Fiscal Years**

	<u>2025</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>11.41%</u>

**These schedules are intended to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS
SCHEDULE OF CHANGES IN AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JULY 31, 2025 AND LAST 10 FISCAL YEARS*
(UNAUDITED)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability								
Service Cost	\$ 159,855	\$ 168,288	\$ 138,076	\$ 132,765	\$ 188,895	\$ 181,630	\$ 205,466	\$ 197,563
Interest	111,482	108,252	98,957	92,862	91,248	85,246	93,606	85,899
Difference Between Expected and Actual Experience	-	(75,528)	-	(431,714)	-	(379,772)	-	-
Change in Assumptions and Cost Method	(249,843)	(133,159)	(134,925)	(347,622)	-	131,591	-	-
Benefit Payments	(54,115)	(49,747)	(75,034)	(70,125)	(65,849)	(82,317)	(49,104)	(59,340)
Net Change in Total OPEB Liability	(32,621)	18,106	27,074	(623,834)	214,294	(63,622)	249,968	224,122
Total OPEB Liability - Beginning	<u>2,521,264</u>	<u>2,503,158</u>	<u>2,476,084</u>	<u>3,099,918</u>	<u>2,885,624</u>	<u>2,949,246</u>	<u>2,699,278</u>	<u>2,475,156</u>
Total OPEB Liability - Ending	<u>\$ 2,488,643</u>	<u>\$ 2,521,264</u>	<u>\$ 2,503,158</u>	<u>\$ 2,476,084</u>	<u>\$ 3,099,918</u>	<u>\$ 2,885,624</u>	<u>\$ 2,949,246</u>	<u>\$ 2,699,278</u>
Plan Fiduciary Net Position								
Plan Net Position - Beginning	-	-	-	-	-	-	-	-
Plan Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Net OPEB Liability	<u>\$ 2,488,643</u>	<u>\$ 2,521,264</u>	<u>\$ 2,503,158</u>	<u>\$ 2,476,084</u>	<u>\$ 3,099,918</u>	<u>\$ 2,885,624</u>	<u>\$ 2,949,246</u>	<u>\$ 2,699,278</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Covered Employee Payroll	<u>\$ 2,754,520</u>	<u>\$ 2,648,577</u>	<u>\$ 2,426,937</u>	<u>\$ 2,195,915</u>	<u>\$ 2,283,751</u>	<u>\$ 2,195,915</u>	<u>\$ 2,151,537</u>	<u>\$ 2,068,786</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	<u>90.4%</u>	<u>95.2%</u>	<u>103.1%</u>	<u>112.8%</u>	<u>135.7%</u>	<u>131.4%</u>	<u>137.1%</u>	<u>130.5%</u>

*Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Source: Valuation performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF SEWER TREATMENT REVENUES
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	July 31, 2025				
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Hazle Township</u>	<u>Sugarloaf Township</u>	<u>Total</u>
Residential	\$ 4,082,891	\$ 735,023	\$ 1,659,886	\$ 53,604	\$ 6,531,404
Non-Residential	673,845	137,017	218,114	6,797	1,035,773
Industrial	385,035	202,844	413,916	113,820	1,115,615
Schools	83,054	28,523	140,069	-	251,646
	<u>\$ 5,224,825</u>	<u>\$ 1,103,407</u>	<u>\$ 2,431,985</u>	<u>\$ 174,221</u>	<u>\$ 8,934,438</u>
Penalties	125,953	20,699	37,444	-	184,096
	<u>\$ 5,350,778</u>	<u>\$ 1,124,106</u>	<u>\$ 2,469,429</u>	<u>\$ 174,221</u>	9,118,534
Outside Independent Haulers Surcharge					2,506,571
					<u>302,308</u>
TOTAL SEWER TREATMENT REVENUES					<u>\$ 11,927,413</u>

	July 31, 2024				
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Hazle Township</u>	<u>Sugarloaf Township</u>	<u>Total</u>
Residential	\$ 4,043,002	\$ 730,405	\$ 1,646,974	\$ 52,886	\$ 6,473,267
Non-Residential	665,117	136,067	212,718	7,382	1,021,284
Industrial	376,057	184,476	401,045	115,292	1,076,870
Schools	80,006	27,084	137,997	-	245,087
	5,164,182	1,078,032	2,398,734	175,560	8,816,508
Penalties	124,567	21,399	34,725	-	180,691
	<u>\$ 5,288,749</u>	<u>\$ 1,099,431</u>	<u>\$ 2,433,459</u>	<u>\$ 175,560</u>	8,997,199
Outside Independent Haulers Surcharge					2,579,184
					<u>264,914</u>
TOTAL SEWER TREATMENT REVENUES					<u>\$ 11,841,297</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF SEWER TRANSMISSION REVENUES
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	July 31, 2025		
	West		Total
	<u>Hazleton</u>	<u>Hazleton</u>	
Residential	\$ 1,343,413	\$ 243,834	\$ 1,587,247
Non-Residential	229,219	44,871	274,090
Industrial	127,736	67,105	194,841
Schools	<u>27,472</u>	<u>9,479</u>	<u>36,951</u>
	1,727,840	365,289	2,093,129
Penalties	<u>43,368</u>	<u>7,105</u>	<u>50,473</u>
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 1,771,208</u>	<u>\$ 372,394</u>	<u>\$ 2,143,602</u>

	July 31, 2024		
	West		Total
	<u>Hazleton</u>	<u>Hazleton</u>	
Residential	\$ 1,331,987	\$ 243,161	\$ 1,575,148
Non-Residential	224,673	45,741	270,414
Industrial	123,706	61,493	185,199
Schools	<u>26,587</u>	<u>9,001</u>	<u>35,588</u>
	1,706,953	359,396	2,066,349
Penalties	<u>43,037</u>	<u>7,372</u>	<u>50,409</u>
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 1,749,990</u>	<u>\$ 366,768</u>	<u>\$ 2,116,758</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
PLANT		
Salaries and Wages	\$ 1,828,925	\$ 1,711,247
Chemicals, Chlorine, and Other Supplies	1,078,399	1,085,911
Repairs and Maintenance	940,358	907,377
Electricity	938,377	944,259
Bio Solids Removal and Disposal	287,236	329,494
Payroll Taxes	152,245	154,382
Odor Control	104,766	104,011
Laboratory Supplies and Expense	101,528	87,628
General Supplies	39,558	40,781
Small Tools and Parts	29,028	14,588
Water	24,349	24,822
Natural Gas	15,097	23,345
Grease and Oils	12,720	13,984
Employee Work Clothes	9,448	9,420
Truck Expense	8,248	8,193
Miscellaneous Expense	3,725	2,619
Industrial Pretreatment Expenses	1,398	2,115
TOTAL PLANT	<u>\$ 5,575,405</u>	<u>\$ 5,464,176</u>
PUMPING STATION		
Salaries and Wages	\$ 355,045	\$ 344,187
Repairs and Maintenance	160,066	182,563
Electricity	87,367	116,223
Payroll Taxes	27,597	26,125
Water	7,440	8,847
Natural Gas	1,197	1,305
TOTAL PUMPING STATION	<u>\$ 638,712</u>	<u>\$ 679,250</u>
COLLECTION SYSTEM		
Salaries and Wages	\$ 495,450	\$ 463,041
Maintenance and Repairs	342,416	287,731
Equipment Maintenance	194,369	55,121
Insurance - Group	164,547	132,763
Truck Expense	46,647	52,548
Payroll Taxes	37,746	35,533
General Supplies	33,910	18,655
Miscellaneous	27,319	17,606
Engineering	22,937	17,621
PA One Call	2,695	1,350
Grease	-	2,720
TOTAL COLLECTION SYSTEM	<u>\$ 1,368,036</u>	<u>\$ 1,084,689</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ADMINISTRATIVE		
Pension Plan Expense	\$ 819,442	\$ 331,018
Insurance - Group	684,530	562,571
Salaries and Wages	171,549	157,415
Consulting and Engineering	163,077	126,940
Legal Expense	134,434	114,129
Other Post-Employment Benefits (OPEB)	115,448	143,364
Insurance - General	106,325	139,767
Insurance - Workers' Compensation	77,963	85,287
Repairs and Maintenance	56,915	71,018
Conferences, Seminars and Travel	56,016	31,118
Auditing Expense	42,500	36,000
Billing and Collection Expense	39,896	35,549
Office Supplies and Expense	34,185	30,717
Postage	27,568	27,449
Board Member Fees	19,850	18,100
Insurance - Directors Life and Disability	14,272	17,835
Payroll Taxes	13,665	12,928
Telephone	11,921	12,000
Utilities-Administration Building	8,590	7,940
Payroll Preparation	8,546	8,093
Eye Glass Reimbursement	7,735	8,556
Miscellaneous Expense	7,186	2,248
Trustee Fees	7,000	7,000
Dues and Subscriptions	5,495	5,609
Bond Premium	4,732	4,732
Postage and Freight	4,687	4,454
Advertising	3,225	4,701
General Supplies	<u>1,816</u>	<u>1,038</u>
 TOTAL ADMINISTRATIVE	 <u>\$ 2,648,568</u>	 <u>\$ 2,007,576</u>

PRINCIPALS

Stephen N. Clemente, CPA
 James F. Clemente, CPA, MT
 Raymond J. Distasio Jr., CPA
 David P. Rurdis, CPA, CVA, CFF
 Joseph P. Zekas, CPA
 John M. Nonnemacher, CPA
 David J. Kuranovich, CPA
 Peter J. Morren

PROFESSIONAL STAFF

Margaret A. Homanivsky, CPA	Marc J. Blasko
Colin R. Frieles, CPA	Rogen Resides
Michael R. Gazieli, CPA	Sue Hoegg
Michael A. Chesnick	
Nelene M. Chutkan	
Althea B. Edwards	
Scott W. Poplawski	Elmo M. Clemente (1958-2018)
Daniel J. Flaherty	Charles L. Snyder (1958-1980)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
 Greater Hazleton Joint Sewer Authority
 West Hazleton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Authority as of and for the year ended July 31, 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

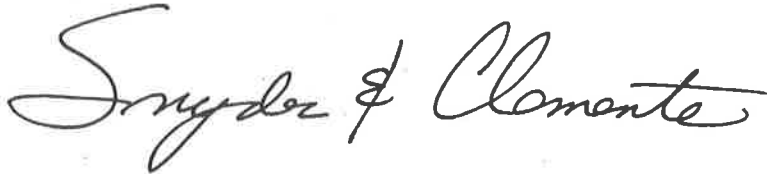
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Snyder & Clemente". The signature is written in black ink and is positioned above the typed address and date.

Sugarloaf, Pennsylvania
January 12, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Greater Hazleton Joint Sewer Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended July 31, 2025. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our audit.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

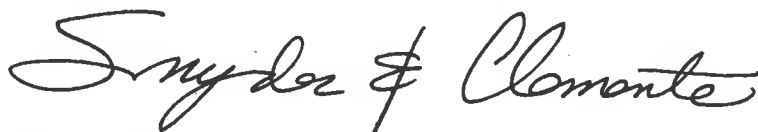
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Authority as of and for the year ended July 31, 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated January 12, 2026 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statement and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.



Sugarloaf, Pennsylvania
January 12, 2026

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JULY 31, 2025

Federal Grantor/ Pass Through Grantor/ Program Title	Federal Assistance Listing Number (ALN)	Pass-Through Entity Grant Number	From Pass-Through Awards	From Direct Awards	Total Federal Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Passed Through Pennsylvania Infrastructure Investment Authority Clean Water State Relvolving Fund					
State Revolving Fund Loan	66.458	71468	\$ 2,680,970	\$ -	\$ 2,680,970
State Revolving Fund Loan	66.458	77114	452,549	-	452,549
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 3,133,519</u>	<u>\$ -</u>	<u>\$ 3,133,519</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,133,519</u>	<u>\$ -</u>	<u>\$ 3,133,519</u>

See Notes to Schedule of Expenditures of Federal Awards.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JULY 31, 2025

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Greater Hazleton Joint Sewer Authority (the "Authority") under programs of the federal government for the year ended July 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule is prepared on the accrual basis of accounting. Generally, an expenditure is reported when it has been incurred and when the funds have been obligated. For U.S. Environmental Protection Agency loan programs, expenditures are reported when the expenditure has been incurred, funds have been obligated, and a loan disbursement request has been submitted to the pass-through agency disbursing the loan funds. This method of recognition is specially prescribed by the funding agency.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

GREATER HAZLETON JOINT SEWER AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JULY 31, 2025

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Greater Hazleton Joint Sewer Authority.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Greater Hazleton Joint Sewer Authority, as required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Greater Hazleton Joint Sewer Authority. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule. There are no audit findings to be reported for the Greater Hazleton Joint Sewer Authority.
7. The following program was tested as a major program.

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>	<u>Percent Coverage</u>
Clean Water State Revolving Fund	66.458	\$ 3,133,519	100%

The threshold used for distinguishing Types A and B programs was \$750,000.

8. Greater Hazleton Joint Sewer Authority. qualifies as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS AUDIT

None reported.