

CPAs &
Business Advisors

West Hempfield Township Municipal Authority

Financial Statements and
Independent Auditor's Report

December 31, 2025

Your Financial Language...Translated.

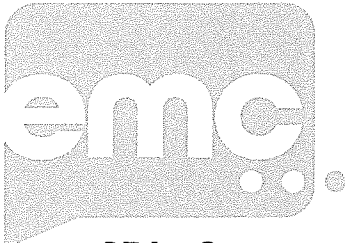
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Your Financial Language...Translated.





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Your Financial Language...Translated.

Independent Auditor's Report

To the Board of Directors and Management
West Hempfield Township Municipal Authority
Lancaster, Pennsylvania

Opinions

We have audited the accompanying financial statements of West Hempfield Township Municipal Authority (the "Authority"), Pennsylvania, as of and for the years ended December 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.

Unmodified Opinion on Cash Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash basis financial position of the Authority as of December 31, 2025 and 2024, and its change in financial position for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2025 and 2024, or the changes in financial position or cash flows thereof, for the years then ended. Further, the Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Authority on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the cash basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

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

EMC CPAs LLC

March 26, 2026
Lancaster, Pennsylvania

West Hempfield Township Municipal Authority

Statement of Net Position - Cash Basis
See Independent Auditor's Report

| | December 31, | |
|---|----------------------------|----------------------------|
| | 2025 | 2024 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | <u>\$ 2,313,858</u> | <u>\$ 1,940,315</u> |
| Current Liabilities | | |
| Due to related organization | <u>\$ -</u> | <u>\$ 3,793</u> |
| Net Position | | |
| Invested in capital assets | - | - |
| Unrestricted | <u>2,313,858</u> | <u>1,936,522</u> |
| Total Net Position | <u>2,313,858</u> | <u>1,936,522</u> |
| Total Liabilities and Net Position | <u>\$ 2,313,858</u> | <u>\$ 1,940,315</u> |

See accompanying notes.

West Hempfield Township Municipal Authority

Statement of Revenues, Expenses, and Changes in Fund Net Position - Cash Basis
See Independent Auditor's Report

| | Years Ended December 31, | |
|-------------------------------------|--------------------------|---------------------|
| | 2025 | 2024 |
| Operating Revenues | | |
| Fees to users | <u>\$ 461,822</u> | <u>\$ 516,478</u> |
| Expenses | | |
| General and Administrative Expenses | | |
| Legal and professional | 6,500 | 6,075 |
| Printing | 5,750 | 5,298 |
| Contracted services | 6,521 | 6,096 |
| General expense | 2,505 | - |
| Grants to sponsoring government | 150,000 | - |
| Bank fees | 490 | 2,900 |
| | <u>171,766</u> | <u>20,369</u> |
| Total Expenses | <u>171,766</u> | <u>20,369</u> |
| Operating Income | 290,056 | 496,109 |
| Non-Operating Income | | |
| Interest income | <u>87,280</u> | <u>55,225</u> |
| Change in Net Position | 377,336 | 551,334 |
| Net Position, January 1 | <u>1,936,522</u> | <u>1,385,188</u> |
| Net Position, December 31 | <u>\$ 2,313,858</u> | <u>\$ 1,936,522</u> |

See accompanying notes.

West Hempfield Municipal Authority

Notes to Financial Statements

December 31, 2025 and 2024

See independent Auditor's Report

Note 1 - Summary of Significant Accounting Policies

West Hempfield Township Municipal Authority (the "Authority") is a corporate body created pursuant to an ordinance of the Board of Supervisors of West Hempfield Township (the "Township") under an Act of the General Assembly of the Commonwealth of Pennsylvania, approved May 21, 1945 P.L. 382, as amended and supplemented, known as the Municipal Authorities Act.

The Authority was organized to accumulate funds for West Hempfield Township's Stormwater Management Plan. The Authority currently charges a fee to property owners within West Hempfield Township based on the number of equivalent residential units (ERUs) within the assessed property.

Related Organization

The Authority's governing board consists of five members appointed by West Hempfield Township's Board of Supervisors. The Authority serves as an operating authority for the Township. Since the Authority does not impose a specific financial burden on the Township, the Authority is not considered to be a component unit of the Township for financial reporting purposes. The Authority is considered to be a related organization to the Township because the Township appoints a voting majority of the Authority's governing board.

Basis of Accounting

The financial statements of the Authority have been prepared on the cash basis of accounting. Under the cash basis of accounting, which is a special purpose framework other than accounting principles generally accepted in the United States of America, the Authority recognizes revenues when received in cash, rather than when earned or assessed. Expenditures are recorded when paid rather than when a liability is incurred, and prepaid expenses are not recognized. Under the cash basis of accounting, a statement of cash flows is not presented and fair value disclosures of investments are omitted. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Accounting Estimates

The process of preparing financial statements in conformity with the cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, revenues and expenditures. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash and investments with original maturities of three months or less.

West Hempfield Municipal Authority

Notes to Financial Statements

December 31, 2025 and 2024

See independent Auditor's Report

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position Classification

Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with restriction constraints placed on the use of either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted - Net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which there are restricted and unrestricted net position available, the Authority's policy is to apply those expenses to the restricted net position to the extent such are available and then to the unrestricted net position.

Subsequent Events

The Authority has evaluated subsequent events through March 26, 2026, which is the date the financial statements were available to be issued.

Note 2 - Cash

In accordance with the Municipal Authorities Act, the Authority is authorized to designate one or more banks or bank and trust companies as depository or depositories for its funds. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. If funds are fully insured by the FDIC, the Authority shall not require any additional bond, insurance or security to cover the amount of such deposits so insured. If these funds are not fully insured by the FDIC, the funds shall be continuously secured by a pledge of direct obligations of the United States of America, the Commonwealth of Pennsylvania, or the Authority having an aggregate market value, exclusive of accrued interest, at all times equal to the balance on deposit.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

West Hempfield Municipal Authority

Notes to Financial Statements

December 31, 2025 and 2024

See independent Auditor's Report

Note 2 - Cash (continued)

The Municipal Authorities Act requires the Authority to invest funds consistent with "sound business practice." Investments are made with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The Authority has no investment policy that would further limit its investment choices.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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.

The Authority had deposits with a financial institution which exceeded FDIC limits by \$2,063,799 and \$0 as of December 31, 2025 and 2024, respectively. Amounts in excess of FDIC limits were collateralized by securities held by the pledging financial institution or the pledging financial institution's trust department or agent but not in the Authority's name.

The Authority had additional deposits of \$0 and \$1,855,560 as of December 31, 2025 and 2024, respectively, in an intergovernmental cooperative institution which are not subject to FDIC coverage.