

**SPRINGETTSBURY TOWNSHIP
DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2011**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA

DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Authority Members
Springettsbury Township Development Authority
York, Pennsylvania

We have audited the accompanying statement of net assets of the Springettsbury Township Development Authority, a component unit of Springettsbury Township, as of December 31, 2011 and the related statement of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Springettsbury Township Development Authority as of December 31, 2011 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
May 9, 2012

SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2011

The Management Discussion and Analysis for the financial statements related to the Springettsbury Township Development Authority provides the reader with a general summary of the Development Authority's activities for the year ending 2011.

The Management Discussion and Analysis is designed to assist the reader in the following areas:

1. Focus upon significant financial issues
2. Provide an overview of the Authority's financial activities
3. Identify overall changes in the Authority's financial position
4. Identify any material deviations from the financial plan

Readers can also review the Auditor's transmittal, the statements, and the various notes to the financial statements in order to have a more complete understanding of the Authority's financial performance.

Financial Highlights

- The Development Authority issued guaranteed revenue notes amounting to \$6,807,000 in 2006 and retired \$701,000 related to these notes during 2011. The balance at December 31, 2011 is \$3,060,000.
- The Development Authority secured a \$5,683,920 Infrastructure and Facilities Improvement Program grant from the Department of Community and Economic Development in 2006. These grant funds are being used by the Authority to pay debt service for the infrastructure improvements related to the York Towne Center. The Authority annually receives \$568,000 of grant revenue.
- The Authority contracted in 2006 with the developers of the York Towne Center for on and off-site improvements for the development of a new commercial venture on Mount Zion and Concord Roads. This effort led to the grant award highlighted above. The York Towne Center is anticipating in the long term approximately 1,000 jobs being created for the Springettsbury labor market. In addition, total tax revenue amounting to 5 million dollars has also been estimated. The Center opened in the Fall 2007 and has been at approximately 96% occupancy during 2011.

- The Authority loaned \$2,019,000 to the Township in 2006 for road improvements and building projects. These projects were part of the 2006 and 2007 annual road construction program as well as building acquisition and improvements during 2006 and 2007 and were successfully completed in 2008.
- During 2010, the Township entered into an agreement with the Commonwealth of Pennsylvania Department of Transportation to participate in the improvement to Market Street and Mount Zion Road. The Development Authority is contributing \$500,000 to this project. The project is to be completed in 2012.

OVERVIEW:

The Management Discussion and Analysis serves as an introduction to the Authority's basic financial statements. The Authority uses the accrual basis of accounting. This accounting basis has revenues recorded when earned and expenses recorded when a liability is incurred.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are designed to provide the reader with a general review of the Authority's accrual basis financial position similar to the private sector business enterprise.

The statement of net assets presents information concerning the Authority's assets and liabilities. The difference between these two is reported as net assets.

The statement of activities provides the reader the Authority's revenues and expenses. Their difference represents the change in net assets.

NOTES:

The Notes to the financial statements provide further information that is considered essential to a better understanding of the figures provided in the Authority's financial statements.

CONTACT:

This financial report is designed to provide detailed information regarding the Springettsbury Township Development Authority's operations and to provide insights to those who may have an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report should be addressed to John J. Holman, Chief Administrative Officer Springettsbury Township Development Authority, 1501 Mount Zion Road, York, Pennsylvania, 17402 or by telephone at (717)-757-3521.

SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 632,900
Due from Primary Government	<u>973,000</u>

Total Current Assets 1,605,900

TOTAL ASSETS \$ 1,605,900

LIABILITIES

Current Liabilities

Due to Primary Government	\$ 14,114
Current Portion of Long-Term Debt	726,000
Arbitrage Payable	<u>8,388</u>

Total Current Liabilities 748,502

Noncurrent Liabilities

Long-Term Debt, Net of Current Portion	<u>2,334,000</u>
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Total Noncurrent Liabilities 2,334,000

TOTAL LIABILITIES 3,082,502

NET ASSETS

Unrestricted	<u>(1,476,602)</u>
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TOTAL NET ASSETS (1,476,602)

TOTAL LIABILITIES AND NET ASSETS \$ 1,605,900

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

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

OPERATING REVENUES	
State Grants	\$ 568,392
TOTAL OPERATING REVENUES	<u>568,392</u>
OPERATING EXPENSES	
Professional Fees	6,368
Repair and Maintenance Costs	<u>14,113</u>
TOTAL OPERATING EXPENSES	<u>20,481</u>
OPERATING INCOME	<u>547,911</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	66,316
Interest Expense	(134,195)
Contribution	<u>8,117</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(59,762)</u>
CHANGE IN NET ASSETS	488,149
NET ASSETS – BEGINNING OF YEAR	<u>(1,964,751)</u>
NET ASSETS – END OF YEAR	<u>\$(1,476,602)</u>

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

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Grants	\$ 568,392
Cash Payments for Goods and Services	<u>(7,943)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>560,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payment on Debt	(701,000)
Loan Collection from Springettsbury Township	223,000
Interest Paid	(134,195)
Contribution	8,117
Arbitrage Paid	<u>(75,488)</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(679,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>45,040</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>45,040</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(74,077)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>706,977</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 632,900</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
OPERATING INCOME	\$ <u>547,911</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Increase (Decrease) in Accounts Payable	(237)
Increase (Decrease) in Due to Other Funds	<u>12,775</u>
TOTAL ADJUSTMENTS	<u>12,538</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 560,449</u>

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

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION SUMMARY

Springettsbury Township Development Authority (the Authority) was organized in 2005, under the Pennsylvania Municipality Authorities Act, as means to provide Springettsbury Township the financial resources necessary to enhance the economic health of the community. The Authority will also support the efforts of the Township in developing parks, facilities and improving the Township's existing infrastructure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units, which may or may not fall within the Authority's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the Authority's reporting entity are financial accountability and the nature and significance of the relationship.

Based on the criteria, the Springettsbury Township Development Authority is a component unit of Springettsbury Township. Audited financial statements for Springettsbury Township are available at the Township's offices located at 1501 Mount Zion Road, York, Pennsylvania 17402-9084.

B. Basis of Accounting

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Capital Assets

Capital assets, including infrastructure assets constructed and acquired by the Authority are expensed and reported on the financial statements of the Township.

E. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Long-Term Obligations

In the financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Issuance costs associated with long-term debt are expensed.

G. Date of Management’s Review

Management has evaluated subsequent events through May 9, 2012, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority’s deposits may not be returned to it. As of December 31, 2011, \$382,900 of the Authority’s bank balance of \$632,900 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Uninsured Amount, but Pledge with Collateral under Act 72	\$ 382,900
Plus: Insured Amount	<u>250,000</u>
Carrying Amount – Bank Balances	<u>632,900</u>
Total Cash per Financial Statements	<u>\$ 632,900</u>

Concentration of Credit Risk

The Authority’s total deposits of \$632,900 were held at Metro Bank.

NOTE 3 – CONTINGENT LIABILITIES

Grant Programs

The Authority participates in state assisted grant programs. These programs are subject to 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. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 4 – LONG-TERM DEBT – NOTES PAYABLE

	<u>Notes Payable</u>
Balance as of January 1, 2011	\$ 3,761,000
Principal Retirements	<u>(701,000)</u>
Balance as of December 31, 2011	<u>\$ 3,060,000</u>

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 – LONG-TERM DEBT – NOTES PAYABLE (Continued)

Guaranteed Revenue Note A & Note B - 2006

On March 15, 2006, the Township issued guaranteed revenue notes in the amount of \$6,807,000 through Wachovia Bank. The purpose of Note A, in the amount of \$4,788,000, was to provide financing for the Transportation Improvement Project. The note will be paid with proceeds from a Grant approved by the Department of Community and Economic Development (DCED). The purpose of Note B, in the amount of \$2,019,000, was to provide financing for the Road Improvement and Building Projects, upon the request of Springettsbury Township. The Authority loaned the proceeds of Note B to the Township for the Road Improvement and Building Projects. The notes both bear an interest rate of 3.50% payable semi-annually. The notes mature in October 2015. The balance outstanding at December 31, 2011 was \$3,060,000. The portion relating to Note A was \$2,087,000 and the portion relating to Note B was \$973,000.

Guaranteed Revenue Note A & Note B - 2006

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2011, are as follows:

Year Ended December 31,	Note A <u>Development Authority</u>			Note B <u>Capital Improvements Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 495,000	\$ 76,100	\$ 571,100	\$ 231,000	\$ 32,785	\$ 263,785
2013	512,000	57,886	569,886	239,000	24,939	263,939
2014	531,000	39,260	570,260	247,000	16,914	263,914
2015	<u>549,000</u>	<u>19,965</u>	<u>568,965</u>	<u>256,000</u>	<u>8,601</u>	<u>264,601</u>
	<u>\$ 2,087,000</u>	<u>\$ 193,211</u>	<u>\$ 2,280,211</u>	<u>\$ 973,000</u>	<u>\$ 83,239</u>	<u>\$ 1,056,239</u>

NOTE 5 – GRANT REVENUE

The Authority receives grant revenue through a Department of Community and Economic Development Infrastructure and Facilities Improvement Program Grant. The grant is used for debt service payments. A separate audit is required on the DCED Infrastructure and Facilities Improvement Grant at the completion of the ten-year grant period.

NOTE 6 – COMMITMENT

The Authority has pledged to fund \$500,000 of the Market Street Project upon project completion. Construction is scheduled to be completed in 2012 by the Pennsylvania Department of Transportation.

NOTE 7 – NEGATIVE NET ASSETS (DEFICIT)

The Authority has negative net assets as a result of capital purchases and construction expenses for infrastructures on behalf of Springettsbury Township. The negative net assets will be funded by future DCED Grant Revenues.