

**SPRINGETTSBURY TOWNSHIP
DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2012**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Authority Members
Springettsbury Township Development Authority
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying statements of net position of Springettsbury Township Development Authority (the Authority), a component unit of Springettsbury Township as of and for the years then ended December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net position, cash flows and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presented fairly, in all material respects, the respective financial position of Springettsbury Township Development Authority as of December 31, 2012 and 2011 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 the 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 regarding 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
April 12, 2013

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011	Increase (Decrease)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 615,725	\$ 632,900	\$ (17,175)
Due from Primary Government	742,000	973,000	(231,000)
Total Current Assets	1,357,725	1,605,900	(248,175)
TOTAL ASSETS	\$ 1,357,725	\$ 1,605,900	\$ (248,175)
LIABILITIES			
Current Liabilities			
Due to Primary Government	\$ 750	\$ 14,114	\$ (13,364)
Current Portion of Long-Term Debt	751,000	726,000	25,000
Arbitrage Payable	--	8,388	(8,388)
Total Current Liabilities	751,750	748,502	3,248
Noncurrent Liabilities			
Long-Term Debt, Net of Current Portion	1,583,000	2,334,000	(751,000)
Total Noncurrent Liabilities	1,583,000	2,334,000	(751,000)
TOTAL LIABILITIES	2,334,750	3,082,502	(747,752)
NET POSITION			
Unrestricted	(977,025)	(1,476,602)	499,577
TOTAL NET POSITION	(977,025)	(1,476,602)	499,577
TOTAL LIABILITIES AND NET POSITION	\$ 1,357,725	\$ 1,605,900	\$ (248,175)

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

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
OPERATING REVENUES			
State Grants	\$ 568,392	\$ 568,392	\$ --
TOTAL OPERATING REVENUES	<u>568,392</u>	<u>568,392</u>	<u>--</u>
OPERATING EXPENSES			
Professional Fees	5,800	6,368	(568)
Repair and Maintenance Costs	<u>--</u>	<u>14,113</u>	<u>(14,113)</u>
TOTAL OPERATING EXPENSES	<u>5,800</u>	<u>20,481</u>	<u>(14,681)</u>
OPERATING INCOME	<u>562,592</u>	<u>547,911</u>	<u>14,681</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	44,934	66,316	(21,382)
Interest Expense	(107,949)	(134,195)	26,246
Contribution	<u>--</u>	<u>8,117</u>	<u>(8,117)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(63,015)</u>	<u>(59,762)</u>	<u>(3,253)</u>
Change in Net Position	499,577	488,149	11,428
Net Position – Beginning of Year	<u>(1,476,602)</u>	<u>(1,964,751)</u>	<u>488,149</u>
Net Position – End of Year	<u>\$ (977,025)</u>	<u>\$ (1,476,602)</u>	<u>\$ 499,577</u>

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

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grants	\$ 568,392	\$ 568,392
Cash Payments for Goods and Services	<u>(19,164)</u>	<u>(7,943)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>549,228</u>	<u>560,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payment on Debt	(726,000)	(701,000)
Loan Collection from Springettsbury Township	231,000	223,000
Interest Paid	(107,949)	(134,195)
Contribution	--	8,117
Arbitrage Paid	<u>--</u>	<u>(75,488)</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(602,949)</u>	<u>(679,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>36,546</u>	<u>45,040</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>36,546</u>	<u>45,040</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,175)	(74,077)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>632,900</u>	<u>706,977</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 615,725</u>	<u>\$ 632,900</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	<u>\$ 562,592</u>	<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 Primary Government	<u>(13,364)</u>	<u>12,775</u>
Total Adjustments	<u>(13,364)</u>	<u>12,538</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 549,228</u>	<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, 2012**

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.

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.

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. During the year ended December 31, 2012, the Authority did not have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. During the year ended December 31, 2012, the Authority did not have any deferred inflows of resources.

H. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

I. Date of Management's Review

Management has evaluated subsequent events through April 12, 2013, 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, 2012, \$365,725 of the Authority's bank balance of \$615,725 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Uninsured Amount, but Pledge with Collateral under Act 72	\$ 365,725
Plus: Insured Amount	<u>250,000</u>
Carrying Amount – Bank Balances	<u>615,725</u>
Total Cash per Financial Statements	<u>\$ 615,725</u>

In 2008, the Federal Deposit Insurance Corporation (FDIC) insurance coverage increased to \$250,000. In November 2010, the FDIC implemented provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provide for unlimited insurance coverage of noninterest bearing transaction accounts. During the period of December 31, 2010 through December 31, 2012, all noninterest bearing transaction accounts are fully insured by FDIC insurance. Beginning January 1, 2013, all interest and noninterest bearing demand accounts are aggregated in total by financial institution and fully insured up to \$250,000. Time and savings accounts also have FDIC insurance coverage up to \$250,000.

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

The Authority has a formal investment policy that limits its investment choices to certain credit ratings.

Concentration of Credit Risk

The Authority's total deposits of \$615,725 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, 2012	\$ 3,060,000
Principal Retirements	(726,000)
Balance as of December 31, 2012	<u>\$ 2,334,000</u>

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, 2012 was \$2,334,000. The portion relating to Note A was \$1,592,000 and the portion relating to Note B was \$742,000.

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, 2012, are as follows:

Year Ended December 31,	<u>Note A Development Authority</u>			<u>Note B Capital Improvements Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	549,000	19,965	568,965	256,000	8,601	264,601
	<u>\$ 1,592,000</u>	<u>\$ 117,111</u>	<u>\$ 1,709,111</u>	<u>\$ 742,000</u>	<u>\$ 50,454</u>	<u>\$ 792,454</u>

**SPRINGETTSBURY TOWNSHIP DEVELOPMENT AUTHORITY
YORK, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 – NEGATIVE NET POSITION (DEFICIT)

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

NOTE 6 – 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 7 – COMMITMENT

The Authority has pledged to fund \$500,000 of the Market Street Project upon project completion. Construction is scheduled to be completed in 2013 by the Pennsylvania Department of Transportation.