

Springettsbury Township Sewer Fund

Statement of Net Local Treatment Costs
Statement of Transportation Costs and Local Treatment Costs
Schedule of Allocated Transportation Costs
Schedule of Allocated York City Diversion Pump Station Costs
Schedule of Allocated Net Local Treatment Costs
Statement of Capital Additions Accounts and Capital Account Balances
Schedule of Allocated Debt Service and Subsidy Reimbursements and
Independent Auditors' Report

December 31, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
STATEMENT OF NET LOCAL TREATMENT COSTS	5
STATEMENT OF TRANSPORTATION COSTS AND LOCAL TREATMENT COSTS	6
SCHEDULE OF ALLOCATED TRANSPORTATION COSTS	7
SCHEDULE OF ALLOCATED YORK CITY DIVERSION PUMP STATION COSTS	8
SCHEDULE OF ALLOCATED NET LOCAL TREATMENT COSTS	9
STATEMENT OF CAPITAL ADDITIONS ACCOUNTS AND CAPITAL ACCOUNT BALANCES	10
SCHEDULE OF ALLOCATED DEBT SERVICE AND SUBSIDY REIMBURSEMENTS	11
NOTES TO FINANCIAL STATEMENTS	12 - 14

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INDEPENDENT AUDITORS' REPORT

To the Township Supervisors
Springettsbury Township
York, Pennsylvania

We have audited the statement of the net local treatment costs, the statement of transportation costs and local treatment costs, and the related schedules of allocated transportation costs, allocated York City diversion pump station costs, allocated net local treatment costs, statement of capital additions accounts and capital account balances, and the schedule of allocated debt service and subsidy reimbursements of the Springettsbury Township Sewer Fund (collectively referred to as "financial statements") for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Springettsbury Township's Sewer Fund 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 the reporting requirements of the Articles of Agreement dated January 23, 2003 between Springettsbury Township, York Township, Windsor Township, Spring Garden Township, Manchester Township, Red Lion Borough, Dallastown Borough, Windsor Borough, and Yoe Borough (the Agreement). The statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

Auditors' Responsibility

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 from material misstatement.

INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibility - continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the transportation costs, net local treatment costs and allocated transportation costs, York City diversion pump station costs, and allocated net local treatment costs, and capital additions account of Springettsbury Township Sewer Fund for the year ended December 31, 2018, in accordance with financial reporting provisions of the Agreement referred to above described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. As described in Note A to the financial statements, the financial statements are prepared by the Springettsbury Township Sewer Fund on the basis of the financial reporting provisions of the Agreement referred to above, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the participating municipalities. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of Springettsbury Township and the participating municipalities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Stambaugh Ness, Inc.

York, Pennsylvania
July 19, 2019

SPRINGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF NET LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2018

LOCAL (TREATMENT) REVENUES:

Hauling service	\$ 585,373	
Refunds	141,523	
Samples	71,497	
Discharge permits	7,841	
Sale of property	6,335	
Late fees	2,185	
Miscellaneous	<u>312</u>	
Total local (treatment) revenues		\$ 815,066
Local (treatment) expenses		<u>4,567,439</u>
Net local (treatment) costs		<u><u>\$ 3,752,373</u></u>
Total gallons of sewage treated		<u><u>5,437,195,002</u></u>
Local cost of treatment per 1,000 gallons of sewage		<u><u>\$ 0.6901</u></u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF TRANSPORTATION COSTS
AND LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2018

	<u>Intermunicipal Shared Expenses</u>				<u>Total Expenses</u>
	<u>Transportation Expenses</u>			<u>Local (Treatment)</u>	
	<u>Springettsbury Expenses</u>	<u>York City Diversion PS</u>	<u>Shared Transportation</u>		
EXPENSES:					
Salaries	\$ 148,157	\$ 5,847	\$ 10,025	\$ 1,164,968	\$ 1,328,997
Depreciation expense	343,616	57,838	142,686	663,684	1,207,824
Amortization expense	10,581	-	-	-	10,581
Utilities	110,398	8,541	404	770,909	890,252
Payroll taxes and employee benefits	95,414	3,765	6,456	703,333	808,968
Chemicals	320	-	-	340,428	340,748
Maintenance and repairs	120,134	5,212	2,791	289,842	417,979
Vehicle operations	33,301	1,314	2,253	30,638	67,506
Administrative expenses	178,554	5,825	-	150,621	335,000
Engineering services	7,476	-	-	65,872	73,348
Contracted services	44,854	116,603	15,326	282,305	459,088
Materials and supply	5,180	187	320	40,051	45,738
Professional services	17,869	-	-	22,655	40,524
Training, seminars, conferences	835	33	56	9,233	10,157
Rental expense	-	-	-	746	746
Equipment purchases	7,267	-	-	27,431	34,698
Advertising	27	-	-	1,790	1,817
Capacity rental	106,000	-	-	-	106,000
Refund of prior year revenue	923	-	-	2,933	3,856
	<u>\$ 1,230,906</u>	<u>\$ 205,165</u>	<u>\$ 180,317</u>	<u>\$ 4,567,439</u>	6,183,827
Additional Expenses Billed Directly					
BNR depreciation - not billed due to paying debt					1,231,573
Depreciation - posted to grant equity					579,555
York City - additional capacity					725,000
Debt service interest					837,754
					<u>\$ 9,557,709</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED TRANSPORTATION COSTS
YEAR ENDED DECEMBER 31, 2018

	Metered Gallons	Miles from Connection to Plant	Gallon Miles	Percentage of Gallon-Miles of Sewage Contributed	Allocation of Transportation Costs (Note C)	Transportation Revenues from Connecting Municipalities	Differences
OUTSIDE MUNICIPALITIES:							
Spring Garden Township	243,550,493	6.25	1,522,190,581	4.67%	\$ 8,421	\$ 8,585	\$ (164)
York Township	1,659,041,323	8.07	13,388,463,477	41.10%	74,110	90,922	(16,812)
Manchester Township	135,656,107	1.19	161,430,767	0.50%	902	835	67
Windsor Township	<u>58,727,180</u>	8.00	<u>469,817,440</u>	<u>1.43%</u>	<u>2,579</u>	<u>3,166</u>	<u>(587)</u>
Total outside municipalities	<u>2,096,975,103</u>		<u>15,541,902,265</u>	<u>47.70%</u>	86,012	<u>\$ 103,508</u>	<u>\$ (17,496)</u>
SPRINGETTSBURY TOWNSHIP							
Springettsbury Township	<u>2,962,956,784</u>	5.75	<u>17,037,001,508</u>	<u>52.30%</u>	<u>94,306</u>		
	<u>5,059,931,887</u>		<u>32,578,903,773</u>	<u>100.00%</u>	<u>\$ 180,318</u>		

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED YORK CITY DIVERSION PUMP STATION COSTS
YEAR ENDED DECEMBER 31, 2018

	<u>% of 4.8 MGD</u>	<u>Allocation of York City PS Costs</u>	<u>York City PS Revenues from Connecting Municipalities</u>	<u>Differences</u>
Dallastown Borough	0.131	\$ 269	\$ 110	\$ 159
Manchester Township	1.910	3,919	1,602	2,317
Red Lion Borough	0.073	150	61	89
Spring Garden Township	-	-	-	-
Springettsbury Township	28.830	59,148	24,184	34,964
Windsor Borough	0.109	224	91	133
Windsor Township	23.005	47,198	19,298	27,900
Yoe Borough	0.357	732	299	433
York Township	<u>45.585</u>	<u>93,524</u>	<u>38,239</u>	<u>55,285</u>
	<u>100.000</u>	<u>\$ 205,164</u>	<u>\$ 83,884</u>	<u>\$ 121,280</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED NET LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2018

	Metered Gallons	Percentage of Sewage Contributed	Allocation of Net Local (Treatment) Cost	Local (Treatment) Revenues from Connecting Municipalities	Differences
OUTSIDE MUNICIPALITIES:					
Spring Garden Township:	243,550,493	4.48%			
Adjusted Flow - Spring Garden	<u>23,261,068</u>	<u>0.43%</u>			
Spring Garden Township Total Flows	<u>266,811,561</u>	<u>4.91%</u>	\$ 184,242	\$ 182,231	\$ 2,011
York Township	1,659,041,323	30.51%			
Adjusted Flow - York Township	<u>171,682,362</u>	<u>3.16%</u>			
York Township Total Flows	<u>1,830,723,685</u>	<u>33.67%</u>	1,263,424	1,476,763	(213,339)
Manchester Township	135,656,107	2.50%			
Adjusted Flow - Manchester Township	<u>4,559,248</u>	<u>0.07%</u>			
Manchester Township Total Flows	<u>140,215,355</u>	<u>2.57%</u>	96,436	86,869	9,567
Windsor Township:	58,727,180	1.08%			
Adjusted Flow - Windsor Township	<u>70,033,825</u>	<u>1.29%</u>			
Windsor Township Total Flows	<u>128,761,005</u>	<u>2.37%</u>	88,931	111,192	(22,261)
Total outside municipalities	<u>2,366,511,606</u>	43.52%	1,633,033	<u>\$ 1,857,055</u>	<u>\$ (224,022)</u>
SPRINGETTSBURY TOWNSHIP					
Total treated (measured)	5,437,195,002				
Outside municipalities	<u>(2,366,511,606)</u>				
	<u>3,070,683,396</u>	<u>56.48%</u>	<u>2,119,340</u>		
	<u>5,437,195,002</u>	<u>100.00%</u>	<u>\$ 3,752,373</u>		

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF CAPITAL ADDITIONS ACCOUNTS AND
CAPITAL ACCOUNT BALANCES
AS OF DECEMBER 31, 2018

	Cash Balance at 1/1/2018	(A) Additional Contributions (withdrawals)	5% on Transport - 2018	5% on Diversion Pump Station - 2018	5% on Debt Service - 2018	(B) Investment Income (loss)	(C) Depreciation Transferred 2018	(D) Capital Improvements	Cash Balance at 12/31/2018	Balance at 12/31/2018
Dallastown Borough	\$ 266,177	\$ -	\$ -	\$ 6	\$ 4,943	\$ (551)	\$ 32,356	\$ (15,228)	\$ 287,703	\$ 287,703
Manchester Township	381,804	-	42	80	6,960	(789)	45,172	(21,260)	412,009	412,009
Red Lion Borough	431,971	-	-	3	7,767	(892)	50,565	(23,798)	465,616	465,616
Spring Garden Townsh	534,587	-	429	-	7,363	(1,085)	47,791	(22,492)	566,593	566,593
Springettsbury Townsh	3,436,511	67,956	4,539	1,209	49,514	(7,193)	386,061	(181,701)	3,756,896	3,756,896
Windsor Borough	96,488	-	-	5	1,684	(199)	11,140	(5,243)	103,875	103,875
Windsor Township	866,743	-	155	965	9,885	(1,791)	112,356	(52,879)	935,434	935,434
Yoe Borough	49,517	-	-	15	807	(102)	5,998	(2,823)	53,412	53,412
York Township	1,591,053	-	4,546	1,912	11,902	(3,250)	172,755	(81,305)	1,697,613	1,697,613
	<u>\$ 7,654,851</u>	<u>\$ 67,956</u>	<u>\$ 9,711</u>	<u>\$ 4,195</u>	<u>\$ 100,825</u>	<u>\$ (15,852)</u>	<u>\$ 864,194</u>	<u>\$ (406,729)</u>	<u>\$ 8,279,151</u>	<u>\$ 8,279,151</u>

Notes:

(A): Contributions represent amounts deposited into the capital account fund per the IG agreement.

(B): Investment income is comprised of the following for the year ended December 31, 2018:

Unrealized gain (loss)	\$ (16,744)
Accrued interest	<u>892</u>
Investment income (loss)	<u>\$ (15,852)</u>

(C): Depreciation transferred is based on contributed amounts included in operating charges to each municipality and is allocated based on percentage of average daily flow in exhibit A of the Agreement.

(D): Net capital improvements are net of Springettesbury contribution to the IG account per the agreement.

See accompanying notes.

SPRINGGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED DEBT SERVICE AND SUBSIDY REIMBURSEMENTS
YEAR ENDED DECEMBER 31, 2018

Subsidy reimbursements budgeted: \$ 233,500
 Subsidy reimbursements received: 219,214

Shortage: \$ (14,286)

Municipality:	Percentage of Gallons	Share of Total Debt Service Paid	Debt Service Billed	Difference
Dallastown Borough	4.90%	\$ 99,296	\$ 98,851	\$ (445)
Manchester Township	6.90%	139,825	139,198	(627)
Red Lion Borough	7.70%	156,036	155,337	(699)
Springettsbury Township	49.13%	995,593	991,131	(4,462)
Spring Garden Township	7.30%	147,931	147,268	(663)
Windsor Borough	1.67%	33,842	33,690	(152)
Windsor Township	9.80%	198,592	197,702	(890)
Yoe Borough	0.80%	16,212	16,139	(73)
York Township	11.80%	239,121	238,049	(1,072)
Total	<u>100.00%</u>	<u>\$ 2,026,448</u>	<u>\$ 2,017,365</u>	<u>\$ (9,083)</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of Springettsbury Township Sewer Fund (Sewer Fund) are prepared on the accrual basis of accounting. The financial statements are presented in accordance with the provisions of the Articles of Agreement dated January 23, 2003 between Springettsbury Township, York Township, Windsor Township, Red Lion Borough, Dallastown Borough, Windsor Borough, Yoe Borough, Spring Garden Township and Manchester Township (the Agreement).

Transportation Costs, York City Pump Station Costs, and Net Local Treatment Costs

The agreement requires the costs of treatment and transportation of the participating municipalities' sewage are to be shared proportionately by each municipality.

At the time of recording in the accounting system, costs of transportation are determined to be shared (allocable to Springettsbury Township and the outside municipalities), unshared (Springettsbury Township cost only), or associated with the York City diversion pump station. Shared transportation costs are allocated to the outside municipalities based on the relative number of gallon-miles for each such outside municipality. Gallon-miles are based on sewage gallonage from each municipality and the distance each municipality is from the treatment plant. Weighted miles for each municipality are included in the Agreement in Exhibit B.

Pump station costs are allocated to the outside municipalities based on the relative participation in the capacity purchased from York City.

Net local treatment costs, as defined by the Articles of Agreement, are total costs less any state or federal grants, subsidies, or reimbursements, and any other receipts other than from the connecting municipalities. These net local treatment costs are allocated to each municipality based on sewage contributed to the plant from each connecting municipality.

The Articles of Agreement specify that each connecting municipality share net local treatment costs and transportation costs based on the sewage flows metered or measured on an annual basis.

Use of Estimates

The preparation of financial statements in conformity with the Agreement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

SPRINGETTSBURY TOWNSHIP SEWER FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Capital assets are recorded at cost which includes engineering fees, interest, and other expenses incurred during the period of construction as required by generally accepted accounting principles. Major additions and betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for depreciable assets are as follows:

Treatment plant	5 - 50 years
Collection lines	5 - 50 years
Machinery and equipment	3 - 20 years
Other furniture and fixtures	5 - 15 years

NOTE B - CAPITAL ASSETS

A summary of property, plant and equipment as of December 31, 2018, is as follows:

Land and right-of-ways	\$ 1,826,785
Collection lines	33,166,596
Treatment plant	56,720,568
Machinery and equipment	<u>4,065,832</u>
	95,779,781
Less: accumulated depreciation	<u>(49,107,506)</u>
Net property, plant and equipment	<u>\$ 46,672,275</u>

Depreciation expense for the year ended December 31, 2018 totaled \$3,018,952 for all Sewer Fund assets. Depreciation related to Biological Nutrient Removal (BNR) assets totaled \$1,231,573 for the year ended December 31, 2018 which is not allocated to the member municipalities, as the reimbursement for these assets is currently recovered through charges for the related debt service.

NOTE C - ALLOCATION OF TRANSPORTATION COSTS

Total transportation costs were \$1,616,388. Sewer Fund management determined that 11% of total transportation costs (or \$180,318) was allocable to the participating municipalities based on direct determination as a shared cost. The remaining 89% (or \$1,436,071) was allocated solely to Springettsbury Township or identified as a York City diversion pump station cost.

SPRINGETTSBURY TOWNSHIP SEWER FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE D - NET FLOW ADJUSTMENT

The Township, in conjunction with the participating municipalities, adjusted the effluent metered totals at the connection points to the effluent flow entering the plant. The net flow adjustment consists of the unmeasured flow that did not flow into the wastewater plant. The Township's wastewater personnel and engineers have reviewed the unmeasured flow and resulting adjustment of 419,412,535 gallons. According to Section 12.04c of the Agreement, the net flow adjustment is allocated based on miles percentage of the participating municipalities.

	<u>Net Flow Adjustment Gallons</u>
Spring Garden Township	19,586,565
York Township	172,378,552
Manchester Township	2,097,063
Windsor Township	5,997,599
Springettsbury Township	<u>219,352,756</u>
	<u>419,412,535</u>

NOTE E - CAPITAL ADDITION ACCOUNT

The Articles of Agreement created a capital improvement fund for the purpose of creating a reserve of money to pay for capital additions of the shared systems. Funding for the account will come from a 5% capital addition charge to each appropriate municipality for transportation, pumping station and debt service costs for the year. In addition, depreciation charges billed to the participating municipalities for treatment and other shared expenses are transferred to their respective capital accounts based on percentage of average daily flow in Exhibit A of the Agreement.

NOTE F - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.