

Springettsbury Township Sewer Fund

Statement of Net Local Treatment Costs
Statement of Transportation Cost and Local 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
Independent Auditors' Report

December 31, 2016

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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, and the statement capital additions account and capital account balances, of the Springettsbury Township Sewer Fund (collectively referred to as "financial statements") for the year ended December 31, 2016, 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 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.

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, 2016, 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, the participating municipalities, and is not intended to be, and should not be, used by anyone other than these specified parties.

York, Pennsylvania
June 19, 2017

SPRINGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF NET LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2016

LOCAL TREATMENT REVENUES:

Hauling service	\$ 540,795	
Samples	78,977	
Discharge permits	9,415	
Fines	250	
Utility contract reimbursement	30,766	
Sale of property	1,258	
Miscellaneous	90	
Late fees	1,676	
Refunds	<u>54,662</u>	
Total local treatment revenues		\$ 717,889
Local treatment expenses		<u>4,731,086</u>
Net local treatment costs		<u>4,013,197</u>
Total gallons of sewage treated		<u>4,023,914,054</u>
Local cost of treatment per 1,000 gallons of sewage		<u>\$ 0.9973</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF TRANSPORTATION COSTS
AND LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2016

	<u>Intermunicipal Shared Expenses</u>				TOTAL EXPENSES
	<u>Transportation Expenses</u>			Local Treatment	
	<u>Springettsbury Expenses</u>	<u>York City Diversion PS</u>	<u>Shared Transportation</u>		
EXPENSES:					
Salaries	\$ 165,247	\$ 1,325	\$ 1,851	\$ 1,140,243	\$ 1,308,666
Depreciation expense	350,957	56,287	169,464	587,202	1,163,910
Amortization expense	10,581	-	-	-	10,581
Utilities	86,715	6,621	2,523	883,078	978,937
Insurance and employee benefits	96,818	776	1,085	694,528	793,207
Chemicals	1,152	-	-	348,002	349,154
Maintenance and repairs	98,268	326	1,179	348,045	447,818
Vehicle operations	31,994	257	358	32,910	65,519
Administrative expenses	173,224	5,651	-	146,125	325,000
Payroll taxes	12,417	100	139	87,456	100,112
Engineering services	6,266	-	-	39,661	45,927
Contracted services	35,597	30,285	113	311,253	377,248
Materials and supply	5,996	44	186	51,344	57,570
Professional services	19,223	-	-	23,011	42,234
Training, seminars, conferences	1,541	12	17	15,166	16,736
Rental expense	-	-	133	1,223	1,356
Equipment purchases	1,249	-	-	19,575	20,824
Advertising	191	-	-	1,278	1,469
Bad debts	-	-	-	986	986
Capacity Rental	106,000	-	-	-	106,000
Refund of prior year revenue	12,040	-	-	-	12,040
	<u>\$ 1,215,476</u>	<u>\$ 101,684</u>	<u>\$ 177,048</u>	<u>\$ 4,731,086</u>	<u>6,225,294</u>
Additional Expenses Billed Directly					
BNR depreciation - not billed due to paying debt					1,238,048
Depreciation - posted to grant equity					579,555
York City - additional capacity					725,000
Debt Service Interest					944,268
					<u>\$ 9,712,165</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED TRANSPORTATION COSTS
YEAR ENDED DECEMBER 31, 2016

	<u>Metered Gallons</u>	<u>Miles from Connection to Plant</u>	<u>Gallon Miles</u>	<u>Percentage of Gallon-Miles of Sewage Contributed</u>	<u>Allocation of Transportation Costs (Note C)</u>	<u>Transportation Revenues from Connecting Municipalities</u>	<u>Differences</u>
OUTSIDE MUNICIPALITIES							
Spring Garden Township	168,197,415	6.25	1,051,233,844	4.41%	\$ 7,808	\$ 9,311	\$ (1,503)
York Township	1,408,709,653	8.07	11,368,286,900	47.70%	84,452	94,044	(9,592)
Manchester Township	91,753,055	1.19	109,186,135	0.46%	814	874	(60)
Windsor Township	<u>49,163,004</u>	8.00	<u>393,304,032</u>	<u>1.64%</u>	<u>2,904</u>	<u>2,907</u>	<u>(3)</u>
Total outside municipalities	<u>1,717,823,127</u>		<u>12,922,010,911</u>	<u>54.21%</u>	<u>95,978</u>	<u>\$ 107,136</u>	<u>\$ (11,158)</u>
SPRINGETTSBURY TOWNSHIP							
Springettsbury Township	<u>1,897,152,024</u>	5.75	<u>10,908,624,138</u>	<u>45.79%</u>	<u>81,070</u>		
	<u>3,614,975,151</u>		<u>23,830,635,049</u>	<u>100.00%</u>	<u>\$ 177,048</u>		

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED YORK DIVERSION CITY PUMP STATION COSTS
YEAR ENDED DECEMBER 31, 2016

	<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	\$ 133	\$ 109	\$ 24
Manchester Township	1.910	1,942	1,596	346
Red Lion Borough	0.073	74	61	13
Spring Garden Township	0.000	-	-	-
Springettsbury Township	28.830	29,316	24,092	5,224
Windsor Borough	0.109	111	91	20
Windsor Township	23.005	23,392	19,224	4,168
Yoe Borough	0.357	363	298	65
York Township	<u>45.585</u>	<u>46,353</u>	<u>38,093</u>	<u>8,260</u>
	<u>100.000</u>	<u>\$ 101,684</u>	<u>\$ 83,564</u>	<u>\$ 18,120</u>

See accompanying notes.

SPRINGETTSBURY TOWNSHIP SEWER FUND
SCHEDULE OF ALLOCATED NET LOCAL TREATMENT COSTS
YEAR ENDED DECEMBER 31, 2016

	<u>Metered Gallons</u>	<u>Percentage of Sewage Contributed</u>	<u>Allocation of Net Local Treatment Cost</u>	<u>Local Treatment Revenues from Connecting Municipalities</u>	<u>Differences</u>
OUTSIDE MUNICIPALITIES:					
Spring Garden Township:	168,197,415	4.18%			
Adjusted Flow - Spring Garden	<u>22,290,257</u>	<u>0.55%</u>			
Spring Garden Township Total Flows	<u>190,487,672</u>	<u>4.73%</u>	\$ 189,824	\$ 201,628	\$ (11,804)
York Township	1,402,621,076	34.86%			
Adjusted Flow - York Township	<u>164,517,127</u>	<u>4.09%</u>			
York Township Total Flows	<u>1,567,138,203</u>	<u>38.95%</u>	1,563,140	1,568,824	(5,684)
Manchester Township	91,498,730	2.28%			
Adjusted Flow - Manchester Township	<u>4,368,966</u>	<u>0.10%</u>			
Manchester Township Total Flows	<u>95,867,696</u>	<u>2.38%</u>	95,514	93,834	1,680
Windsor Township:	46,100,426	1.15%			
Adjusted Flow - Windsor Township	<u>67,110,934</u>	<u>1.67%</u>			
Windsor Township Total Flows	<u>113,211,360</u>	<u>2.82%</u>	113,173	110,508	2,665
Total outside municipalities	<u>1,966,704,931</u>	48.88%	1,961,651	<u>\$ 1,974,794</u>	<u>\$ (13,143)</u>
SPRINGETTSBURY TOWNSHIP					
Total treated (measured)	4,023,914,054				
Outside municipalities	<u>(1,966,704,931)</u>				
	<u>2,057,209,123</u>	<u>51.12%</u>	<u>2,051,546</u>		
	<u>4,023,914,054</u>	<u>100.00%</u>	<u>\$ 4,013,197</u>		

See accompanying notes.

SPRINGGETTSBURY TOWNSHIP SEWER FUND
STATEMENT OF CAPITAL ADDITIONS ACCOUNTS AND
CAPITAL ACCOUNT BALANCES
AS OF DECEMBER 31, 2016

	Cash Balance at 1/1/2016	(A) Additional Contributions (withdrawals)	5% on Transport - 2016	5% on Diversion Pump Station - 2016	5% on Debt Service - 2016	(B) Investment Income	(C) Depreciation Transferred 2016	(D) Capital Improvements	Cash Balance at 12/31/16	Balance at 12/31/16
Dallastown Borough	\$ 223,921	\$ -	\$ -	\$ 5	\$ 4,954	\$ 2,691	\$ 31,307	\$ (12,833)	\$ 250,045	\$ 250,045
Manchester Township	322,233	-	44	80	6,976	3,864	43,708	(17,916)	358,989	358,989
Red Lion Borough	365,524	-	-	3	7,785	4,376	48,926	(20,054)	406,560	406,560
Spring Garden Township	468,236	-	466	-	7,381	5,477	46,242	(18,954)	508,848	508,848
Springettsbury Township	2,372,529	344,768	4,145	1,205	33,160	32,382	373,559	(153,120)	3,008,628	3,008,628
Windsor Borough	81,865	-	-	5	1,688	978	10,779	(4,418)	90,897	90,897
Windsor Township	733,341	-	145	961	9,908	8,797	108,714	(44,561)	817,305	817,305
Yoe Borough	41,868	-	-	15	809	502	5,803	(2,379)	46,618	46,618
York Township	1,377,686	-	4,702	1,905	11,930	16,265	167,156	(68,516)	1,511,128	1,511,128
	<u>\$ 5,987,203</u>	<u>\$ 344,768</u>	<u>\$ 9,502</u>	<u>\$ 4,179</u>	<u>\$ 84,591</u>	<u>\$ 75,332</u>	<u>\$ 836,194</u>	<u>\$ (342,751)</u>	<u>\$ 6,999,018</u>	<u>\$ 6,999,018</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, 2016:

Investment earnings realized	\$107,012
Unrealized loss	<u>(31,679)</u>
Investment Income	<u>\$ 75,332</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of Springgettsbury 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 Springgettsbury 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 Springgettsbury Township and the outside municipalities), unshared (Springgettsbury 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.

SPRINGGETTSBURY TOWNSHIP SEWER FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, is as follows:

Land and right-of-ways	\$ 1,826,785
Collection lines	31,505,080
Treatment plant	56,331,752
Machinery and equipment	<u>4,034,182</u>
	93,697,799
Less: accumulated depreciation	<u>(43,450,062)</u>
Net property, plant and equipment	<u>\$ 50,247,737</u>

Depreciation expense for the year ended December 31, 2016 totaled \$2,981,513 for all Sewer Fund assets. Depreciation related to Biological Nutrient Removal (BNR) assets totaled \$1,238,048 for the year ended December 31, 2016 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 \$1,494,208. Sewer Fund management determined that 11.8% of total transportation costs (or \$177,048) was allocable to the participating municipalities based on direct determination as a shared cost. The remaining 88.2% (or \$1,317,160) was allocated solely to Springgettsbury Township or identified as a York City diversion pump station cost.

SPRINGETTSBURY TOWNSHIP SEWER FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 422,258,843 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	19,972,843
York Township	164,469,819
Manchester Township	10,049,761
Windsor Township	11,907,699
Springettsbury Township	<u>215,858,721</u>
	<u>422,258,843</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.