

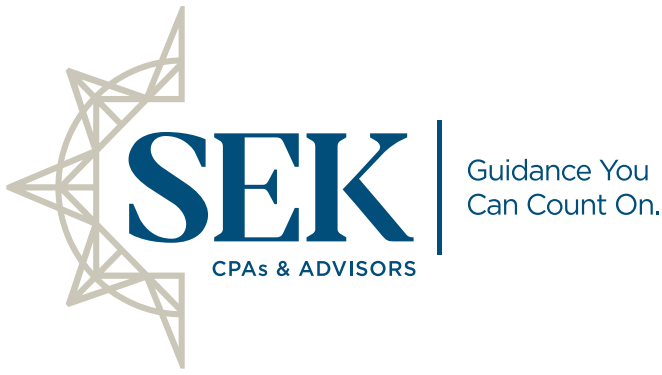
Audited
Financial
Statements

December 31,
2023

Springfield Township,
York County,
Sewer Authority

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of net position – modified cash basis	4
Statement of revenues, expenses, and changes in net position – modified cash basis	5
Statement of cash flows – modified cash basis	6
Notes to financial statements	7 - 14
OTHER SUPPLEMENTARY INFORMATION	
Statement of revenues, expenses, and changes in net position – modified cash basis – by municipality	15
Statement of cash flows – cash basis – by municipality	16



INDEPENDENT AUDITOR'S REPORT

To the Board of the Authority
Springfield Township, York County, Sewer Authority
Seven Valleys, Pennsylvania

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the modified cash basis financial statements of the Springfield Township, York County, Sewer Authority, Pennsylvania (the Authority), a component unit of the Springfield Township, York County, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the accompanying financial statements referred to the above present fairly, in all material respects, the modified cash basis financial position of Springfield Township, York County, Sewer Authority as of December 31, 2023, and the changes in modified cash basis financial position and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Qualified Opinion

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 opinion.

Matter Giving Rise to the Qualified Opinion

As described in Note 1, the Authority does not depreciate capital assets. Accounting principles applicable to the Authority's modified cash basis of accounting require capital assets to be depreciated over their estimated useful lives. If the financial statements were adjusted to record depreciation, based on the straight-line depreciation method, capital assets and net position would have decreased by \$ 7,885,237 as of December 31, 2023 and the changes in net position would have decreased by \$ 406,672 for the year then ended.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1; and for determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. 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.

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 Springfield Township, York County, Sewer 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 Springfield Township, York County, Sewer 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Springfield Township, York County, Sewer Authority's basic financial statements. The statement of revenues, expenses, and changes in net position – modified cash basis – by municipality and statement of cash flows – cash basis – by municipality are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the matters noted above in the paragraph titled “Matter Giving Rise to the Qualified Opinion”, the statement of revenues, expenses, and changes in net position – modified cash basis – by municipality and statement of cash flows – cash basis – by municipality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Chambersburg, Pennsylvania
May 15, 2024

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Statement of Net Position – Modified Cash Basis
December 31, 2023

ASSETS

Current Assets

Cash and cash equivalents \$ 2,207,229

Noncurrent Assets

Prepaid bond insurance 14,376

Capital assets not being depreciated

Sewer System, Building, and Improvements 12,009,832

Centrifuge 2,172,773

Equipment 70,683

Total noncurrent assets 14,267,664

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on bond refunding 33,073

Total assets and deferred outflow of resources \$ 16,507,966

LIABILITIES

Current Liabilities

Notes payable - current portion \$ 705,000

Noncurrent Liabilities

Notes payable - long-term portion 1,471,000

Total liabilities 2,176,000

NET POSITION

Net investment in capital assets 12,110,361

Unrestricted 2,221,605

Total net position 14,331,966

Total liabilities and net position \$ 16,507,966

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
Year Ended December 31, 2023

Operating Revenue

User fees	\$ 1,612,135
Transportation fees	4,852
Reservation fees	8,157
Public safety - permits	450
Miscellaneous income	<u>32,202</u>
Total operating revenues	<u>1,657,796</u>

Operating Expenses

Administrative services	50,520
Engineering fees	20,250
Insurance	22,421
Legal and accounting fees	46,632
Miscellaneous expenses	6,447
Office expense	11,032
Other plant expenses	18,059
PA One Call	4,170
Plant operator	123,268
Plant supplies	71,248
Plumbing inspector	450
Purchased nitrate credits	7,259
Repairs and maintenance	118,883
Sludge hauling and disposal	43,954
Telephone	7,320
Transportation fees	4,852
Utilities	<u>133,550</u>
Total operating expenses	<u>690,315</u>

Operating income 967,481

Nonoperating Revenues and Expenses

Interest income	77,860
Interest expense	(76,569)
Amortization of bond issuance costs	<u>(5,279)</u>

Total nonoperating revenues and expenses (3,988)

Change in net position 963,493

Total net position - beginning	<u>13,368,473</u>
Total net position - ending	<u>\$ 14,331,966</u>

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Statement of Cash Flows – Modified Cash Basis
Year Ended December 31, 2023

Cash flows from operating activities

Receipts from customers	\$ 1,657,796
Payments to suppliers for goods and services	(721,096)
Refunds for expenses	<u>30,781</u>
Net cash provided by operating activities	<u>967,481</u>

Cash flows from capital and related financing activities

Acquisition/construction of capital assets	(135,130)
Principal paid on debt	(691,000)
Interest paid on debt	<u>(64,393)</u>
Net cash (used) by capital and related financing activities	<u>(890,523)</u>

Cash flows from investing activities

Interest received	<u>77,860</u>
Net cash provided by investing activities	<u>77,860</u>

Net increase in cash and cash equivalents 154,818

Cash and cash equivalents - beginning of the year 2,052,411

Cash and cash equivalents - end of the year \$ 2,207,229

**Reconciliation of income from operations to net cash provided
by operating activities**

Operating income	\$ 967,481
No reconciling items	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 967,481</u></u>

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY

Notes to Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Springfield Township, York County, Sewer Authority (the "Authority") is a body, politic and corporate, created pursuant to an ordinance of the Board of Supervisors of the Township of Springfield, York County, Pennsylvania (the "Township"), under an Act of the General Assembly of the Commonwealth of Pennsylvania, approved on May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945. The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on June 27, 1997 and continues for a period of fifty (50) years.

The Authority was formed to construct and operate a sanitary sewage collection, transmission, treatment, and disposal system to serve portions of Springfield Township, the Boroughs of Loganville and Seven Valleys, and to provide bulk treatment service for the residents of the Borough of Jacobus.

The governing body of the Authority is a board consisting of five (5) members appointed by the Board of Supervisors of the Township. The board is authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance, and operation of the system's facilities.

Reporting Entity

For purposes of defining the scope of the financial reporting entity, the Authority is considered a component unit of the Township. Such determination is consistent with the Township's exercise of "oversight responsibility" pursuant to Governmental Accounting Standards Board ("GASB") Statements. There are no entities that are considered component units of the Authority.

Basis of Accounting

The accompanying financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from the accrual basis, which is the basis recognized under accounting principles generally accepted in the United States of America (GAAP). Generally, this basis recognizes assets, liabilities, net position, revenues and expenses only when they result from cash transactions. However, the modified cash basis includes reporting of undepreciated capital assets, prepaid expenses, deferred outflows of resources, and long-term debt, are shown in the financial statements. Depreciation of capital assets has been excluded from these financial statements.

As a result of the use of the modified basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash equivalents

The Authority considers all highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less to be cash equivalents.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Notes to Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Bond Insurance

As part of the issuance of the Guarantee Sewer Revenue Notes, 2011 Series A-1, A-2, and A-3, the Authority purchased a municipal bond insurance policy, which guarantees the payment of principal and interest on the notes in the event of default by the Authority.

Capital Assets

The Authority's modified cash basis of accounting reports capital assets resulting from cash transactions at cost.

The Authority defines capital assets as those with a cost of \$ 2,500 or greater and an estimated useful life of more than one year. All capital assets were capitalized at estimated historical cost and are updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are reported at cost and are not depreciated over their estimated useful lives. The following details the useful lives of the Authority's capital assets:

Sewer System, Building, and Improvements	15 – 40 years
Centrifuge	40 years
Equipment	5 – 10 years

Long-Term Liabilities

Long-term debt is reported as a liability in the statement of net position-modified cash basis.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position – modified cash basis, 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(s) and will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category, the deferred charge on bond refunding. This will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Notes to Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is comprised of accumulated net earnings from operating income and expenses, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

Net Investments in Capital Assets – This component consists of undepreciated capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other liabilities that are attributable to the acquisition, construction or improvement of those capital assets.

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position as of December 31, 2023.

Unrestricted – This component of net position is the net amount 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 – net of related debt or the restricted component of net position.

Net Position Flow Assumption - Sometimes the Authority will fund outlays from particular purposes from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted or unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Classification of Revenues

The Authority has classified its revenues and expenses as either operating or non-operating. Operating revenues include all activities and amounts charged to customers for use of the sewer system and for the right to connect to the sewer system now or at a future date.

Nonoperating revenues include interest income and insurance reimbursements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates in preparing the financial statements.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS

Section 7.1 of the Pennsylvania Municipal Authorities Act and Pennsylvania Act 10 of 2016 defines allowable investments for authorities, which are summarized as follows:

- U.S. Treasury bills
- Short-term obligations of the U.S. Government and federal agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2023, \$ 1,902,490 of the Authority's bank balance of \$ 2,213,084 was exposed to custodial credit risk. The deposits were uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

All bank deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized under Pennsylvania Act 72. Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Based on the standards outlined in Act 72, the various banks utilized by the Authority have pledged collateral on a pooled basis on behalf of the Authority and all other governmental depositors in the respective financial institutions.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Notes to Financial Statements

NOTE 3 CAPITAL ASSETS

Capital assets, at undepreciated cost, for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost				
Capital assets not being depreciated:				
Sewer System, Building, and Improvements	\$ 11,874,702	\$ 135,130	\$ -	\$ 12,009,832
Centrifuge	2,172,773	-	-	2,172,773
Equipment	70,683	-	-	70,683
Total Capital Assets	<u>\$ 14,118,158</u>	<u>\$ 135,130</u>	<u>\$ -</u>	<u>\$ 14,253,288</u>

NOTE 4 NOTES PAYABLE

Bonds payable and related activities is detailed as follows for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
Guaranteed Sewer Revenue Note						
Direct Borrowing						
2011 A-3 Series	(a) \$ 2,867,000	\$ -	\$ (691,000)	\$ 2,176,000	\$ 705,000	\$ 1,471,000

During 2011 the Authority issued notes payable with the Delaware Valley Regional Finance Authority (DeVal), to refinance existing debt. The remaining notes are detailed below. See Note 10 for contingencies related to the interest rate management plan associated with these notes.

- (a) The Guaranteed Sewer Revenue Note, 2011 A-3 Series proceeds were used to (1) currently refund a portion of the Authority's Guaranteed Sewer Revenue Bonds, 2006 Series A and Series B and (2) provide for the payment of costs and expenses of issuing and insuring the Note, 2011 A-3 Series. The note is collateralized by a pledge of all revenue derived from the ownership and/or operation of the sewer system. In addition, the note is guaranteed by the Township under a Guaranty Agreement, dated December 21, 2011. The Boroughs of Loganville and Seven Valleys have guaranteed their proportionate share of the note, under an Intergovernmental Guaranty, dated the same date. The note requires principal payments from 2021 through 2026, with interest payable monthly at 2.39 percent.

Required Debt Covenants

The loan agreement with DeVal requires the Authority to assess rates and other charges to Authority customers and maintain unrestricted funds to sufficiently fund operations and sewer system maintenance including debt service costs that are to be paid timely per the agreed upon debt payment schedule. The agreement also requires the Authority to include debt service payments in the annual budget, appropriate funds for future loan service payments from general use funds, maintain adequate insurance policies and maintain its current exempt local government status.

The loan agreement also requires the Authority to provide DeVal and the Organizations guaranteeing the note with a copy of the annual financial statements and other financial information upon request.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Notes to Financial Statements

NOTE 4 NOTES PAYABLE (CONTINUED)

In the event of default due to nonpayment or violation of assignment and various debt covenants, DeVal or the Trustee may declare all repayments to be immediately due and payable.

Future Maturities

The following represents future debt principal and interest payments for the outstanding debt as of December 31, 2023.

	Guaranteed Sewer Revenue Note	
	2011 A-3 Series	
	Principal	Interest
2024	\$ 705,000	\$ 47,794
2025	724,000	30,831
2026	747,000	13,390
	<u>\$ 2,176,000</u>	<u>\$ 92,015</u>

NOTE 5 NOTES PAYABLE GUARANTEE

The Guaranteed Sewer Revenue Notes, 2011 A-3 Series is guaranteed by the full faith, credit, and taxing power of Springfield Township under a Guaranty Agreement (the "Guaranty"), dated December 21, 2011. The Guaranty includes 100 percent of the outstanding debt (\$ 2,176,000 at December 31, 2023), for the full term of the obligations, through 2026. In the event the Authority fails to make any scheduled loan payments, the Township is obligated to make those payments.

The Guaranty requires the Authority to provide to the Township and Boroughs, by November 1 each year, an adopted budget for the following year showing (1) the anticipated funds available for the scheduled payment of the debt, (2) the amount of any deficiency that the Township would be required to fund under the Guaranty, and (3) the amount of any subsidy payments the Boroughs would be required to fund under the Intergovernmental Guaranty Agreement. Should any payments be made by the Township under the Guaranty, the Authority is required to set rates and charges in the subsequent year sufficient to reimburse the Township and Boroughs in the subsequent year, and to set rates and charges in every subsequent year equal to at least 115 percent of all scheduled payments on the notes and any other debt of the Authority. There have been no payments, under the Guaranty, made by the Township in the current or any prior years.

The Intergovernmental Guaranty Agreement dated December 21, 2011, between the Township, Loganville and Seven Valleys Boroughs, and the Authority provides that, should any payments be required to be made by the Township under the Guaranty, Loganville Borough agrees to pay the Township 32.18 percent of such payment and Seven Valleys Borough agrees to pay the Township 11.66 percent of such payment. The obligations under the agreement are guaranteed by a pledge of the full faith and taxing power of Loganville and Seven Valleys Boroughs.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY

Notes to Financial Statements

NOTE 6 JACOBUS SEWER AGREEMENT

In an agreement, dated August 16, 1995, between Jacobus Borough Sewer Authority ("Jacobus Authority") and the Township, Jacobus Authority agreed to pay the Authority a portion of the construction costs of the treatment plant and any shared facilities, as determined by the Authority's consulting engineers. Jacobus Authority borrowed its own funds and paid the Authority a lump sum capital contribution. In addition, the agreement states that the Authority will provide sewage transportation and treatment for Jacobus Authority. Effective July 24, 2019 the agreement was assigned to the York Water Company. The York Water Company is charged quarterly for its proportionate share of operating costs for treatment and shared facilities, as calculated by the Authority's consulting engineers and the York Water Company charges its residences, not the Authority, for sewer services. This is different from the other municipalities as the residences are charged directly by the Authority on a quarterly basis.

NOTE 7 RESERVATION FEES

Operating revenues include reservation fees which are paid annually by property owners to hold available capacity within the sewer system for their future use. The original ten-year reservation period for several property owners has passed. In order to continue to reserve the capacity and as an accommodation because of economic conditions, the Authority allowed the property owners to continue to extend the reservation for an additional five-year period until July 31, 2024. The current annual reservation fee is equal to sixty percent of the current user fee applicable to the sewer district the property is located. It is expected that all reservation will convert to sewer usage at full rates at the time of connection to the system. Revenue for reservation fees were \$ 8,157 for the year ended December 31, 2023.

NOTE 8 RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority utilizes commercial insurance to manage its risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9 COMMITMENTS

The Authority contracts with a local company to operate and maintain the sewer system owned by the Authority. The contract for services started on January 1, 2015 and has been extended multiple times through December 31, 2025. The stated monthly fee for services is \$ 10,272 per month. In addition, the Authority agrees to pay the contractor for services outside the normal service hours at contracted rates. Services provided outside the normal service hours are subject to approval by the Authority's Board.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY

Notes to Financial Statements

NOTE 10 CONTINGENCIES

SWAP Agreement

The Loan Agreement for the 2011 Guaranteed Sewer Revenue Notes obligates the Authority to pay any "termination charges" relating to interest rate swap agreements between the lender (Delaware Valley Regional Finance Authority) and third-party financial institutions. The market (termination) value of the related interest rate swap agreement is the estimated fee that would be owed by the Authority. Termination charges may result from: prepayment by the Authority of the 2011 Notes before the end of their scheduled terms; a default by the Authority or the Township (as "Guarantor") on interest or principal payments for the 2011 Notes; or other specified events described in the "Interest Rate Management Plan" associated with the Loan Agreement. The swap value associated with the Authority's debt was \$ 32,796 at December 31, 2023. Management has evaluated the likelihood of the events, which could trigger the termination charges and believes that they are remote. There is no provision included in the financial statements for the potential impact of any termination charges.

Intermunicipal Agreement Under Mediation

Springfield Township along with the other municipalities within the system, entered into an intergovernmental agreement in 2011 that governs how transactions of Springfield Township, York County, Sewer Authority are allocated. Within the agreement there is a clause that states if an error is found there is an option to take the issue to mediation. In November 2019, Springfield Township communicated with all related municipalities requesting mediation. During 2022, all parties agreed to enter into mediation to discuss the calculations used to establish the breakdown of percentage rates/ratios used to allocate debt financing with the agreement. Mediation meetings have continued in 2024 and no final resolution has been determined.

OTHER SUPPLEMENTARY INFORMATION

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
- Modified Cash Basis - by Municipality
Year Ended December 31, 2023

	Springfield Township	Borough of Loganville	Borough of Seven Valleys	Borough of Jacobus	Total
Operating Revenue					
User fees	\$ 687,822	\$ 507,086	\$ 238,749	\$ 178,478	\$ 1,612,135
Transportation fees	-	4,852	-	-	4,852
Reservation fees	5,304	1,519	1,334	-	8,157
Public safety - permits	140	220	90	-	450
Miscellaneous income	11,724	10,304	2,382	7,792	32,202
Total operating revenues	<u>704,990</u>	<u>523,981</u>	<u>242,555</u>	<u>186,270</u>	<u>1,657,796</u>
Operating Expenses					
Administrative services	28,375	16,386	5,759	-	50,520
Engineering fees	11,391	4,509	2,436	1,914	20,250
Insurance	8,890	5,343	2,222	5,966	22,421
Legal and accounting fees	26,755	15,260	4,617	-	46,632
Miscellaneous expenses	3,725	1,732	608	382	6,447
Office expense	5,435	3,138	1,103	1,356	11,032
Other plant expenses	6,776	5,191	1,375	4,717	18,059
PA One Call	1,802	1,838	530	-	4,170
Plant operator	49,775	28,743	10,102	34,648	123,268
Plant supplies	28,769	16,614	5,840	20,025	71,248
Plumbing inspector	200	200	50	-	450
Purchased nitrate credits	2,931	1,693	595	2,040	7,259
Repairs and maintenance	38,181	22,519	45,915	12,268	118,883
Sludge hauling and disposal	17,749	10,249	3,602	12,354	43,954
Telephone	2,814	2,084	1,157	1,265	7,320
Transportation fees	4,852	-	-	-	4,852
Utilities	52,778	29,288	17,080	34,404	133,550
Total operating expenses	<u>291,198</u>	<u>164,787</u>	<u>102,991</u>	<u>131,339</u>	<u>690,315</u>
Operating income	<u>413,792</u>	<u>359,194</u>	<u>139,564</u>	<u>54,931</u>	<u>967,481</u>
Nonoperating Revenues and Expenses					
Interest income	77,860	-	-	-	77,860
Interest expense	(43,001)	(24,640)	(8,928)	-	(76,569)
Amortization of bond issuance costs	(2,964)	(1,699)	(616)	-	(5,279)
Total nonoperating revenues and expenses	<u>31,895</u>	<u>(26,339)</u>	<u>(9,544)</u>	<u>-</u>	<u>(3,988)</u>
Change in net position	<u>\$ 445,687</u>	<u>\$ 332,855</u>	<u>\$ 130,020</u>	<u>\$ 54,931</u>	<u>\$ 963,493</u>

NOTES

- See page 16 for a statement of cash flows by municipality. It should be noted the above information is presented on the modified cash basis of accounting and does not present principal payments or capital asset acquisitions as expense among other modifications.
- The ratios used to allocate each municipality's share of interest expense and principal payments are based on an Intermunicipal Agreement. The accuracy of these ratios is under review.

SPRINGFIELD TOWNSHIP, YORK COUNTY, SEWER AUTHORITY
Statement of Cash Flows – Cash Basis – by Municipality
Year Ended December 31, 2023

	Springfield Township	Borough of Loganville	Borough of Seven Valleys	Borough of Jacobus	Total
Cash flows from operating activities					
Receipts from customers	\$ 704,990	\$ 523,981	\$ 242,555	\$ 186,270	\$ 1,657,796
Payments to suppliers for goods and services	(301,029)	(178,647)	(109,659)	(131,761)	(721,096)
Refunds for expenses	9,831	13,860	6,668	422	30,781
Net cash provided by operating activities	<u>413,792</u>	<u>359,194</u>	<u>139,564</u>	<u>54,931</u>	<u>967,481</u>
Cash flows from capital and related financing activities					
Acquisition/construction of capital assets	(40,116)	(25,807)	(55,731)	(13,476)	(135,130)
Principal paid on debt *	(388,065)	(222,364)	(80,571)	-	(691,000)
Interest paid on debt *	(36,163)	(20,722)	(7,508)	-	(64,393)
Net cash (used) by capital and related financing activities	<u>(464,344)</u>	<u>(268,893)</u>	<u>(143,810)</u>	<u>(13,476)</u>	<u>(890,523)</u>
Cash flows from investing activities					
Interest received *	77,860	-	-	-	77,860
Net cash provided by investing activities	<u>77,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,860</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 27,308</u>	<u>\$ 90,301</u>	<u>\$ (4,246)</u>	<u>\$ 41,455</u>	<u>154,818</u>
Cash and cash equivalents - beginning of the year					<u>2,052,411</u>
Cash and cash equivalents - end of the year					<u>\$ 2,207,229</u>
Reconciliation of income from operations to net cash provided by operating activities					
Operating income					\$ 967,481
No reconciling items					<u>-</u>
Net cash provided by operating activities					<u>\$ 967,481</u>

NOTES

- * The ratios used to allocate each municipality's share of interest income, interest expense and principal payments are based on an Intermunicipal Agreement. The accuracy of these ratios is under review.