

**YORK TOWNSHIP WATER
AND SEWER AUTHORITY**

**YEARS ENDED
DECEMBER 31, 2015 AND 2014**

YORK TOWNSHIP WATER AND SEWER AUTHORITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Auditors' Report

Members of the Board
York Township Water and Sewer Authority
Dallastown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of York Township Water and Sewer Authority, a component unit of York Township, as of and for the years ended December 31, 2015 and 2014, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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 auditors consider internal control relevant to the Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of York Township Water and Sewer Authority, a component unit of York Township, as of December 31, 2015 and 2014, and the 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 Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and to other knowledge we obtained during our audits 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.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
April 15, 2016

YORK TOWNSHIP WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2015

Overview of the Financial Statements

The York Township Water and Sewer Authority (the Authority) is a Municipal Authority Charter under the Municipal Authorities Act of 1945. The purpose of the Authority is to acquire, hold, construct and provide for the operations of the municipal water and sewer systems for York Township (the Township). The Authority is a component unit of York Township and as such is included in the Township's financial statements. Management's Discussion and Analysis of the York Township Water and Sewer Authority's financial performance provides a brief overview of the Authority's financial activities for the fiscal years ended December 31, 2015, 2014 and 2013. Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements*.

The accompanying financial statements for the York Township Water and Sewer Authority for the year ended December 31, 2015 and 2014 have been prepared in accordance with GASB Statement No. 34 using the accrual basis of accounting. The Authority, in its separately issued financial statements, is reported as an enterprise or proprietary fund. In the combined financial statements of York Township, this fund is blended into the Township's enterprise funds.

The financial statements show financial information on the activities of the Authority and provide a longer-term view of the Authority's finances.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Financial highlights

The net position of York Township Water and Sewer Authority increased by \$557 for 2015 to \$5,669, compared to a decrease of \$454 for 2014 to \$5,112. In 2013, there was an increase of \$4,180 to \$5,566.

Summary of Net Position as of December 31, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	<u>\$ 5,669</u>	<u>\$ 5,112</u>	<u>\$ 5,566</u>
Total assets	<u><u>\$ 5,669</u></u>	<u><u>\$ 5,112</u></u>	<u><u>\$ 5,566</u></u>
Unrestricted net position	<u>\$ 5,669</u>	<u>\$ 5,112</u>	<u>\$ 5,566</u>
Total net position	<u><u>\$ 5,669</u></u>	<u><u>\$ 5,112</u></u>	<u><u>\$ 5,566</u></u>

The \$5,669 of unrestricted net position represents the accumulated results of all past and current years' operations. Basically, the amount of unrestricted net position represents the amount of funds the Authority has remaining when all of the outstanding obligations were paid as of December 31, 2015. The results of the current year's operations are reflected in the statement of revenue, expenses and change in net position for the year ended December 31, 2015.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Capital Assets and Debt Administration

As of December 31, 2015, the Authority had no outstanding debt.

Statement of Revenues, Expenses and Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Interest income		\$ 1	\$ 1
Refund of bond escrowed amounts			106,911
Administrative revenue	<u>\$ 7,500</u>	<u>7,500</u>	<u>15,724</u>
Total revenues	<u>7,500</u>	<u>7,501</u>	<u>122,636</u>
Expenses:			
Administrative expenses	6,943	7,955	11,545
Transfers out			<u>106,911</u>
Total expenses	<u>6,943</u>	<u>7,955</u>	<u>118,456</u>
Change in net position	557	(454)	4,180
Net position, beginning	<u>5,112</u>	<u>5,566</u>	<u>1,386</u>
Net position, ending	<u>\$ 5,669</u>	<u>\$ 5,112</u>	<u>\$ 5,566</u>

YORK TOWNSHIP WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

The comparison above is shown on the accrual basis of accounting. This statement provides a summary of the total cost of the services provided by the Authority and the offsetting revenues used to support those services. The larger difference between the 2014 and 2013 change in net position can be attributed to the Sewer Authority's 2008 sewer bond issue that was paid in full in November 2012. The \$106,911 amount showing as received and transferred out in 2013 represented the final proceeds remaining from the escrow accounts created for the redemption of 1973 and 1977 sewer bonds refunded in 1984. The York Township Water and Sewer Authority approved a resolution to transfer the proceeds to the York Township Sewer Capital Reserve Fund to be used for the payment of appropriate costs and expenses pertaining to the sewer system.

Contacting the Authority's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Manager at 717-741-3861.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

STATEMENTS OF NET POSITION – DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	<u>\$ 5,669</u>	<u>\$ 5,112</u>
NET POSITION		
Unrestricted	<u>\$ 5,669</u>	<u>\$ 5,112</u>

See notes to financial statements.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Administrative revenue	<u>\$ 7,500</u>	<u>\$ 7,500</u>
Total operating revenues	<u>7,500</u>	<u>7,500</u>
Operating expenses:		
Legal and professional fees	3,263	3,952
Engineering fees	2,030	2,320
Administrative fees	<u>1,650</u>	<u>1,683</u>
Total operating expenses	<u>6,943</u>	<u>7,955</u>
Net operating income (loss)	557	(455)
Nonoperating revenue, earnings on investments	<u> </u>	<u> 1</u>
Change in net position	557	(454)
Net position:		
Beginning of year	<u>5,112</u>	<u>5,566</u>
End of year	<u><u>\$ 5,669</u></u>	<u><u>\$ 5,112</u></u>

See notes to financial statements.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from users	\$ 7,500	\$ 7,500
Cash payments to suppliers for goods and services	<u>(6,943)</u>	<u>(7,955)</u>
Net cash provided by (used in) operating activities and operating income (loss)	557	(455)
Cash flows provided by investing activities, earnings on investments	<u> </u>	<u> 1</u>
Increase (decrease) in cash	557	(454)
Cash:		
Beginning of year	<u>5,112</u>	<u>5,566</u>
End of year	<u><u>\$ 5,669</u></u>	<u><u>\$ 5,112</u></u>

See notes to financial statements.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

1. Summary of significant accounting policies:

Reporting entity:

The York Township Water and Sewer Authority (the Authority) is a Municipal Authority Charter under The Municipal Authorities Act of 1945, approved May 2, 1945 P.L. 382, as amended. The purpose of the Authority is to acquire, hold, construct and operate or provide for the operations of the municipal water and sewer systems for York Township. The governing body of York Township Water and Sewer Authority is appointed by the Commissioners of York Township (the Township).

The Township elects to include the Authority as a component unit of its reporting entity determined by the criteria established by the Governmental Accounting Standards Board. The Township is financially accountable for the fiscal matters of the Authority. The Authority is not fiscally independent and, as such, the Authority is a component unit of the Township.

Basis of accounting:

The Authority uses the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The financial statements of the Authority have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Subsequent events:

Management has evaluated subsequent events through April 15, 2016, the date the financial statements were available to be issued.

2. Cash:

As of December 31, 2015, the Authority's bank balance of \$5,669 was fully covered by the Federal Deposit Insurance Corporation.

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk.

YORK TOWNSHIP WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014

3. Lease rentals:

The Authority had entered into lease arrangements with York Township. The Board approved a new lease with the Township which provides for the operation of the sewer system by the Township and payment of the Water and Sewer Authority's expenses from Township sewer revenue. A new 20-year lease was approved by the respective Boards of the Authority and Township on February 20, 2013 and March 12, 2013, respectively. The lease agreement calls for the Township to pay such amounts as the Authority may reasonably request in writing for its administrative expenses. For each of the years ended December 31, 2015 and 2014, \$7,500 was paid to the Authority for administrative expenses.