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Attorneys for Defendants

IN THE COURT OF COMMON PLEAS OF CUMBERLAND COUNTY, PENNSYLVANIA

BOROUGH OF MOUNT HOLLY SPRINGS :
and MOUNT HOLLY SPRINGS :
BOROUGH AUTHORITY, :
Plaintiffs, :

v. :

Case No. 2024-04253

TOWNSHIP OF SOUTH MIDDLETON and :
SOUTH MIDDLETON TOWNSHIP :
MUNICIPAL AUTHORITY, :
Defendants. :

Civil Action – Law

NOTICE TO PLEAD

To: Erik Roberts Anderson, Esq.
Ryan T. Gonder, Esq.
Matthew L. Hoke, Esq.
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17101-1166

You are hereby notified to file a written response to the enclosed Defendants' Answer with New Matter and Counterclaim to Plaintiffs' Second Amended Complaint within twenty (20) days from service hereof or a judgment may be entered against you.

SALZMANN HUGHES, P.C.

Date: October 11, 2024

By: /s/ Isaac P. Wakefield
Isaac P. Wakefield

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**DEFENDANTS' ANSWER WITH NEW MATTER AND COUNTERCLAIM TO
PLAINTIFFS' SECOND AMENDED COMPLAINT**

Defendants, Township of South Middleton (“South Middleton Township”) and South Middleton Township Municipal Authority (“South Middleton Authority”) (collectively, “South Middleton” or “Defendants”) by and through their legal counsel, Salzmann Hughes, P.C., file this Answer with New Matter and Counterclaim to the Second Amended Complaint filed by Plaintiffs, Borough of Mount Holly Springs (“Mount Holly Springs Borough”) and Mount Holly Springs Borough Authority (“Mount Holly Springs Authority”) (collectively, “Mount Holly” or “Plaintiffs”).

INTRODUCTION

1. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph refer to an initial 1972 agreement, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

2. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that the “arrangement” was “in relative harmony until 2023,” and that “Defendants flexed their municipal muscle and stopped paying Plaintiffs.” To the contrary, beginning in or about April 2022, Mount Holly for the first time claimed they were dissatisfied with the parties’ current agreement, that is, the Agreement for Treatment of Sewage dated November 14, 1977, as amended (hereinafter the “Agreement”). Consequently, Mount Holly commenced more overt and brazen breaches of the Agreement by, *inter alia*, issuing untimely, inconsistent, and incorrect reconciliation reports and calculations of amounts allegedly owed by South Middleton under the Agreement. Despite Mount Holly’s material breaches of the Agreement, prior to and after the filing of this case, South Middleton has made good faith payments to Mount Holly, representing payment through the third quarter of 2024 under the Agreement.

3. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph

are specifically denied and strict proof thereof is demanded at trial. Further, the averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

4. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 3 above.

THE PARTIES

5. Admitted in part; denied in part. It is admitted only that Plaintiff Borough is a municipality in Cumberland County, Pennsylvania, with a business address of 200 Harmon Street, Mount Holly Springs, Pennsylvania. The remaining averments of this Paragraph purport to summarize U.S. Census Bureau data, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

6. Admitted.

7. Admitted in part; denied in part. It is admitted only that South Middleton Township “is a municipality in Cumberland County, Pennsylvania, with a business address of 520 Park Drive, Boiling Springs, Pennsylvania 17007.” The remaining averments of this Paragraph purport to summarize U.S. Census Bureau data, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to

characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

8. Admitted in part; denied in part. It is admitted only that South Middleton Township Municipal Authority “is a municipal authority organized and existing under the Municipality Authorities Act.” South Middleton Township Municipal Authority has a physical address of 345 Lear Lane, Boiling Springs, PA 17007 and a mailing address of P.O. Box 8 Boiling Springs, PA 17007-0008. The remaining averments of this Paragraph are, therefore, specifically denied.

JURISDICTION AND VENUE

9. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required.

10. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required.

FACTUAL BACKGROUND

The Parties’ Wastewater Treatment Agreement

11. Denied. The averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

12. Denied. The averments of this Paragraph relate to the Agreement and the Agreement dated April 7, 1972, which are documents in writing that speak for themselves. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize

the written documents, such averments are specifically denied, and strict proof thereof is demanded at trial.

13. Denied. The averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

14. Denied. The averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

15. Admitted in part; denied in part. It is admitted only that South Middleton and Mount Holly executed the Agreement on November 14, 1977. The Agreement is, however, a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

16. Denied. The averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

17. Denied. The averments of this Paragraph purport to summarize the Agreement and an amendment to the Agreement dated August 24, 1779, which are documents in writing that speak for themselves. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written documents, such averments are specifically denied, and strict

proof thereof is demanded at trial. Additionally, the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

18. Denied. The averments of this Paragraph purport to summarize the Agreement, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written documents, such averments are specifically denied, and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton's payment for capital contribution costs is calculated pursuant to Paragraph 7.A. of the Agreement and is distinct from South Middleton's payment for costs of operation and maintenance of the Plant, which is calculated pursuant to Paragraph 7.B. of the Agreement.

19. Denied. The averments of this Paragraph purport to summarize the Agreement, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written documents, such averments are specifically denied, and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, footnote 6 of this Paragraph purports to summarize and refer to the reconciliation reports issued by Mount Holly for years 2021, 2022, and 2023. It is specifically denied that Exhibit B of the Second Amended Complaint consists of the complete and all reiterations of reconciliation report for 2021 and further specifically denied

that Exhibit C of the Second Amended Complaint consists of the complete and all reiterations of reconciliation report for 2022.

20. Denied. The averments of this Paragraph purport to summarize the Agreement, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written documents, such averments are specifically denied, and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

21. Denied. The averments of this Paragraph and footnote thereto purport to summarize the Agreement and the May 10, 2022 letter to Plaintiff from South Middleton Authority's Manager, which are documents in writing that speaks for themselves. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written documents, such averments are specifically denied, and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 3 above.

22. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, Plaintiffs allege for the first time in their Second Amended Complaint that Plaintiffs owe Defendants money for 2021 where Plaintiffs previously claimed through prior reconciliation

reports, correspondence, the initial Complaint, and the Amended Complaint that Defendants owed Plaintiffs money for 2021. See Complaint at ¶¶ 22-24, 26, 35-36; Amended Complaint at ¶¶ 22-23, 27, 40-41.

2022: Defendants First Breach and Refusal to Pay

23. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph purport to summarize the 2023 reconciliation report issued by Mount Holly, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, the 2023 reconciliation report demonstrates that Mount Holly inconsistently, incorrectly, and untimely calculated the claimed amount that South Middleton allegedly owes for 2022.

24. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph refer to the 2023 reconciliation report issued by Mount Holly, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 23 above.

25. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are

specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton has made good faith payments to Mount Holly, which good faith payments represent payment in full through the third quarter of 2024 under the Agreement.

26. Admitted in part; denied in part. It is admitted only that Defendants paid Plaintiffs \$100,000 on August 31, 2023. The remaining averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, the \$100,000 payment referenced in this Paragraph was enclosed with the letter dated September 14, 2023, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

27. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph purport to summarize the 2023 reconciliation report issued by Mount Holly, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, the 2023 reconciliation report demonstrates that Mount Holly wrongly asserted that South Middleton owes Mount Holly any money for 2021. The 2023 reconciliation report further demonstrates that Mount Holly inconsistently, incorrectly, and untimely calculated the claimed amount that South Middleton allegedly owes for 2022.

28. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, the 2023 reconciliation report issued by Mount Holly demonstrates that Mount Holly inconsistently, incorrectly, and untimely calculated the claimed amount that South Middleton allegedly owes for 2022.

2023: Defendants Second Breach and Refusal to Pay

29. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph purport to summarize the 2023 reconciliation report issued by Mount Holly, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, the 2023 reconciliation report demonstrates that Mount Holly wrongly asserted that South Middleton owes Mount Holly any money for 2021. The 2023 reconciliation report further demonstrates that Mount Holly inconsistently, incorrectly, and untimely calculated the claimed amount that South Middleton allegedly owes for 2022.

30. Admitted in part; denied in part. It is admitted only that Defendants received the 2023 reconciliation report on March 28, 2024. But the 2023 reconciliation report is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are

specifically denied, and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 29 above.

31. Admitted in part; denied in part. It is admitted only that Defendants have not paid the amount that Plaintiffs claim Defendants owe for 2023. It is specifically denied that the amount Plaintiffs claim Defendants owe for 2023 is accurate and owed by Defendants to Plaintiffs under the Agreement. By way of further response, on April 25, 2024, South Middleton made a good faith payment to Mount Holly in the amount of \$82,651.60 at the request of Mount Holly's February 20, 2024 letter. *See* Exhibit F to Plaintiffs' Amended Complaint at p. 3. As alleged in Mount Holly's February 20, 2024 letter, South Middleton's \$82,651.60 good faith payment "represent[ed] 75% of the outstanding invoiced principal balance from 2022 and 2023." *Id.* Additionally, on September 27, 2024, South Middleton made a good faith payment to Mount Holly in the amount of \$149,378.52 representing payment owed by South Middleton under the Agreement through the third quarter of 2024.

32. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 31 above.

2024: Defendants Third Breach and Refusal to Pay

33. Denied the averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph purport to summarize the 2023 reconciliation report issued by Mount Holly, which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph

may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, on September 27, 2024, South Middleton made a good faith payment to Mount Holly in the amount of \$149,378.52 representing payment owed by South Middleton under the Agreement through the third quarter of 2024.

34. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 33 above.

35. Admitted in part; denied in part. It is admitted only that Defendants received the 2023 reconciliation report and therefore the amount Plaintiffs demanded for 2024 on March 28, 2024. The 2023 reconciliation report is, however, a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial.

36. Admitted. By way of further response, Defendants' payment of \$82,651.60 was requested by Plaintiffs' February 20, 2024 letter as a good faith payment in a purported attempt by Plaintiffs to cooperate. By letter dated April 15, 2024, Defendants notified Plaintiffs that Defendants plan to remit payment of \$82,651.60 and requested a meeting for the parties to discuss and try to resolve the payment disputes. On April 25, 2024, Defendants paid Plaintiffs the requested \$82,651.60 in good faith. On May 3, 2024, Plaintiffs filed this lawsuit. Additionally, Defendants' \$82,651.60 represented good faith payment for Defendants' alleged outstanding balances for 2022 and 2023. South Middleton incorporates its response to Paragraph 33 above.

37. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 33 above.

COUNT I
Breach of Contract (for 2022)

38. Defendants incorporate the foregoing paragraphs as if the same were set forth fully herein.

39. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required.

40. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

41. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that the 2022 reconciliation report issued in May 2023 was Mount Holly's "final 'bill'" for 2022. To the contrary, the 2022 reconciliation report issued in May 2023 alleges that South Middleton owes \$167,545.59 for 2022. But the 2023 reconciliation report subsequently issued on March 28, 2024, alleges that South Middleton owes \$178,509.51 for 2022.

42. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants breached the Agreement and further specifically denied that

Defendants in any way violated “the duty of good faith and fair dealing.” To the contrary, Plaintiffs breached the Agreement and violated the duty of good faith and fair dealing by issuing untimely, inconsistent, and incorrect reconciliation reports and calculations of payments allegedly owed by South Middleton under the Agreement and refusing to meet with South Middleton to resolve the disputes. South Middleton repeatedly conveyed legitimate concerns regarding Mount Holly’s calculations of payments allegedly owed under the Agreement and has made good faith payments to Mount Holly representing payment owed through the third quarter of 2024.

43. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

44. Admitted. By way of further response, as stated in South Middleton’s letter dated September 14, 2023, enclosing the \$100,000 payment, South Middleton stated disagreement and concerns regarding Mount Holly’s calculations of purported payments owned by South Middleton under the Agreement for 2021, 2022, and estimated payments for 2023, but remitted the \$100,000 payment in good faith as an initial payment while the calculations were discussed.

45. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, Plaintiffs allege for the first time in their Second Amended Complaint that Plaintiffs owe Defendants money for 2021 where Plaintiffs previously claimed through prior reconciliation reports, correspondence, the initial Complaint, and the Amended Complaint that Defendants owed Plaintiffs money for 2021. *See* Complaint at ¶¶ 22-24, 26, 35-36; Amended Complaint at ¶¶ 22-23, 27, 40-41.

46. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants breached the Agreement and further specifically denied that "Plaintiffs have suffered damages of \$75,344.31 for 2022."

WHEREFORE, Defendants respectfully request that this Court dismiss Plaintiffs' Complaint with prejudice and enter judgment against Plaintiffs and in Defendants' favor.

COUNT II
Breach of Contract (for 2023)

47. Defendants incorporate the foregoing paragraphs as if the same were set forth fully herein.

48. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required.

49. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

50. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, Defendants specifically deny that the calculations listed in the 2023 reconciliation report are accurate and in compliance with the Agreement.

51. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

52. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

53. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants breached the Agreement and further specifically denied that “Plaintiffs have suffered damages of \$219,079.03 for 2023.”

WHEREFORE, Defendants respectfully request that this Court dismiss Plaintiffs’ Complaint with prejudice and enter judgment against Plaintiffs and in Defendants’ favor.

COUNT III
Breach of Contract (for the first two quarters of 2024)

54. Defendants incorporate the foregoing paragraphs as if the same were set forth fully herein.

55. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required.

56. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

57. Admitted in part; denied in part. It is admitted only that Defendants received the 2023 reconciliation report on March 28, 2024. But the 2023 reconciliation report is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. The remaining averments of this

Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the remaining averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that “Defendants owe Plaintiffs \$177,411, payable quarterly” for 2024. South Middleton has made good faith payments to Mount Holly, which good faith payments represent payment in full through the third quarter of 2024 under the Agreement.

58. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. Additionally, the averments of this Paragraph purport to summarize the Agreement which is a document in writing that speaks for itself. To the extent that the averments of this Paragraph may be inconsistent with or an attempt to characterize the written document, such averments are specifically denied, and strict proof thereof is demanded at trial. By way of further response, South Middleton incorporates its response to Paragraph 57 above.

59. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that South Middleton breached the Agreement. Additionally, South Middleton incorporates its response to Paragraph 57 above.

60. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it

is specifically denied that South Middleton “owe[s] Plaintiffs \$88,705.50 [f]or the first two quarters of 2024.” South Middleton incorporates its response to Paragraph 57 above.

61. Admitted. By way of further response, Defendants’ payment of \$82,651.60 was requested by Plaintiffs’ February 20, 2024 letter as a good faith payment representing Defendants’ alleged outstanding balances for 2022 and 2023.

62. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that “Defendants still owe Plaintiffs \$6,053.90. . . for the first two quarters of 2024.” South Middleton incorporates its response to Paragraph 57 above.

63. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants have breached the Agreement and further specifically denied that “Plaintiffs have suffered damages of \$6,053.90 for the first two quarters of 2024.” South Middleton incorporates its response to Paragraph 57 above.

WHEREFORE, Defendants respectfully request that this Court dismiss Plaintiffs’ Complaint with prejudice and enter judgment against Plaintiffs and in Defendants’ favor.

CONCLUSION

64. Defendants incorporate the foregoing paragraphs as if the same were set forth fully herein.

65. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph

are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants have breached the Agreement and further specifically denied that Defendants owe Plaintiffs the amounts alleged.

66. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial. By way of further response, it is specifically denied that Defendants have breached the Agreement and further specifically denied that “Defendants owe Plaintiffs \$300,477.24.” To the contrary, Defendants have paid in full the amounts due and owing to Plaintiffs pursuant to the Agreement.

67. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

68. Denied. The averments of this Paragraph constitute conclusions of law to which no response is required. To the extent that a response is required, the averments of this Paragraph are specifically denied and strict proof thereof is demanded at trial.

WHEREFORE, Defendants respectfully request that this Court dismiss Plaintiffs’ Complaint with prejudice and enter judgment against Plaintiffs and in Defendants’ favor.

NEW MATTER

69. Paragraphs 1 through 68 of Defendants’ Answer to Plaintiffs’ Second Amended Complaint are incorporated herein by reference as if set forth at length here.

70. On November 14, 1977, South Middleton and Mount Holly entered into the “Agreement for Treatment of Sewage,” a copy of which is attached as Exhibit A to Plaintiffs’ Second Amended Complaint.

71. The terms for South Middleton’s capital contribution pursuant to Paragraph 7.A. of that agreement were amended by the “Amendatory Agreement” entered into on August 24, 1979. See “Amendatory Agreement,” attached as part of Exhibit A to Plaintiffs’ Amended Complaint. The “Agreement for Treatment of Sewage,” and “Amendatory Agreement” are referred to collectively herein as the “Agreement.”

72. Pursuant to the Agreement, the Mount Holly Springs Sewage Treatment Plant (the “Plant”) was being renovated and expanded and Mount Holly agreed to reserve an average daily flow of 200,000 gallons for South Middleton in the Plant. Agreement at ¶ 3.

73. In exchange for the capacity reserved for South Middleton in the Plant, South Middleton paid Mount Holly a capital contribution calculated pursuant to Paragraph 7.A. of the Agreement (the “Capital Contribution Payment”). Agreement at ¶ 7.A.

74. Under Paragraph 7.B. of the Agreement, South Middleton also agreed to pay Mount Holly payments consisting of “[a]ll the direct expenses and costs of adequate, proper, effective and reasonable operation, maintenance and repair of the Plant,” (hereinafter referred to as the “Operation and Maintenance Payment”). Agreement at ¶ 7.B.1.

75. “Plant” is defined under the Agreement as “the Mount Holly Springs Sewage Treatment Plant and all interceptors and force mains owned by the Mount Holly Springs Authority through which sewage discharged from the South Middleton System flows or is pumped.” Agreement at ¶ 1.(K).

76. The Operation and Maintenance Payment is distinct from the Capital Contribution Payments.

77. Any costs related to capital contributions must be charged pursuant to Paragraph 7.A. of the Agreement.

78. The Operation and Maintenance Payment is calculated pursuant to Paragraph 7.B. of the Agreement.

79. Specifically, the Operation and Maintenance Payment is an “annual sum” that is “payable in quarterly installments,” and calculated as follows:

by adding together Items (1) to (4), below, inclusive, set forth in this subparagraph [7.]B, then multiplying the result of said calculation by the quotient obtained by dividing the greater of (1) 100,000 gallons times the number of days involved, or (2) the number of total gallons of flow of sewage and wastes discharged by the South Middleton System to the Plant; by the number of total annual gallons of flow of sewage and wastes to the Plant from all sources; then deducting from said sum the pro rata share of the sum described in Item (5) of this paragraph B, which pro rata share shall be determined according to the ratio of responsibility of South Middleton Authority for payment of capital costs under paragraph 7A.

Agreement at ¶ 7.B.

80. Paragraph 7.B. of the Agreement further provides that the “[q]uarterly payments shall be based on the annual estimated costs of operation and maintenance of the Plant determined as above provided and based on estimated flows, with a reconciliation of the final credit due to the appropriate party to be made, based on actual audited costs of the operation and maintenance and minimum or actual annual flows, as appropriate, within three months after the end of each year.”

Agreement at ¶ 7.B.

81. Mount Holly has historically provided South Middleton with “reconciliation reports” after the end of each year in an effort to comply with Paragraph 7.B. of the Agreement.

82. These reconciliation reports purport to contain Mount Holly’s calculation of the actual audited Operation and Maintenance Payment allegedly owed by South Middleton for the prior calendar year.

83. The purpose of the reconciliation reports was intended to determine and reconcile any discrepancy between the Operation and Maintenance Payments made by South Middleton in a given year based on estimated costs and South Middleton's share of the actual operation and maintenance costs incurred by Plaintiffs in that same year.

84. The reconciliation reports are also purposed to estimate South Middleton's alleged share of operational costs for the ensuing calendar year based on Mount Holly's Proposed Sewer Operating Fund Budget, that is, establishing the Operation and Maintenance Payment for the next year.

85. A timely, accurate reconciliation process and report for each calendar year is therefore a condition precedent that must be completed before South Middleton is obligated to pay both: (1) the Operation and Maintenance reconciliation payment, if any, for that calendar year under Paragraph 7.B. of the Agreement; and (2) the quarterly Operation and Maintenance Payments for the subsequent calendar year under Paragraph 7.B. of the Agreement.

86. Mount Holly admits that the Agreement requires Mount Holly to issue its reconciliation reports by March 31 after the end of each calendar year. *See* February 20, 2024 letter attached as Exhibit F to Plaintiffs' Amended Complaint.

87. Pursuant to the Agreement, South Middleton is only supposed to pay for "the direct expenses and costs" for "operation, maintenance and repair of the Plant." Agreement at ¶ 7.B.

88. Prior to the 2021 reconciliation process, Mount Holly historically applied adjustments to the calculations during the reconciliation process that, upon information and belief, were designed not to charge South Middleton for any costs and expenses that were unrelated to operation, maintenance, and repair of the Plant, e.g., Mount Holly's collection system and other

similar costs and expenses. *See, e.g.*, 2020 Reconciliation Report attached hereto as Exhibit “A” at p. 3, 6.

89. Beginning with the 2021 reconciliation process, Mount Holly issued untimely, incorrect, and inconsistent reconciliation reports and calculations of the Operation and Maintenance Payments allegedly owed by South Middleton.

90. Mount Holly did not issue its 2021 Reconciliation Report until December 19, 2022, and did not issue its 2022 Reconciliation Report until May 3, 2023. *See* 2021 and 2022 Reconciliation Reports attached hereto as Exhibits B and C, respectively.

91. The 2021 Reconciliation Report claimed that South Middleton owed Mount Holly \$5,071.47 for the reconciliation of 2021 Operation and Maintenance Payment and that South Middleton’s total estimated Operation and Maintenance Payment for 2022 was to be \$189,437.00. *See* Exhibit B at p. 5, 7.

92. The 2022 Reconciliation Report claimed that South Middleton owed Mount Holly \$167,545.59 for the reconciliation of 2022 Operation and Maintenance Payment and that South Middleton’s total estimated Operation and Maintenance Payment for 2023 was to be \$104,881.00. *See* Exhibit C at p. 5, 7.

93. South Middleton made Mount Holly aware that the 2021 and 2022 Reconciliation Reports and therefore Mount Holly’s calculations for South Middleton’s Operations and Maintenance Payments for the reconciliation of 2021 and 2022, and estimated payments for 2023 were wrong. *See* September 14, 2023 correspondence attached hereto as Exhibit “D.”

94. Specifically, the 2021 and 2022 Reconciliation Reports contained incorrect flow figures, which figures are essential for determining the Operation and Maintenance Payments.

95. The 2021 and 2022 Reconciliation Reports also failed to provide the historical and necessary adjustments to not charge South Middleton for costs and expenses unrelated to the Plant.

96. The 2021 and 2022 Reconciliation Reports also included costs and expenses related to Mount Holly's capital improvements in South Middleton's alleged Operation and Maintenance Payments, which capital charges are separate and calculated pursuant to Paragraph 7.A. of the Agreement. *Id.*

97. Due to the concerns related to Mount Holly's calculations of Operation and Maintenance Payments allegedly owed by South Middleton for reconciliation payments for 2021 and 2022 and estimated costs for 2023, South Middleton remitted \$100,000 as an initial good faith payment while affording Mount Holly an opportunity to address the concerns. *Id.*

98. Mount Holly subsequently provided South Middleton with "Revised" 2021 and 2022 Reconciliation Reports by way of letter dated February 14, 2024. *See* 2021 and 2022 Revised Reconciliation Reports attached hereto as Exhibits "E" and "F," respectively; *see* February 14, 2024 letter attached as Exhibit F to Plaintiffs' Amended Complaint. Despite being characterized as "Revised," these reports did not change or remedy the calculations for South Middleton's purported Operations and Maintenance Payments.

99. The Revised 2021 Reconciliation Report was apparently done to only "more accurately listed as a separate line item" a credit that South Middleton received for overpayment for 2021. *See* February 14, 2024 letter attached as Exhibit F to Plaintiffs' Amended Complaint.

100. The calculations in the Revised 2021 Reconciliation remained the same as the initial 2021 Reconciliation Report, with Mount Holly again claiming that South Middleton owed Mount Holly \$5,071.47 for the reconciliation for 2021 Operation and Maintenance Payment and

that South Middleton's total estimated Operation and Maintenance Payment for 2022 was \$189,437.00. *See* Exhibit E at p. 5, 9.

101. Like the initial 2021 Reconciliation Report, the Revised 2021 Reconciliation Report contained incorrect flow figures, failed to provide the historical and necessary adjustments to not charge South Middleton for costs and expenses unrelated to the Plant, and improperly included costs and expenses related to Mount Holly's capital improvements in South Middleton's alleged amount owed for the Operation and Maintenance Payments.

102. The Revised 2021 Reconciliation Report therefore once again incorrectly calculated South Middleton's Operations and Maintenance Payments.

103. For the Revised 2022 Reconciliation Report, Plaintiffs conceded that the initial 2022 Reconciliation Report contained an error in the flow figures and assert that the flow figure of 0.577 million gallons should have been the figure "for both the average and minimum flow line items (as there is no minimum flow for MHSBA under the IMA)." Amended Complaint at Exhibit F, p. 2. Plaintiffs further claim that the 2022 Revised Reconciliation Report "reflects this correction," *i.e.*, the 2022 Revised Reconciliation Report should list both the average and minimum flow lines as 0.577 million gallons. *Id.* But the 2022 Revised Reconciliation Report lists the minimum daily flow as "0.337577" million gallons. Exhibit C at p. 7; Exhibit F at p. 7.

104. It is therefore clear that Plaintiffs disagree with, yet failed to correct, the flow figures contained in the 2022 Revised Reconciliation Report, which figures are essential for determining the Operation and Maintenance Payments.

105. In addition to incorrect flow figures, like the initial 2022 Reconciliation Report, the Revised 2022 Reconciliation Report fails to provide the historical and necessary adjustments to not charge South Middleton for costs and expenses unrelated to the Plant, and improperly includes

costs and expenses related to Mount Holly's capital improvements in South Middleton's alleged Operation and Maintenance Payments owed.

106. The calculations in the Revised 2022 Reconciliation remained the same as the initial 2022 Reconciliation Report, again claiming that South Middleton owed Mount Holly \$5,071.47 for the 2021 Operation and Maintenance Payment and that South Middleton's total estimated Operation and Maintenance Payment for 2022 was \$189,437. *See* Exhibit F.

107. The Revised 2022 Reconciliation Report therefore once again incorrectly calculated South Middleton's Operations and Maintenance Payments.

108. Counsel for Mount Holly has admitted via email dated October 9, 2023, that Mount Holly miscalculated the amount of Operation and Maintenance Payments owed by South Middleton. *See* the October 9, 2023 email attached hereto as Exhibit "G."

109. Mount Holly admits in their February 20, 2024 letter that South Middleton "has raised numerous outstanding grievances in recent years" regarding Mount Holly's billing and reconciliations under the Agreement, including Mount Holly's "delays in calculating reconciliations for the prior years' sewer billing, for which the [Agreement] establishes a March 31 deadline," and that South Middleton "has challenged certain flow calculations and expense line items in rate formula used by" Mount Holly. Exhibit F to Amended Complaint at p. 1.

110. Plaintiffs further admit in their February 20, 2024 letter that South Middleton "has raised some legitimate concerns requiring attention." *Id.* at p. 1-2.

111. Additionally, Mount Holly requested South Middleton to "remit a good faith payment in the amount of \$82,651.60, representing 75% of the outstanding invoice principal balance from 2022 and 2023." *Id.* at p. 3.

112. By letter dated April 15, 2024, South Middleton notified Mount Holly that South Middleton will provide the requested good faith payment of \$82,651.60. *See* April 15, 2024 letter attached hereto as Exhibit “H.”

113. On April 25, 2024, South Middleton remitted the good faith payment of \$82,651.60 to Mount Holly.

114. On March 28, 2024, Mount Holly issued the 2023 Reconciliation Report. *See* the 2023 Reconciliation Report attached as Exhibit D to the Second Amended Complaint.

115. Like the initial and revised 2021 and 2022 Reconciliation Reports, the 2023 Reconciliation Report contained incorrect flow figures, failed to provide the historical and necessary adjustments to not charge South Middleton for costs and expenses unrelated to the Plant, and improperly included costs and expenses related to Mount Holly’s capital improvements in South Middleton’s alleged Operation and Maintenance Payments owed.

116. The 2023 Reconciliation Report claimed that Mount Holly revised the amount of the Operations and Maintenance Payment allegedly owed by South Middleton for 2022 for “Calculation Error” and “Updated Flow Rates.” *Id.* at p. 5.

117. The 2023 Reconciliation Report claimed that Mount Holly owes South Middleton \$3,165.20 for the 2021 Operation and Maintenance Payment. *Id.* at p. 5.

118. The 2023 Reconciliation Report claimed that South Middleton owes Mount Holly \$178,509.51 for the 2022 Operation and Maintenance Payment, \$219,079.03 for the 2023 Operation and Maintenance Payment, and a total of \$177,411 for the 2024 estimated Operation and Maintenance Payment. *Id.*

119. The 2023 Reconciliation Report incorrectly calculates the amount of Operation and Maintenance Payments allegedly owed by South Middleton for 2021, 2022, 2023 and the estimated Operation and Maintenance Payment allegedly owed for 2024.

120. Mount Holly has never provided correct reconciliation reports that would even trigger any Operation and Maintenance Payments for 2021, 2022, 2023, and 2024.

121. Mount Holly is improperly seeking to require South Middleton to pay interest on Operation and Maintenance Payments allegedly owed for 2022, 2023, and 2024, where such amounts have been untimely calculated, inconsistent, not final, and miscalculated. *See* Second Amended Complaint WHEREFORE Clauses at p. 8-11.

122. Mount Holly is improperly seeking to recover from South Middleton interest upon interest for amounts allegedly owed for 2022 despite payments made by South Middleton.

123. The 2023 Reconciliation Report improperly seeks to require South Middleton to pay “[i]nterest for 2022” payments allegedly owed beginning on May 1, 2023. *See* Exhibit D to Plaintiffs’ Second Amended Complaint at p. 5.

124. Additionally, South Middleton’s \$82,651.60 good faith payment made on April 25, 2024 was made at the request of Mount Holly, was expressly for the alleged outstanding balance from 2022 and 2023, and should have been applied to payments allegedly owed for 2022 and 2023.

125. But Mount Holly has improperly applied South Middleton’s \$82,651.60 good faith payment made on April 25, 2024, to payments allegedly owed for the first two quarters of 2024, thereby artificially increasing the amount of interest South Middleton allegedly owes. *See* Second Amended Complaint at ¶¶ 36-37, 61-62; Exhibit D to Second Amended Complaint at p. 5.

126. On September 27, 2024, South Middleton remitted to Mount Holly a good faith payment in the amount of \$149,378.52 representing payment of South Middleton’s Operation and

Management Payment in full through the third quarter of 2024. *See* September 27, 2024 letter attached hereto as Exhibit “I.”

127. South Middleton has, to date, paid Mount Holly in full for all amounts allegedly due based upon the information available to South Middleton regarding its share of costs and the calculation of its Operation and Maintenance Payments under the Agreement for the years in question.

128. Mount Holly, despite accepting these payments, has persisted with its claims in this suit.

129. Additionally, despite requests from South Middleton, Mount Holly has consistently failed or refused to provide South Middleton with sufficient financial information to ensure the accuracy of the amounts Mount Holly claims it is owed.

130. Mount Holly’s failure to supply South Middleton with the information requested constitutes a breach of the Agreement.

131. Moreover, Mount Holly has breached the Agreement by issuing untimely, inconsistent, not final, and improperly calculated reconciliation reports at least for 2021, 2022, and 2023.

132. Upon information and belief, since at least the 2021 reconciliation process and continuing to the present, Mount Holly has improperly charged South Middleton excessive Operation and Maintenance Payments by unlawfully including costs that South Middleton has no contractual obligation to share in.

133. By way of example, and without limitation, during the 2021, 2022, and 2023 reconciliation process, Mount Holly improperly charged South Middleton for costs and expenses

related to Mount Holly's collection system and for other costs and expenses not related to the operation, maintenance, and repair of the Plant.

134. The 2020 Reconciliation Report adjustments included, *inter alia*, the following line items: Sewage Collection, Engineer Expense (“[a]djustment for engineering services associated with development inspections, authority business, and Borough collection system”), Supervision/Billing, Labor: Collection System, and Software Support. Exhibit A at p. 3.

135. In the 2020 Reconciliation Report, Mount Holly appears to have afforded South Middleton a 100% adjustment and therefore not charged South Middleton for costs and expenses related to Sewage Collection, Labor: Collection System, Engineer Expense, Supervision/Billing, and Software Support. *Id.* at 2-3.

136. In the Revised 2021 Reconciliation Report, however, Mount Holly failed to provide a commensurate adjustment, resulting in South Middleton being billed for costs and expenses related to Supervision/Billing, that are not to be billed to South Middleton under the Agreement. *See* Exhibit E at p. 6-7.

137. Similarly, the Revised 2022 Reconciliation Report indicates that South Middleton was given no reduction for costs and expenses related to Sewage Collection, Software Support, and Supervision/Billing, which are not to be billed to South Middleton under the Agreement. *See* Exhibit F at p. 6-7.

138. The 2023 Reconciliation Report indicates that South Middleton was purportedly given an “[a]djustment for engineering services associated with development inspections, Authority business, **and Borough collection system.**” *See* Exhibit D to Plaintiffs’ Second Amended Complaint at p. 4 (emphasis added). Mount Holly is, therefore, well aware that that

South Middleton's Operation and Maintenance Payments under the Agreement should not include any costs or expenses unrelated to the Plant, but has charged South Middleton for the same anyway.

139. The 2023 Reconciliation Report indicates that South Middleton was given no reduction for costs and expenses related to Software Support and Supervision/Billing. *Id.*

140. By way of further example, and without limitation, Mount Holly's purported expenses for sewer Administration & Operations have continued to increase significantly in recent years without explanation or detailed accounting.

141. The 2020 Reconciliation Report stated Mount Holly's Total Administration & Operations expense for sewer in 2020 was \$75,592.14. Exhibit A at p. 2.

142. The 2020 Reconciliation Report further stated that the estimated expenses for Mount Holly's Total Administration & Operations for sewer in 2021 was \$68,350.00. *Id.* at p. 5.

143. Mount Holly's 2021 Revised Reconciliation Report states that the Total Administration & Operations expenses for sewer for 2021 was \$83,553.85. Exhibit E at p. 5.

144. Mount Holly's 2022 Revised Reconciliation Report states that the Total Administration & Operations expenses for sewer for 2022 was \$102,745.20. Exhibit F at p. 5.

145. Mount Holly's 2023 Reconciliation Report states that the Total Administration & Operations expenses for sewer for 2023 was \$123,877.79. Exhibit D to Plaintiffs' Second Amended Complaint at p. 5.

146. Likewise, Mount Holly Spring Authority's Independent Auditor's Reports demonstrate that beginning in 2022, Mount Holly has a substantially higher expense for the "Administrative Charge" line item for sewer, which is part of Mount Holly's Total Operations & Maintenance expenses. But the "Administrative Charge" for water remains similar to prior years.

See relevant excerpts of Audit Reports for 2021 through 2023 attached collectively hereto as Exhibit “J.”

147. Specifically, Mount Holly Springs Authority’s 2021 Audit Report indicate the Mount Holly Springs Authority’s “Administrative Charge” for sewer was only \$31,969.00 and for water was \$51,540.00. The 2022 Audit Report, however, indicates that the “Administrative Charge” for sewer grew to \$158,310.00 and \$34,900.00 for water. The 2023 Audit Report indicate that the “Administrative Charge” for sewer increased to \$200,083.00 sewer and the administrative charge for water was \$34,900.00. *Id.*

148. Upon information and belief, the “Administrative Charge” for both water and sewer include, at least in part, transfers of funds from Mount Holly Springs Authority to Mount Holly Springs Borough.

149. Upon information and belief, since at least the 2021 reconciliation and potentially dating back through the execution of the Agreement, Mount Holly Springs Borough and Mount Holly Springs Authority have inflated the Authority’s expenses for sewer, and demanded and collected resulting revenues from South Middleton as a result in a measure that far exceeds South Middleton’s proportionate share under the Agreement.

150. Upon information and belief, Mount Holly failed to properly calculate the Operation and Maintenance Payment in years preceding 2021 to the extent that Mount Holly improperly included costs and expenses related to Mount Holly’s capital improvements in South Middleton’s Operation and Maintenance Payments owed under Paragraph 7.A. of the Agreement.

151. Upon information and belief, Mount Holly failed to properly calculate the Operation and Maintenance Payment in years preceding 2021 to the extent Mount Holly

improperly included excessive costs for those years that were unrelated to the Plant, which costs South Middleton has no contractual obligation to share in.

152. Upon information and belief, Mount Holly brought this suit to obtain legal fees, to dissolve the Agreement that it unilaterally views as unfair, and to “force South Middleton to come to the table to re-negotiate the [A]greement.” See Mount Holly Springs Authority’s March 14, 2024 public meeting minutes attached hereto as Exhibit “K.”

153. Moreover, upon information and belief, Mount Holly has collected revenue derived from the provision of limited sewer service to South Middleton and applied those funds to matters not directly related to Mount Holly’s purpose of providing wastewater service.

154. Upon information and belief, Mount Holly has transferred funds derived from sewer service revenue, including those paid by South Middleton, between Mount Holly Springs Authority and Mount Holly Springs Borough in amounts and for purposes unrelated to the provision of wastewater service. By way of example and without limitation, the annual audits for the Borough and Authority indicate the Authority transferring funds derived from sewer service revenue to the Borough in at least years 2012 through 2023.

155. Upon information and belief, such transfers from the Mount Holly Springs Authority to the Mount Holly Springs Borough were used to supplement the Borough’s general fund.

156. Plaintiffs’ Second Amended Complaint fails to state a claim for which relief can be granted.

157. Plaintiffs’ Second Amended Complaint is barred because Plaintiffs have materially breached the Agreement.

158. South Middleton is entitled to a set-off.

159. Plaintiffs' Second Amended Complaint is barred by the doctrine of unclean hands.

160. Plaintiffs' Second Amended Complaint is barred by the doctrine of payment.

161. Plaintiff's Second Amended Complaint is barred by the affirmative defense of accord and satisfaction.

162. Plaintiff's Second Amended Complaint is barred or limited by the statute of limitations.

163. Plaintiffs' Second Amended Complaint is barred by the doctrine of estoppel.

COUNTERCLAIMS AGAINST PLAINTIFFS

COUNT I **Breach of Contract**

164. Paragraphs 1 through 163 of South Middleton's responses and allegations contained in this Answer with New Matter are incorporated herein by reference as if set forth at length.

165. The Agreement is a valid and enforceable contract.

166. The purpose of the Agreement was to ensure South Middleton was to pay only its fair share of the costs and expenses associated with the operation, maintenance, and repair of the Plant, *i.e.*, the Operations and Maintenance Payments made pursuant to Paragraph 7.B.

167. The Agreement requires Mount Holly to timely and accurately complete the reconciliation process and issue reports for each year to correctly calculate South Middleton's Operations and Maintenance Payments owed in accordance with the Agreement.

168. The Agreement expressly prohibits Mount Holly from requiring South Middleton to pay for costs and expenses unrelated to the operation, maintenance, and repair of the Plant.

169. Mount Holly has breached the Agreement by issuing untimely, inconsistent, not final, and improperly calculated reconciliation reports at least for 2021, 2022, and 2023.

170. Upon information and belief, since at least the 2021 reconciliation process and continuing to the present, Mount Holly has improperly charged South Middleton excessive Operation and Maintenance Payments by unlawfully including costs that South Middleton has no contractual obligation to share in.

171. Upon information and belief, since at least the 2021 reconciliation process and continuing to the present, Mount Holly has improperly charged South Middleton excessive Operation and Maintenance Payments by charging interest, using incorrect flow figures, and otherwise not abiding by the calculation set forth under Paragraph 7.B. of the Agreement.

172. Upon information and belief, since at least the 2021 reconciliation process and continuing to the present, Mount Holly has improperly included expenses and costs related to capital improvements in South Middleton's Operations and Maintenance Payments.

173. Upon information and belief, Mount Holly failed to properly calculate the Operation and Maintenance Payment in years preceding 2021 to the extent Mount Holly improperly included excessive costs for those years that were unrelated to the Plant, which costs South Middleton has no contractual obligation to share in.

174. The Agreement does not authorize Mount Holly to use sewer revenues derived from South Middleton to supplement and balance Mount Holly Springs Borough's General Fund.

175. The Agreement does not authorize Mount Holly Springs Borough to use sewer revenues derived from South Middleton for non-wastewater purposes.

176. Upon information and belief, Mount Holly has collected revenue derived from the provision of limited sewer service to South Middleton and applied those funds to matters not directly related to Mount Holly's purpose of providing wastewater service.

177. Upon information and belief, Mount Holly has transferred funds derived from sewer service revenue, including those paid by South Middleton, between Mount Holly Springs Authority and Mount Holly Springs Borough in amounts and for purposes unrelated to the provision of wastewater service.

178. Upon information and belief, such transfers from the Mount Holly Springs Authority to the Borough were used to supplement the Borough's general fund.

179. As a result of Mount Holly's breaches of the Agreement, upon information and belief, since at least the 2021 reconciliation and potentially dating back through the execution of the Agreement, South Middleton has been caused to pay sewer charges that far exceed South Middleton's proportionate share under the Agreement.

180. South Middleton believes and avers that its damages exceed the arbitration threshold.

WHEREFORE, South Middleton respectfully requests that this Honorable Court enter judgment in its favor and against Mount Holly in an amount in excess of the jurisdictional amount requiring arbitration, and any other relief the Court deems just and appropriate.

COUNT II
Declaratory Judgment
Violation of Municipality Authorities Act, 53 Pa.C.S. § 5601, et seq.

181. Paragraphs 1 through 180 are incorporated herein by reference as if set forth at length.

182. Section 5612(a.1) of the Municipal Authorities Act governs Mount Holly Authority's expenditure of money.

183. The Municipal Authorities Act limits the expenditure of collected revenues and prohibits use of those funds for any purposes other than those set forth in an authority's articles of incorporation.

184. The Municipal Authorities Act, 53 Pa.C.S. § 5612(a.1) states:

(1) Money of the authority may not be used for any grant, loan or other expenditure for any purpose other than a service or project directly related to the mission or purpose of the authority as set forth in the articles of incorporation or in the resolution or ordinance establishing the authority under section 5603 (relating to method of incorporation).

(2) A ratepayer to an authority shall have a cause of action in the court of common pleas where the authority is located to seek the return of money expended in violation of paragraph (1) from the recipient.

(3) Paragraph (1) shall not apply to the following:

(i) A monetary contribution to a nonprofit community organization or activity that does not exceed \$1,000.

(ii) An in-kind service, including the provision of water or other resources to a nonprofit community organization or activity, the value of which does not exceed \$1,000.

(iii) An agreement for the joint purchase and use of equipment.

(iv) An agreement for the sharing of equipment during emergency situations.

185. Mount Holly Springs Authority's articles of incorporation are expressly limited to the provision of wastewater and water services.

186. Mount Holly may not use or otherwise expend any money for any other purpose that is not directly related to wastewater or water services.

187. Upon information and belief, Mount Holly has transferred funds derived from sewer service revenue, including those paid by South Middleton, between Mount Holly Springs

Authority and Mount Holly Springs Borough in amounts and for purposes unrelated to the provision of wastewater service.

188. Upon information and belief, such transfers from the Mount Holly Springs Authority to the Borough were used to supplement the Borough's general fund and is not directly related to wastewater services.

189. Pursuant to the Declaratory Judgments Act, 42 Pa.C.S. § 7532, South Middleton seeks a declaration that the above-identified scheme of balancing the Mount Holly Springs Borough's General Fund with revenues derived from sewer service revenue, including those paid by South Middleton, to the Borough's general fund constitutes a violation of the Municipality Authorities Act because Mount Holly Springs Authority unlawfully diverted wastewater revenues for a non-wastewater purpose.

190. South Middleton seeks a declaration from this Court that Mount Holly Springs Authority is liable for the return of money expended in violation of the Municipality Authorities Act to South Middleton.

191. South Middleton believes and avers that its damages exceed the arbitration threshold.

WHEREFORE, South Middleton respectfully requests that this Honorable Court declare that Mount Holly Authority's use of authority money violated the Municipality Authorities Act, and that South Middleton is, therefore, entitled to a refund in an amount in excess of the jurisdictional amount requiring arbitration for money collected and expended in violation thereof.

COUNT III
Unjust Enrichment

192. Paragraphs 1 through 191 are incorporated herein by reference as if set forth at length.

193. Under the Agreement, Mount Holly and South Middle agreed on a calculation and process for South Middleton to pay its fair share of the costs and expenses associated with the operation, maintenance, and repair of the Plant *i.e.*, the Operations and Maintenance Payments made pursuant to Paragraph 7.B.

194. Upon information and belief, Mount Holly breached the Agreement by improperly charging South Middleton excessive Operation and Maintenance Payments beyond what is permitted under the Agreement to accumulate an excess of wastewater revenues for the unlawful purpose under the Municipality Authorities Act of supplementing Mount Holly Springs Borough's General Fund.

195. It would be unjust for Mount Holly to retain the benefits of the revenues received through the excess Operation and Maintenance Payments made by South Middleton where it collected and used those revenues for an unlawful purpose.

196. It would be inequitable for Mount Holly to retain the benefits of the revenues received through the excess Operation and Maintenance Payments made by South Middleton where it collected and used those revenues for an unlawful purpose.

197. It would be unconscionable for Mount Holly to retain the benefits of the revenues received through the excess Operation and Maintenance Payments made by South Middleton where it collected and used those revenues for an unlawful purpose.

198. South Middleton, therefore, is entitled to collect the overcharges, plus interest, from Mount Holly under the doctrine of unjust enrichment.

199. Upon information and belief, Mount Holly's violation of the Agreement and the Municipality Authorities Act caused South Middleton to suffer damages that exceed the arbitration threshold.

WHEREFORE, South Middleton respectfully requests that this Honorable Court enter judgment in its favor and against Mount Holly in an amount in excess of the jurisdictional amount requiring arbitration, and any other relief the Court deems just and appropriate.

COUNT IV
Set-Off

200. Paragraphs 1 through 199 are incorporated herein by reference as if set forth at length.

201. Mount Holly asserts claims for breach of contract for South Middleton's failure to pay Operations and Maintenance allegedly owed under the Agreement.

202. Upon information and belief, Mount Holly, however, has materially breached the Agreement, engaged in illegal conduct, and has been unjustly enriched by the collection of excess sewer revenue from South Middleton in violation of the Agreement and the Municipality Authorities Act.

203. South Middleton is entitled to affirmative relief based upon the excessive Operation and Maintenance Payments charged and collected from South Middleton and improper use of sewer revenues derived from it by Mount Holly.

204. To the extent Mount Holly is deemed liable to South Middleton, South Middleton is entitled to a reduction in any judgment rendered in favor of Mount Holly by the amount for which Mount Holly is deemed liable to South Middleton under the doctrine of set-off.

205. To the extent that the set-off amount exceeds any amount awarded to Mount Holly, South Middleton is entitled to affirmative recovery.

206. South Middleton believes and avers that its damages exceed the arbitration threshold.

WHEREFORE, South Middleton respectfully requests that this Honorable Court enter judgment in its favor and against Mount Holly in an amount in excess of the jurisdictional amount requiring arbitration, and any other relief the Court deems just and appropriate.

Respectfully submitted,

SALZMANN HUGHES, P.C.

Date: October 11, 2024

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VERIFICATION

I have read the statements made in this document and they are true and correct to the best of my knowledge, information, and belief. I understand that false statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

South Middleton
Township Municipal Authority

Dated: 10/11/2024

By: Josephine Hall
Josephine Hall, Manager

EXHIBIT A

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
2020 Final Sewer Operating Fund Budget**

REVENUES	
Interest Earnings	
Interest	\$ 2,254.95
Revenue Interest	\$ 2,905.90
Subtotal	\$ 5,160.85
State Capital and Operating Grants	
Act 537 Plan Reimbursement	\$ -
Subtotal	\$ -
Sewer	
Sewer Charges	\$ 503,595.63
Sewer Charges-South Middleton	\$ 100,819.56
Sewer Penalties	\$ 5,194.87
Sewer Connection/Tapping Fees	\$ -
Sewer Miscellaneous	\$ 11,571.88
Subtotal	\$ 621,181.94
Total Revenues	\$ 626,342.79

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
2020 Final Sewer Operating Fund Budget**

EXPENDITURES	
Collection System	
Materials and Supplies	\$ -
Maintenance and Repair	\$ 1,169.40
I&I	\$ 13,337.50
Park Street Pump Station Maintenance & Repairs	\$ -
Subtotal	\$ 14,506.90
Administration & Operations	
Miscellaneous	\$ 5.00
Audit	\$ 1,500.00
Engineer Expense	\$ 22,341.09
Legal Expense	\$ 1,634.35
Insurance Expense	\$ 10,528.30
State Permit Fee	\$ 1,100.00
Supervision/Billing	\$ 30,100.00
Overhead	\$ 7,950.00
Sewage Enforcement Officer	\$ -
Dues, Mileage, Etc.	\$ 433.40
Subtotal	\$ 75,592.14
Wastewater Treatment	
Operations Salaries	\$ 91,427.07
Overtime	\$ 1,115.40
Retirement-Employee Benefits	\$ -
Unemployment Compensation	\$ 1,111.84
Workman's Compensation	\$ 4,546.00
Hospital Insurance	\$ 9,156.67
Social Security	\$ 6,493.83
Pension Plan Reimbursement	\$ 50,000.00
Software Support (Billing)	\$ 4,458.36
Materials and Supplies	\$ 12,512.42
Chemicals	\$ 22,373.30
Laboratory Testing	\$ 13,522.26
Gasoline and Oil	\$ 1,656.98
Heating Oil and Diesel Fuel	\$ -
Uniform Allowance	\$ 1,312.71
Miscellaneous	\$ 484.77
Communications	\$ 3,354.79
Advertising and Printing	\$ 95.59
Public Utilities	\$ 32,614.87
Repairs and Maintenance Service	\$ 60,249.37
Vehicle Maintenance	\$ 834.65

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
2020 Final Sewer Operating Fund Budget**

Wastewater Treatment (continued)			
Building and Grounds Maintenance		\$	3,167.69
Equipment Rental		\$	-
Sludge Disposal		\$	33,645.85
Conferences and Training		\$	1,015.00
Loan Payment		\$	221,000.00
Special Projects		\$	-
Capital Improvements		\$	9,961.66
	Subtotal	\$	586,111.08
	Total Expenditures	\$	676,210.12
Adjustments			
Sewage Collection		\$	(14,506.90)
Engineer Expense ⁽²⁾		\$	(5,296.24)
Supervision/Billing		\$	(30,100.00)
Sewage Enforcement Officer		\$	-
Labor: Collection System		\$	(319.99)
Software Support (Authority Billing)		\$	(4,458.36)
Miscellaneous: Administration & Operations		\$	(242.39)
Loan Payment		\$	(221,000.00)
	Subtotal	\$	(275,923.88)
	Total 2020 Eligible Costs	\$	400,286.24
⁽²⁾ Adjustment for engineering services associated with development inspections, authority business and Borough collection system.			
(a) South Middleton Township Municipal Authority Share of O&M ⁽³⁾		\$	107,178.68
(b) State Subsidy Deduction (1/2 Total Subsidy)		\$	-
(c) Adjusted South Middleton Township Municipal Authority Share (a - b)		\$	107,178.68
(d) Total Billed to South Middleton Township Municipal Authority		\$	100,819.56
(e) Total Accounted for by way of credit to SMTMA 2020 Payment⁽⁴⁾		\$	-
(f) Total Paid on Account By South Middleton Township Municipal Authority⁽⁵⁾		\$	100,819.56
(g) Amount SMTMA owes MHSBA (f-c)		\$	6,359.12
⁽³⁾ Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation:			
	WWTP Flow	Township Flow	Annual Payment
Total Flow (MG)	136.3186	35.6256	\$ 100,819.56
Township Share of O&M Costs			
Average Daily Flow (MGD)	0.3735	0.0976	26.1341%
Minimum Daily Flow (MGD) Per 1977 Agreement	0.3735	0.1000	26.7755%

⁽⁴⁾ In cases where MHSBA owes SMTMA for the previous year operations, SMTMA can elect to have the amount owed to them applied as a credit for the following year's obligation. In cases where SMTMA owes MHSBA for previous year operations, a credit does not apply and the value entered here is zero.

⁽⁵⁾ Reflects total revenue per MHSBA year end actual budget plus MHSBA credit to SMTMA.

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
Proposed Sewer Operating Fund Budget
January 1 - December 31, 2021**

REVENUES	
Interest Earnings	
Interest	\$ 3,000.00
Revenue Interest	\$ 7,000.00
Subtotal	\$ 10,000.00
State Capital and Operating Grants	
Act 537 Plan Reimbursement	\$ -
Subtotal	\$ -
Sewer	
Sewer Charges	\$ 581,325.00
Sewer Charges-South Middleton	\$ 93,000.00
Sewer Penalties	\$ 8,000.00
Sewer Connection/Tapping Fees	\$ 4,000.00
Sewer Miscellaneous	\$ -
Subtotal	\$ 686,325.00
Total Revenues	\$ 696,325.00

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
Proposed Sewer Operating Fund Budget
January 1 - December 31, 2021**

EXPENDITURES	
Collection System	
Materials and Supplies	\$ 5,000.00
Maintenance and Repair	\$ 15,000.00
I&I	\$ 20,000.00
Park St. Pump Station Maintenance and Repairs	\$ 275.00
Subtotal	\$ 40,275.00
Administration & Operations	
Miscellaneous	\$ -
Audit	\$ 2,500.00
Engineer Expense	\$ 10,000.00
Legal Expense	\$ 3,000.00
Insurance Expense	\$ 10,000.00
State Permit Fee	\$ 4,000.00
Supervision/Billing	\$ 30,700.00
Overhead Expenses	\$ 7,950.00
Sewage Enforcement Officer	\$ -
Dues, Mileage, Etc.	\$ 200.00
Subtotal	\$ 68,350.00
Wastewater Treatment (continued)	
Operations Salaries	\$ 89,800.00
Overtime	\$ 2,000.00
Retirement-Employee Benefits	\$ -
Software Support	\$ 3,000.00
Unemployment Compensation	\$ 1,300.00
Workman's Compensation	\$ 4,900.00
Hospital Insurance	\$ 8,000.00
Social Security	\$ 6,000.00
Pension Plan Reimbursement	\$ 63,000.00
Materials and Supplies	\$ 28,000.00
Chemicals	\$ 25,000.00
Laboratory Testing	\$ 12,000.00
Gasoline and Oil	\$ 2,000.00
Heating Oil and Diesel Fuel	\$ 500.00
Uniform Allowance	\$ 1,200.00
Miscellaneous	\$ 500.00
Communications	\$ 3,000.00
Advertising and Printing	\$ -

**Mt. Holly Springs Borough Authority
Statement of Revenues and Expenditures
Proposed Sewer Operating Fund Budget
January 1 - December 31, 2021**

Wastewater Treatment	
Public Utilities	\$ 32,000.00
Repairs and Maintenance Service	\$ 35,000.00
Vehicle Maintenance	\$ 1,500.00
Building and Grounds Maintenance	\$ 2,000.00
Equipment Rental	\$ -
Sludge Disposal	\$ 30,000.00
Conferences and Training	\$ 1,000.00
Loan Payment	\$ 221,000.00
Special Projects	\$ -
Capital Improvements	\$ 15,000.00
Subtotal	\$ 587,700.00
Total Expenditures	\$ 696,325.00
Adjustments	
Sewage Collection	\$ (40,275.00)
Engineer Expense	\$ (6,670.00)
Supervision/Billing	\$ (30,700.00)
Sewage Enforcement Officer	\$ -
Labor - Collection System	\$ (314.30)
Software Support (Authority Billing)	\$ (3,000.00)
Loan Payment	\$ (221,000.00)
Subtotal	\$ (301,959.30)
Total 2021 Eligible Costs	\$ 394,365.70
South Middleton Township Municipal Authority Share ⁽⁴⁾	\$ 105,593.43
State Subsidy Deduction (1/3 Total Subsidy)	\$ -
Adjusted South Middleton Township Municipal Authority Share	\$ 105,593.43
⁽⁴⁾ SMTMA share for 2021 estimated at the same level as calendar year 2020, or:	26.7755%

EXHIBIT B

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

**RESULTS OF AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2021**

**AND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

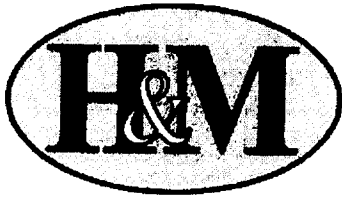
MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Results of Agreed-Upon Procedures

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For the Year Ended December 31, 2021

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HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Authority Members
Mount Holly Springs Borough Authority
Mount Holly Springs, Pennsylvania

We have performed the procedures enumerated in the attached schedule of procedures, findings, and recommendations on certain accounting records of Mount Holly Springs Borough Authority (the Authority) for the period January 1, 2021 to December 31, 2021. The Authority's management is responsible for the certain accounting records.

Mount Holly Springs Borough Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting on certain accounting records of the Authority for the period January 1, 2021 to December 31, 2021 for the use of the Authority. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings obtained, if any, are summarized in the attached schedule of procedures, findings, and recommendations.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the certain accounting records of the Authority. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Mount Holly Springs Borough Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management and Authority Members of Mount Holly Springs Borough Authority and is not intended to be and should not be used by anyone other than those specified parties.

December 19, 2022

Mechanicsburg, Pennsylvania

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Procedures, Findings, and Recommendations
For the Year Ended December 31, 2021

Procedure 1:

1. Perform a reconciliation of the approved Annual Budget of the Mount Holly Springs Borough Authority (MHSBA) Wastewater Treatment Plant (WWTP) to the actual audited expenses of the Authority.
 - a. Analyze expenses to be included in the report.
 - b. Receive approval of all expenses charged as a part of Operating and Maintenance with Mount Holly Springs Borough Authority Management.

Findings to Procedure 1:

See Schedule of Revenues and Expenses

Per the November 14, 1977 "Agreement for Treatment of Sewage" amended August 24, 1979, eligible costs do not include the salary, wages, and employee benefits and contributions of and on behalf of office staff. Management has determined that these costs are eligible costs in the agreement.

Procedure 2:

2. Based on the Certified Flow Data, calculate the share of Operating and Maintenance expenses owed by South Middleton Township Municipal Authority (SMTMA).

Findings to Procedure 2:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 3:

3. Using the payments that South Middleton Township (the Township) made during the calendar year, calculate the remaining amount due (payable) or overpayment (receivable) from South Middleton Township.

Findings to Procedure 3:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 4:

4. Prepare Budget to Actual Reconciliation Report
 - a. Budget to Actual Reconciliation
 - b. Calculation of South Middleton Township percent based on flow
 - c. Calculation of South Middleton Township Share of O&M expense
 - d. Calculation of amount due or overpayment from South Middleton Township
 - e. Notes to Schedule
 - i. Introduction
 - ii. Purpose and Scope
 - iii. Connection Point Identification
 - iv. Flow Analysis

Findings to Procedure 4:

See Schedule of Revenues and Expenses & Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses
For the Year Ended December 31, 2021

Revenues	
Interest	\$ 189.14
Revenue Interest	<u>948.62</u>
Total Interest Earnings	<u>1,137.76</u>
Sewer Charge	588,505.74
Sewer Charges – Penalties	6,665.78
Sewage Connection/Tapping Fee	<u>4,221.00</u>
Total Sewer Charges	<u>599,392.52</u>
Total Revenues	<u>\$ 600,530.28</u>
Expenses	
Collection System	
Maintenance & Repair	\$ 11,733.03
I & I	<u>14,772.50</u>
Total Collection System	<u>26,505.53</u>
Administration & Operations	
Audit	1,560.00
Engineer Expense	27,626.78
Legal Expense	1,496.00
Insurance Expense	12,440.59
State Permit Fees	1,660.00
Supervisor/Billing	30,700.00
Overhead Expenses	7,950.00
Dues, Mileage, Etc.	<u>120.48</u>
Total Administration & Operations	<u>83,553.85</u>
Wastewater Treatment	
Operations Salaries	83,846.86
Overtime	1,507.59
Unemployment Compensation – EB	983.47
Workman's Compensation – EB	1,135.55
Hospital Insurance – EB	18,879.34
Social Security – Boro – EB	5,725.00
Pension Plan Reimbursement – G.F.	63,000.00
Software Support	3,889.08
Materials & Supplies	6,632.05
Chemicals	34,242.86
Laboratory Testing	19,442.35
Gasoline & Oil	3,506.00
Uniform Allowance	<u>1,314.48</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses – Continued
For the Year Ended December 31, 2021

Miscellaneous	572.33
Communications	3,878.14
Advertising & Printing	818.80
Public Utilities	39,836.96
Repair & Maintenance Service	24,429.08
Vehicle Maintenance	1,313.43
Building & Grounds Maintenance	2,228.81
Sludge Disposal	17,192.82
Conferences & Training	1,269.00
Loan Payment	51,844.00
Depreciation Expense	<u>169,968.00</u>
 Total Wastewater Treatment	 <u>557,456.00</u>
 Total Expenses	 <u>\$ 667,515.38</u>
 Adjustments	
Sewage Collection	\$ (17,010.98)
Software Support (Authority Billing)	(1,056.40)
Loan Payment	(51,844.00)
Nutrition Credit	(38,346.00)
Depreciation Expense	(169,968.00)
Capitalized Expenses	<u>(354.84)</u>
 Total Adjustments	 <u>(278,580.22)</u>
 Total Eligible Costs	 <u>\$ 388,935.16</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
 Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation
 For the Year Ended December 31, 2021

	<u>WWTP Flow</u>	<u>Township Flow</u>	<u>Annual Payment</u>
Total Flow (MG)	132.4476	35.7671	\$ 131,992.00

Township Share of O&M Costs

Average Daily Flow (MGD)	0.337	0.098	29.0801 %
Minimum Daily Flow (MGD) per 1977 Agreement	0.337	0.1	29.6736 %
A) SMTMA Share of O&M			\$ 115,411.06
B) State Subsidy Deduction (1/3 Total Subsidy)			-
C) Capital Improvement Cost Allocation			-
D) Adjusted SMTMA Share (A-B)			<u>21,652.41</u>
E) Total Billed to SMTMA			137,063.47
F) Total Accounted for by way of Credit to SMTMA 2020 Payment ⁽¹⁾			131,992.00
G) Total Paid on Account by SMTMA ⁽²⁾			<u>-</u> 131,992.00
H) 2021 Amount SMTMA owes MHSBA (G-D)			(5,071.47)
I) 2020 Budget Reconciliation (SMTMA Owed MHSBA)			<u>-</u>
J) Net Amount SMTMA Owes MHSBA			<u>\$ (5,071.47)</u>

⁽¹⁾ In cases where MHSBA owes SMTMA for the previous year operations, SMTMA can elect to have the amount owed to them applied as a credit for the following year's obligation. In cases where SMTMA owes MHSBA for the previous year operations, a credit does not apply and the value entered here is zero.

⁽²⁾ Reflects total revenue per MHSBA year-end actual budget plus MHSBA credit to SMTMA

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Proposed Sewer Operating Fund Budget

January 1, 2022 – December 31, 2022

Revenues	
Interest	\$ 300
Revenue Interest	<u>900</u>
Total Interest Earnings	<u>1,200</u>
Sewer Charge	620,900
Sewer Charges – Penalties	8,000
Sewage Connection/Tapping Fee	4,000
Sewage Miscellaneous	<u>-</u>
Total Sewer Charges	<u>632,900</u>
Total Revenues	<u>\$ 634,100</u>
Expenses	
Collection System	
Materials & Supplies	\$ 5,000
Maintenance & Repair	15,000
I & I	<u>15,000</u>
Total Collection System	<u>35,000</u>
Administration & Operations	
Miscellaneous	-
Audit	2,500
Engineer Expense	10,000
Legal Expense	3,000
Insurance Expense	12,000
State Permit Fees	4,000
Supervisor/Billing	51,000
Overhead Expenses	10,000
Dues, Mileage, Etc.	<u>200</u>
Total Administration & Operations	<u>92,700</u>
Wastewater Treatment	
Contracted Operations Services	111,150
Operations Salaries	63,472
Retirement – Employee Benefits	25,000
Overtime	500
Unemployment Compensation – EB	1,000
Workman’s Compensation – EB	1,000
Hospital Insurance – EB	12,000
Social Security – Boro – EB	3,000
Pension Plan Reimbursement – G.F.	80,000
Software Support	3,000
Materials & Supplies	5,000
Chemicals	30,000
Laboratory Testing	18,000

See Independent Accountant’s Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Proposed Sewer Operating Fund Budget – Continued
January 1, 2022 – December 31, 2022

Gasoline & Oil	1,500
Heating Oil & Diesel Fuels	500
Uniform Allowance	400
Miscellaneous	500
Communications	2,000
Advertising & Printing	500
Public Utilities	40,000
Repair & Maintenance Service	25,300
Vehicle Maintenance	1,000
Building & Grounds Maintenance	2,000
Sludge Disposal	55,000
Conferences & Training	250
Loan Payment	221,000
Capital Improvements	15,000
Depreciation Expense	<u>-</u>
Total Wastewater Treatment	<u>718,072</u>
Total Expenses	<u>\$ 845,772</u>
Adjustments	
Loan Payment	\$ (221,000)
Capital Improvements	<u>(15,000)</u>
Total Adjustments	<u>(236,000)</u>
Total 2022 Proposed Eligible Costs	<u>\$ 609,772</u>
SMTA Share Prior to Capital Improvement Allocation	\$ 184,437
1/3 of Capital Improvements	<u>5,000</u>
2022 SMTA Share	<u>\$ 189,437</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

Case# 2024-04253-15 Received at Cumberland County Prothonotary on 10/11/2024 2:18 PM, Fee = .

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

INTRODUCTION

This report summarizes the Budget Reconciliation process that is used to bill South Middleton Township Municipal Authority (SMTMA) for their share of operational costs associated with treating wastewater that originates from within South Middleton Township (SMT) and is treated at the Mount Holly Springs Municipal Authority (MHSBA) Wastewater Treatment Plant (WWTP). The procedure for billing is agreed to by both parties and is binding under the November 14, 1977 "Agreement for Treatment of Sewage" (1977 Agreement), amended August 24, 1979, that is between Mount Holly Springs Borough Authority/Borough of Mount Holly Springs and South Middleton Township Municipal Authority/Township of South Middleton.

Under the agreement, MHSBA owns an average daily flow (ADF) of 0.40 MGD and SMTMA owns an ADF of 0.20 MGD within MHSBA's wastewater treatment plant. Operations for the upcoming budget year are determined using budgeted wastewater treatment costs obtained from MHSBA's annual budget and the estimated flow contribution from SMTMA. SMTMA then pays a quarterly installment to MHSBA for their proportionate share of operational costs. Their estimated share of operational costs is based on SMTMA's previous year's actual flow contribution compared to the overall WWTP flow. At the end of each calendar year, that payment is reconciled using actual flows for the subject calendar year and MHSBA actual budget figures. A copy of the Proposed Sewer Operating Fund Budget is included on page 6 and 7 for reference.

As per the 1977 Agreement, SMTMA's portion of the wastewater treatment budget is proportioned based on the greater of SMTMA's actual ADF or a minimum flow of 100,000 GPD. For example, if SMTMA's ADF is 90,000 GPD, then the proportionate share of costs is based on 100,000 GPD since it is greater than the actual flow. Likewise, if SMTMA's actual ADF is 150,000 GPD, then the proportionate share of costs is based on the actual ADF since it is greater than the minimum ADF of 100,000 GPD.

PURPOSE AND SCOPE

The purpose of this audit is to evaluate the fairness of past billings to SMTMA as conducted through the Budget Reconciliation process that is defined in the 1977 Agreement. The scope includes several steps to make this determination. First, we verified the contribution of flow from SMT by identifying the connection points within Mount Holly Springs Borough (Borough) where flow from SMT enters MHSBA's collection system. Next, we examined the proportion of flow coming from SMT as compared to the total flow at the WWTP. Finally, we performed a brief validation of flows based on experience with other clients as to whether the flow contribution from SMT is reasonable given the number of connections. A summary of the evaluation follows.

BASIS OF ACCOUNTING

The accompanying schedules utilize a basis of accounting defined under the Intermunicipal Agreement. The expenses are reported on the accrual basis of accounting, except with respect to capital asset transactions. Specifically, capital asset purchases have been included in current year expenses and depreciation expense has been excluded.

FLOW ALLOCATIONS

Flow percentages used to allocate net adjusted operating and maintenance expenses were derived from reports provided by Mount Holly Springs Borough Authority's engineers.

CONNECTION POINT IDENTIFICATION

There are five (5) points of connection within MHSBA's collection system where flow is conveyed from SMT. Attachment 2 provides a map showing SMTMA's service area and the location of each connection described below.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed Upon Procedures
For the Year Ended December 31, 2021

CONNECTION POINT IDENTIFICATION (CONTINUED)

- **West Pine Street** - Flow is conveyed from nine (9) residential properties in SMT via gravity to the gravity sewer on West Pine Street. Flow from these properties is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Hill Street** - Flow is conveyed flow from one (1) residential property in SMT via gravity to the gravity sewer on Hill Street. Flow from this property is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Butler Street** - Flow is conveyed from the United Methodist Church in SMT via a sewer lateral connection to the gravity sewer on Butler Street. SMT confirmed that this is not a SMTMA customer, so they do not bill them for sewer and does not provide a water usage estimate in their Chapter 94 report for this property. The Borough indicated that they do not bill the Church either. There was some recollection from SMTMA that the Borough agreed to include the Church in their service area, however it wasn't confirmed. Prior engineers followed-up with SMTMA to request if they could provide any documentation supporting the understanding that the Church should be MHSBA's customer, however we have not heard back as of the date of this memo.
- **Route 34/North Baltimore Ave** - Flow is conveyed from approximately 645 parcels to SMTMA's PS No. 3, whose forcemain ties into the gravity sewer on Route 34/North Baltimore Avenue, just north of the intersection of Watts St. and Route 34. Flow from these connections is captured by the flow meter at SMTMA PS No. 3. This flow data is provided to the Borough on an annual basis through SMTMA's Chapter 94 Report submission to MHSBA and is accounted for in the Budget Reconciliation calculation.
- **Mill Street** - SMTMA constructed a tie-in connection to the terminal end of MHSBA's gravity sewer on Mill Street, east of the WWTP. This is an emergency use connection and is only to be used if there is a problem with SMTMA's PS No. 1 forcemain. Valves are in place so that they can be "opened" to convey flow from that pump station to the MHSBA WWTP; otherwise the valves are in the "closed" position and there is no flow from SMT at this connection point. To the best of Mr. Williams and Ms. Hall's knowledge, this connection has been inactive (i.e. no flow) during their respective tenures. Should this connection be used in the future, there is a flow meter within the pump station to record the volume of flow conveyed to Mount Holly.

Based on the above connection points, all flow generated within SMT that is conveyed to MHSBA's WWTP is captured through the SMTMA PS No. 3 flow meter and water usage data for the properties on West Pine Street and Hill Street. This combined flow is used in the Budget Reconciliation calculation. The only unaccounted for flow source is from the United Methodist Church, and further research is required to verify which municipality's service area this falls under.

FLOW ANALYSIS

The MHSBA WWTP is designed for an annual average flow of 0.70 MGD and maximum monthly flow of 0.97 MGD. Table 1 provides a summary of average WWTP, SMT and MHS flows. The average wastewater flow reported by SMT over the last five years ranges from 80,000 GPD to 149,000 GPD, therefore the Borough's estimated water usage for SMT is within the range of typical flows reported by SMT. Based on the flow data presented in Table 1, SMTMA's ADF ranges from 24% to 30% of the total flow.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

FLOW ANALYSIS (CONTINUED)

Table 1: Comparison of total wastewater treatment plan flow, MHSBA flow and SMT flow

Year	Average Flow, MGD			% WWTP Flow	
	WWTP	SMT	WWTP	SMT	MHS
2017	0.289	0.080	0.209	28	72
2018	0.628	0.149	0.479	24	76
2019	0.585	0.144	0.441	26	74
2020	0.374	0.098	0.276	27	73
2021	0.337	0.098	0.226	30	70

One thing to keep in mind when evaluating wastewater flow is that water usage does not equate to wastewater flow, as sources of inflow and infiltration are not captured in water usage data. Fortunately, since 99% of the flow that originates from SMT is conveyed through SMTMA PS No. 3, flow resulting from I/I is captured in their flow meter data, and since that data is used in the Budget Reconciliation calculation, SMTMA is paying for any increased flows that result from unmetered I/I sources.

Table 2 presents SMTMA's percent contribution towards MHSBA's operational budget for the WWTP for years 2017-2021 as presented in past Budget Reconciliations. The percent contribution is based on the greater of the flows from SMT's service area (Hill Street plus West Pine Street plus Route 34 connection points) or the minimum SMT flow of 100,000 GPD noted in the 1977 Agreement. In cases where the percent contribution shown is greater than SMT's percent flow noted in Table 1, it is because the minimum flow contribution of 100,000 GPD was greater than SMT's actual flow.

Table 2: Comparison of actual eligible treatment costs and SMT's responsible portion

Year	Actual Eligible WWTP O&M Costs		SMT % of Total Eligible O&M Costs
	Total O&M	SMT Portion	
2017	305,235	105,439	35
2018	318,928	75,536	24
2019	369,023	97,007	26
2020	285,936	87,904	27
2021	388,935	117,641	29

SMT FLOW VALIDATION

As noted in Table 1, SMTMA's flow ranged from 80,000 GPD to 149,000 GPD from 2017-2021. SMTMA's 2021 Chapter 94 Report notes that they had 679 EDUs connected at the end of 2021. At SMT's 2021 ADF of 98,000 GPD, this equates to approximately 150 GPD/EDU. Generally speaking, this flow is typical of the primarily residential area served by SMT sewers. Over the last five years, SMTMA's flow has ranged between 125 GPD/EDU and 232 GPD/EDU. This range is largely dependent on how wet of year it is, with the higher flows per EDU indicative of a wet year. MHSBA's flow has ranged between 219 GPD/EDU and 503 GPD/EDU. The overall higher average flow per EDU for MHS connections is to be expected considering the relative age of the original system (1962) as compared to SMTMA's system.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

CONCLUSION

The following conclusions can be made based on the information presented:

1. 99% of SMTMA's flow enters the Borough through the SMTMA PS No. 3 forcemain discharge and this volume is captured using the pump station's flow meter. The remaining 1% of flow enters the Borough on West Pine and Hill Streets, and the volume is estimated based on water usage records. 100% of the flow contribution from SMT is reported to MHSBA on an annual basis through SMTMA's annual Chapter 94 Report.
2. Historic flow records indicate that SMTMA's flow makes up roughly 26% of the overall WWTP flow.
3. Historic Budget Reconciliation records indicate that SMTMA pays an average of 28% of the eligible WWTTP operation and maintenance costs. The average is slightly higher than SMTMA's 5-year average flow percentage due to reasons discussed under Section 4.
4. SMTMA's flow contribution averages 150 GPD/EDU and represents a typical flow for the predominantly residential nature of their service area. - Based on the above facts, SMTMA has been accurately billed for the treatment of their contribution of wastewater flows to the MHSBA WTP as per the billing procedure outlined in the 1977 Agreement.

EXHIBIT C

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

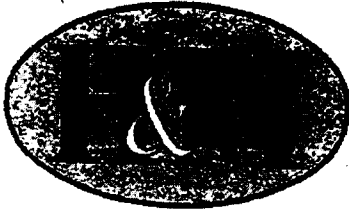
**RESULTS OF AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2022**

**AND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Results of Agreed-Upon Procedures
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For the Year Ended December 31, 2022

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HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Authority Members
Mount Holly Springs Borough Authority
Mount Holly Springs, Pennsylvania

We have performed the procedures enumerated in the attached schedule of procedures, findings, and recommendations on certain accounting records of Mount Holly Springs Borough Authority (the Authority) for the period January 1, 2022 to December 31, 2022. The Authority's management is responsible for the certain accounting records.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting on certain accounting records of the Authority for the period January 1, 2022 to December 31, 2022 for the use of the Authority. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings obtained, if any, are summarized in the attached schedule of procedures, findings, and recommendations.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the certain accounting records of the Authority. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management and Authority Members of Mount Holly Springs Borough Authority and is not intended to be and should not be used by anyone other than those specified parties.

May 3, 2023

Mechanicsburg, Pennsylvania

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Procedures, Findings, and Recommendations
For the Year Ended December 31, 2022

Procedure 1:

1. Perform a reconciliation of the approved Annual Budget of the Mount Holly Springs Borough Authority (MHSBA) Wastewater Treatment Plant (WWTP) to the actual audited expenses of the Authority.
 - a. Analyze expenses to be included in the report.
 - b. Receive approval of all expenses charged as a part of Operating and Maintenance with Mount Holly Springs Borough Authority Management.

Findings to Procedure 1:

See Schedule of Revenues and Expenses

Per the November 14, 1977 "Agreement for Treatment of Sewage" amended August 24, 1979, eligible costs do not include the salary, wages, and employee benefits and contributions of and on behalf of office staff. Management has determined that these costs are eligible costs in the agreement.

Procedure 2:

2. Based on the Certified Flow Data, calculate the share of Operating and Maintenance expenses owed by South Middleton Township Municipal Authority (SMTMA).

Findings to Procedure 2:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 3:

3. Using the payments that South Middleton Township (the Township) made during the calendar year, calculate the remaining amount due (payable) or overpayment (receivable) from South Middleton Township.

Findings to Procedure 3:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 4:

4. Prepare Budget to Actual Reconciliation Report
 - a. Budget to Actual Reconciliation
 - b. Calculation of South Middleton Township percent based on flow
 - c. Calculation of South Middleton Township Share of O&M expense
 - d. Calculation of amount due or overpayment from South Middleton Township
 - e. Notes to Schedule
 - i. Introduction
 - ii. Purpose and Scope
 - iii. Connection Point Identification
 - iv. Flow Analysis

Findings to Procedure 4:

See Schedule of Revenues and Expenses & Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses
For the Year Ended December 31, 2022

Revenues	
Interest	\$ 684.50
Revenue Interest	<u>869.81</u>
Total Interest Earnings	<u>1,554.31</u>
Sewer Charge	578,284.63
Sewer Charges – Penalties	8,504.48
Sewage Connection/Tapping Fee	<u>4,221.00</u>
Total Sewer Charges	<u>591,010.11</u>
Total Revenues	<u>\$ 592,564.42</u>
Expenses	
Collection System	
Maintenance & Repair	\$ 3,125.74
Total Collection System	<u>3,125.74</u>
Administration & Operations	
Miscellaneous	196.12
Audit	5,500.00
Engineer Expense	14,902.82
Legal Expense	5,341.96
Insurance Expense	14,519.30
State Permit Fees	1,100.00
Supervisor/Billing	51,000.00
Overhead Expenses	10,000.00
Dues, Mileage, Etc.	<u>185.00</u>
Total Administration & Operations	<u>102,745.20</u>
Wastewater Treatment	
Operations Salaries	26,027.74
Overtime	175.50
Contracted Operations Service	107,250.00
Hospital Insurance – EB	12,286.57
Social Security – Boro – EB	2,286.95
Pension Plan Reimbursement – G.F.	80,000.00
Software Support	4,212.96
Materials & Supplies	4,559.72
Chemicals	29,637.88
Laboratory Testing	18,890.00
Gasoline & Oil	2,418.57
Uniform Allowance	391.16

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses - Continued
For the Year Ended December 31, 2022

Miscellaneous	82.56
Communications	2,839.29
Advertising & Printing	608.47
Public Utilities	35,371.17
Repair & Maintenance Service	7,730.67
Vehicle Maintenance	346.89
Building & Grounds Maintenance	570.38
Sludge Disposal	14,491.16
Conferences & Training	60.00
Loan Payment	46,874.00
Capital Improvements	1,200.00
Depreciation Expense	<u>187,559.00</u>
 Total Wastewater Treatment	 <u>585,870.64</u>
 Total Expenses	 <u>\$ 691,741.58</u>
 Adjustments	
Loan Payment	\$ (46,874.00)
Depreciation Expense	(187,559.00)
Capitalized Expenses	<u>24,558.33</u>
 Total Adjustments	 <u>(209,874.67)</u>
 Total Eligible Costs	 <u>\$ 481,866.91</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
 Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation
 For the Year Ended December 31, 2022

	WWTP Flow	Township Flow	Annual Payment
Total Flow (MG)	210.605	33.6478	\$ 0.00

Township Share of O&M Costs

Average Daily Flow (MGD)	0.577	0.0933	16.1698 %
Minimum Daily Flow (MGD) per 1977 Agreement	0.337	0.1	29.6736 %

A) SMTMA Share of O&M			
B) State Subsidy Deduction (1/3 Total Subsidy)			\$ 142,987.26
C) Capital Improvement Cost Allocation			-
D) Adjusted SMTMA Share (A-B+C)			<u>24,558.33</u>
E) Total Billed to SMTMA			167,545.59
F) Total Accounted for by way of Credit to SMTMA 2020 Payment ⁽¹⁾			-
G) Total Paid on Account by SMTMA ⁽²⁾			-
H) 2022 Amount SMTA owes MHSBA (G-D)			(167,545.59)
I) 2021 Budget Reconciliation (SMTA Owed MHSBA)			<u>(5,071.47)</u>
J) Net Amount SMTA Owes MHSBA			<u>\$ (172,617.06)</u>

⁽¹⁾ In cases where MHSBA owes SMTMA for the previous year operations, SMTMA can elect to have the amount owed to them applied as a credit for the following year's obligation. In cases where SMTMA owes MHSBA for the previous year operations, a credit does not apply and the value entered here is zero.

⁽²⁾ Reflects total revenue per MHSBA year-end actual budget plus MHSBA credit to SMTMA.

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Proposed Sewer Operating Fund Budget
January 1, 2023 - December 31, 2023

Revenues		
Interest		\$ 300
Revenue Interest		<u>900</u>
Total Interest Earnings		<u>1,200</u>
Sewer Charge		616,710
Sewer Charges - Penalties		8,000
Sewage Connection/Tapping Fee		<u>4,000</u>
Total Sewer Charges		<u>628,710</u>
Total Revenues		<u>\$ 629,910</u>
Expenses		
Collection System		
Materials & Supplies		\$ 5,000
Maintenance & Repair		10,000
I & I		<u>15,000</u>
Total Collection System		<u>30,000</u>
Administration & Operations		
Miscellaneous		100
Audit		2,500
Engineer Expense		10,000
Legal Expense		3,000
Insurance Expense		12,000
State Permit Fees		3,000
Supervisor/Billing		83,000
Overhead Expenses		8,000
Dues, Mileage, Etc.		<u>200</u>
Total Administration & Operations		<u>121,800</u>
Wastewater Treatment		
Contracted Operations Services		117,000
Operations Salaries		55,000
Retirement - Employee Benefits		25,000
Overtime		500
Unemployment Compensation - EB		1,000
Workman's Compensation - EB		1,000
Hospital Insurance - EB		12,000
Social Security - Boro - EB		3,000
Pension Plan Reimbursement - G.F.		80,000
Software Support		3,500
Materials & Supplies		5,000
Chemicals		25,000
Laboratory Testing		<u>18,000</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Proposed Sewer Operating Fund Budget – Continued
January 1, 2023 – December 31, 2023

Gasoline & Oil	2,000
Heating Oil & Diesel Fuels	500
Uniform Allowance	400
Miscellaneous	500
Communications	2,500
Advertising & Printing	500
Public Utilities	35,000
Repair & Maintenance Service	30,000
Vehicle Maintenance	1,000
Building & Grounds Maintenance	2,000
Sludge Disposal	45,000
Conferences & Training	500
Loan Payment	221,000
Capital Improvements	<u>15,000</u>
 Total Wastewater Treatment	 <u>701,900</u>
 Total Expenses	 <u>\$ 853,700</u>
 Adjustments	
Loan Payment	\$ (221,000)
Capital Improvements	<u>(15,000)</u>
 Total Adjustments	 <u>(236,000)</u>
 Total 2022 Proposed Eligible Costs	 <u>\$ 617,700</u>
 SMTA Share Prior to Capital Improvement Allocation	 \$ 99,881
1/3 of Capital Improvements	<u>5,000</u>
 2023 SMTA Share	 <u>\$ 104,881</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

INTRODUCTION

This report summarizes the Budget Reconciliation process that is used to bill South Middleton Township Municipal Authority (SMTMA) for their share of operational costs associated with treating wastewater that originates from within South Middleton Township (SMT) and is treated at the Mount Holly Springs Municipal Authority (MHSBA) Wastewater Treatment Plant (WWTP). The procedure for billing is agreed to by both parties and is binding under the November 14, 1977 "Agreement for Treatment of Sewage" (1977 Agreement), amended August 24, 1979, that is between Mount Holly Springs Borough Authority/Borough of Mount Holly Springs and South Middleton Township Municipal Authority/Township of South Middleton.

Under the agreement, MHSBA owns an average daily flow (ADF) of 0.40 MGD and SMTMA owns an ADF of 0.20 MGD within MHSBA's wastewater treatment plant. Operations for the upcoming budget year are determined using budgeted wastewater treatment costs obtained from MHSBA's annual budget and the estimated flow contribution from SMTMA. SMTMA then pays a quarterly installment to MHSBA for their proportionate share of operational costs. Their estimated share of operational costs is based on SMTMA's previous year's actual flow contribution compared to the overall WWTP flow. At the end of each calendar year, that payment is reconciled using actual flows for the subject calendar year and MHSBA actual budget figures. A copy of the Proposed Sewer Operating Fund Budget is included on page 6 and 7 for reference.

As per the 1977 Agreement, SMTMA's portion of the wastewater treatment budget is proportioned based on the greater of SMTMA's actual ADF or a minimum flow of 100,000 GPD. For example, if SMTMA's ADF is 90,000 GPD, then the proportionate share of costs is based on 100,000 GPD since it is greater than the actual flow. Likewise, if SMTMA's actual ADF is 150,000 GPD, then the proportionate share of costs is based on the actual ADF since it is greater than the minimum ADF of 100,000 GPD.

PURPOSE AND SCOPE

The purpose of these agreed upon procedures is to evaluate the fairness of past billings to SMTMA as conducted through the Budget Reconciliation process that is defined in the 1977 Agreement. The scope includes several steps to make this determination. First, we verified the contribution of flow from SMT by identifying the connection points within Mount Holly Springs Borough (Borough) where flow from SMT enters MHSBA's collection system. Next, we examined the proportion of flow coming from SMT as compared to the total flow at the WWTP. Finally, we performed a brief validation of flows based on experience with other clients as to whether the flow contribution from SMT is reasonable given the number of connections. A summary of the evaluation follows.

BASIS OF ACCOUNTING

The accompanying schedules utilize a basis of accounting defined under the Intermunicipal Agreement. The expenses are reported on the accrual basis of accounting, except with respect to capital asset transactions. Specifically, capital asset purchases have been included in current year expenses and depreciation expense has been excluded.

FLOW ALLOCATIONS

Flow percentages used to allocate net adjusted operating and maintenance expenses were derived from reports provided by Mount Holly Springs Borough Authority's engineers.

CONNECTION POINT IDENTIFICATION

There are five (5) points of connection within MHSBA's collection system where flow is conveyed from SMT.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

CONNECTION POINT IDENTIFICATION (CONTINUED)

- **West Pine Street** - Flow is conveyed from nine (9) residential properties in SMT via gravity to the gravity sewer on West Pine Street. Flow from these properties is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Hill Street** - Flow is conveyed flow from one (1) residential property in SMT via gravity to the gravity sewer on Hill Street. Flow from this property is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Butler Street** - Flow is conveyed from the United Methodist Church (the Church) in SMT via a sewer lateral connection to the gravity sewer on Butler Street. SMT confirmed that this is not a SMTMA customer, so they do not bill them for sewer and does not provide a water usage estimate in their Chapter 94 report for this property. The Borough indicated that they do not bill the Church either. There was some recollection from SMTMA that the Borough agreed to include the Church in their service area; however, it wasn't confirmed. Prior engineers followed-up with SMTMA to request if they could provide any documentation supporting the understanding that the Church should be MHSBA's customer; however, we have not heard back as of the date of this memo.
- **Route 34/North Baltimore Ave** - Flow is conveyed from approximately 645 parcels to SMTMA's PS No. 3, whose forcemain ties into the gravity sewer on Route 34/North Baltimore Avenue, just north of the intersection of Watts St. and Route 34. Flow from these connections is captured by the flow meter at SMTMA PS No. 3. This flow data is provided to the Borough on an annual basis through SMTMA's Chapter 94 Report submission to MHSBA and is accounted for in the Budget Reconciliation calculation.
- **Mill Street** - SMTMA constructed a tie-in connection to the terminal end of MHSBA's gravity sewer on Mill Street, east of the WWTP. This is an emergency use connection and is only to be used if there is a problem with SMTMA's PS No. 1 forcemain. Valves are in place so that they can be "opened" to convey flow from that pump station to the MHSBA WWTP; otherwise the valves are in the "closed" position and there is no flow from SMT at this connection point. To the best of Mr. Williams and Ms. Hall's knowledge, this connection has been inactive (i.e. no flow) during their respective tenures. Should this connection be used in the future, there is a flow meter within the pump station to record the volume of flow conveyed to Mount Holly Springs Borough Authority.

Based on the above connection points, all flow generated within SMT that is conveyed to MHSBA's WWTP is captured through the SMTMA PS No. 3 flow meter and water usage data for the properties on West Pine Street and Hill Street. This combined flow is used in the Budget Reconciliation calculation. The only unaccounted for flow source is from the Church, and further research is required to verify which municipality's service area this falls under.

FLOW ANALYSIS

The MHSBA WWTP is designed for an annual average flow of 0.70 MGD and maximum monthly flow of 0.97 MGD. Table 1 provides a summary of average WWTP, SMT and MHS flows. The average wastewater flow reported by SMT over the last five years ranges from 80,000 GPD to 149,000 GPD; therefore the Borough's estimated water usage for SMT is within the range of typical flows reported by SMT. Based on the flow data presented in Table 1, SMTMA's ADF ranges from 24% to 30% of the total flow.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

FLOW ANALYSIS (CONTINUED)

Table 1: Comparison of total wastewater treatment plant flow, MHSBA flow and SMT flow

Year	Average Flow, MGD			% WWTP Flow	
	Total WWTP	SMT	WWTP	SMT	MHS
2018	0.628	0.149	0.479	24	76
2019	0.585	0.144	0.441	26	74
2020	0.374	0.098	0.276	27	73
2021	0.337	0.098	0.239	30	70
2022	0.337	0.098	0.239	30	70

One thing to keep in mind when evaluating wastewater flow is that water usage does not equate to wastewater flow, as sources of inflow and infiltration are not captured in water usage data. Fortunately, since 99% of the flow that originates from SMT is conveyed through SMTMA PS No. 3, flow resulting from I/I is captured in their flow meter data, and since that data is used in the Budget Reconciliation calculation, SMTMA is paying for any increased flows that result from unmeasured I/I sources.

Table 2 presents SMTMA's percent contribution towards MHSBA's operational budget for the WWTP for years 2018-2022 as presented in past Budget Reconciliations. The percent contribution is based on the greater of the flows from SMT's service area (Hill Street plus West Pine Street plus Route 34 connection points) or the minimum SMT flow of 100,000 GPD noted in the 1977 Agreement. In cases where the percent contribution shown is greater than SMT's percent flow noted in Table 1, it is because the minimum flow contribution of 100,000 GPD was greater than SMT's actual flow.

Table 2: Comparison of actual eligible treatment costs and SMT's responsible portion

Year	Actual Eligible WWTP O&M Costs		SMT % of Total Eligible O&M Costs
	Total O&M	SMT Portion	
2018	318,928	75,536	24
2019	369,023	97,007	26
2020	285,936	87,904	27
2021	388,935	115,411	29
2022	481,867	142,987	30

SMT FLOW VALIDATION

As noted in Table 1, SMTMA's flow ranged from 80,000 GPD to 149,000 GPD from 2018-2022. SMTMA's 2022 Chapter 94 Report notes that they had 688 EDUs connected at the end of 2022. At SMT's 2022 ADF of 93,273 GPD, this equates to approximately 150 GPD/EDU. Generally speaking, this flow is typical of the primarily residential area served by SMT sewers. Over the last five years, SMTMA's flow has ranged between 125 GPD/EDU and 232 GPD/EDU. This range is largely dependent on how wet of a year it is, with the higher flows per EDU indicative of a wet year. MHSBA's flow has ranged between 219 GPD/EDU and 503 GPD/EDU over the past five years. The overall higher average flow per EDU for MHS connections is to be expected considering the relative age of the original system (1962) as compared to SMTMA's system.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

CONCLUSION

The following conclusions can be made based on the information presented:

1. 99% of SMTMA's flow enters the Borough through the SMTMA PS No. 3 forcemain discharge and this volume is captured using the pump station's flow meter. The remaining 1% of flow enters the Borough on West Pine and Hill Streets, and the volume is estimated based on water usage records. 100% of the flow contribution from SMT is reported to MHSBA on an annual basis through SMTMA's annual Chapter 94 Report.
2. Historic flow records indicate that SMTMA's flow makes up roughly 26% of the overall WWTP flow.
3. Historic Budget Reconciliation records indicate that SMTMA pays an average of 28% of the eligible WWTP operation and maintenance costs. The average is slightly higher than SMTMA's 5-year average flow percentage due to reasons discussed under Section 4.
4. SMTMA's flow contribution averages 150 GPD/EDU and represents a typical flow for the predominantly residential nature of their service area. Based on the above facts SMTMA has been accurately billed for the treatment of their contribution of wastewater flows to the MHSBA WTP as per the billing procedure outlined in the 1977 Agreement.

EXHIBIT D

South Middleton Township Municipal Authority

P.O. Box 8
345 Lear Lane
Boiling Springs, PA 17007-0008

Administration of:

Sewer System
Water System

Telephone: 717-258-6476

Fax: 717-258-3599

Website: www.smtma.net

September 14, 2023

VIA HAND DELIVERY AND FIRST CLASS MAIL

Thomas L. Day, Jr., Borough Manager
Mt. Holly Springs Borough
200 Harman Street
Mt. Holly Springs, PA 17065

RE: Wastewater Treatment Payments

Dear Mr. Day:

I write on behalf of South Middleton Township Municipal Authority ("SMTMA") in response to your letter dated August 7, 2023. As I hope you understand, SMTMA continues to seek an amicable relationship with Mount Holly Springs Borough and the Mount Holly Springs Borough Authority (collectively, "Mount Holly Springs"), and to work towards each party's timely compliance with contractual obligations pursuant to the Intermunicipal Agreement dated November 14, 1977, as amended (the "IMA").

As you know, SMTMA requested that Mount Holly Springs provide the contractually required annual estimated cost of operation and maintenance of the sewage treatment plant for 2022 via letters dated May 10, 2022, May 27, 2022, and October 13, 2022, which estimate had been due by the end of March 2022 under the IMA. SMTMA also requested credit for the \$26,398.36 overpayment made for the third quarter of 2021 in the above-referenced letters dated May 10, 2022, and October 13, 2022. That amount stands at \$24,819.79 based on the actual figures as adjusted from the estimated costs. Additionally, Mount Holly Springs failed to provide the 2023 cost estimate until May 23, 2023, which again was a breach of the IMA and did not provide SMTMA with a reasonable basis to determine what it would owe in 2023.

It is clearly stated in Section 7.B. of the IMA that SMTMA's "quarterly payments shall be based on the actual estimated costs of operation and maintenance of the Plant determined as above provided and based on estimated flows, with a reconciliation of the final credit due to the appropriate party to be made, based on actual audited costs of operation and maintenance and minimum or actual flows, as appropriate, within three months after the end of each year."

Furthermore, Section 8 of the IMA obligates SMTMA to provide funds for payment of its obligations to Mount Holly Springs in its annual budget. As mentioned in SMTMA's letter dated October 13, 2022, Mount Holly Springs' failure to provide the 2022 reconciliation at any time during the 2022 calendar year prevented SMTMA from accurately forecasting what payments may be due.

SMTMA reasonably took the position of withholding its quarterly payments for treatment in 2022 due to Mount Holly Springs' delay in performing its contractual obligation in providing said estimated cost documentation. While Mount Holly Springs has now provided the 2022 cost reconciliation, SMTMA immediately questioned the unexpected increased costs for 2022 and 2023 that were inconsistent with previous reconciliations. While certain line items caused concern, the adjustments that were treated pursuant to new calculations raised flags. And, as mentioned, SMTMA was prevented from taking these inflated costs into consideration in preparing its current budget. There is also no indication that the overpayment has been credited. These circumstances have caused SMTMA to question the calculations provided.

After evaluating Mount Holly Springs' calculations, SMTMA disagrees with the flow calculations for 2021 and 2022 and has questions regarding certain costs and expenses as reflected in the 2021 and 2022 reconciliations, as well as the 2023 cost estimate. The concerns regarding the flow calculations are reflected in the comments to the attached table. Additionally, SMTMA has several questions about the adjustments. Specifically, it is unclear why sewer collection expenses were not adjusted for 2022 and 2023 as they were in previous years. It is also unclear how software support costs are proper expenses under the IMA. SMTMA would like details on the engineering expenses to ensure they relate to the operation, maintenance, and repair of the Plant. SMTMA would also like details on the supervision/billing adjustment as it relates to the Plant. Finally, SMTMA would like details on the capital improvements completed and an explanation as to why those expenses are included in the operating budget. These questions all raise concerns that need to be addressed and clarified.


In an effort to promote transparency and demonstrate SMTMA's commitment to a positive relationship, SMTMA requests a meeting to discuss and review the detailed accounting of its payments and obligations for 2021 including SMTMA's third quarter 2021 overpayment, as well as the flow calculations for 2021 and 2022, and expense details and corresponding increases in costs for 2022 and 2023. If the information and clarification requested above are provided within the next two weeks prior to holding a meeting, SMTMA's review of the same could resolve its questions and concerns without necessity of a meeting. In the alternative, however, in order to be responsible to its ratepayers, SMTMA may have to invoke its right to inspect the books and records of Mount Holly Springs to ascertain the correctness of the figures provided in computing SMTMA's liability pursuant to Section 22.A. of the IMA.

SMTMA recognizes its financial obligation to Mount Holly Springs for sewage treatment considering the provisions of the IMA, however, SMTMA continues to question the amounts owed and the calculations used to determine those amounts. To show its commitment toward a good working relationship, SMTMA and South Middleton Township, as operator and manager of the SMTMA system, are hereby remitting \$100,000.00 in good faith as an initial payment while the

calculations are discussed and/or audited as outlined above. To be clear, SMTMA fully intends to make all payments that are, in fact, owed but will not pay Mount Holly Springs any surcharges or interest for late payment. Any suggestion to the contrary is extremely irritating given that SMTMA has continued to request information that was not provided. Mount Holly Springs' breach of the IMA in failing to provide the 2022 cost estimate after repeated requests, failing to timely provide the 2023 cost estimate, the apparent and unexplained increases in costs for 2022 and 2023, and the failure to provide credit for the overpayment combine to require a pause while the figures can be reviewed and SMTMA's budget can be adjusted.

SMTMA looks forward to meeting with Mount Holly Springs to review and resolve these current issues and restore the amicable and long-standing relationship we have established. It is SMTMA's sincere hope to accomplish this in the near term and for all parties to be positioned to timely comply with contractual obligations in the future.

Sincerely,


Josephine A. Hall, Manager

cc: Mount Holly Springs Borough Authority
Mount Holly Springs Borough Council
SMTMA Board Members
South Middleton Township Board of Supervisors
Bryan Salzman, Esq., South Middleton Township Solicitor
Cory S. Adams, Township Manager

Enclosure

WHAT MT HOLLYS REPORT SHOWS

2020 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	136.3186	0.3735	
SMT	35.6256	0.0976	0.1000
		26.1341%	26.7755%

2021 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	132.4476	0.3370 ¹	0.3370 ²
SMT	35.7671	0.0980	0.1000
		29.0778%	29.6736%

2022 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	210.605	0.5770	0.337 ³
SMT	33.6478 ⁴	0.0922	0.1000
		15.9767%	29.6736%

WHAT SMTMA CALCULATED

2020 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	136.3186	0.3735	N/A - Per Agreement
SMT	35.6256	0.0976	0.1000
	26.1341%	26.1341%	26.7755%

2021 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	132.4476	0.3629	N/A - Per Agreement
SMT	35.7671	0.0980	0.1000
	27.0047%	27.0047%	27.5581%

2022 Flows	MG	ADF in MGD	Minimum MGD per 1977 Agreement
WWTP	210.605	0.5770	N/A - Per Agreement
SMT	34.045	0.0933	0.1000
	16.1653%	16.1653%	17.3310%

¹ Unsure where this value is calculated from. When calculating ADF from the total MG (132.4476) at the WWTP the value calculates to 0.3629MGD

² Unsure where this value comes from. Per 1977 Agreement there is only a minimum of 100,000gpd (0.100MGD) for SMTMA, no minimum for WWTP

³ Unsure where this value comes from. Per 1977 Agreement there is only a minimum of 100,000gpd (0.100MGD) for SMTMA, no minimum for WWTP

⁴ Per 2022 Chapter 94 provided by SMTMA the total flow from SMTMA (both from Pumping Station No. 3 and the Gravity area) was 34,044,792 gallons (34.045MG)

EXHIBIT E

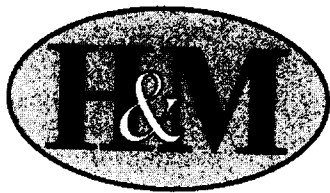
MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

RESULTS OF AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2021
AND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Results of Agreed-Upon Procedures
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For the Year Ended December 31, 2021

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HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Authority Members
Mount Holly Springs Borough Authority
Mount Holly Springs, Pennsylvania

We have performed the procedures enumerated in the attached schedule of procedures, findings, and recommendations on certain accounting records of Mount Holly Springs Borough Authority (the Authority) for the period January 1, 2021 to December 31, 2021. The Authority's management is responsible for the certain accounting records.

Mount Holly Springs Borough Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting on certain accounting records of the Authority for the period January 1, 2021 to December 31, 2021 for the use of the Authority. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings obtained, if any, are summarized in the attached schedule of procedures, findings, and recommendations.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the certain accounting records of the Authority. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Mount Holly Springs Borough Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management and Authority Members of Mount Holly Springs Borough Authority and is not intended to be and should not be used by anyone other than those specified parties.

December 19, 2022

Mechanicsburg, Pennsylvania

A handwritten signature in cursive script that reads "Hamilton & Musser, PC".

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Procedures, Findings, and Recommendations
For the Year Ended December 31, 2021

Procedure 1:

1. Perform a reconciliation of the approved Annual Budget of the Mount Holly Springs Borough Authority (MHSBA) Wastewater Treatment Plant (WWTP) to the actual audited expenses of the Authority.
 - a. Analyze expenses to be included in the report.
 - b. Receive approval of all expenses charged as a part of Operating and Maintenance with Mount Holly Springs Borough Authority Management.

Findings to Procedure 1:

See Schedule of Revenues and Expenses

Per the November 14, 1977 "Agreement for Treatment of Sewage" amended August 24, 1979, eligible costs do not include the salary, wages, and employee benefits and contributions of and on behalf of office staff. Management has determined that these costs are eligible costs in the agreement.

Procedure 2:

2. Based on the Certified Flow Data, calculate the share of Operating and Maintenance expenses owed by South Middleton Township Municipal Authority (SMTMA).

Findings to Procedure 2:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 3:

3. Using the payments that South Middleton Township (the Township) made during the calendar year, calculate the remaining amount due (payable) or overpayment (receivable) from South Middleton Township.

Findings to Procedure 3:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 4:

4. Prepare Budget to Actual Reconciliation Report
 - a. Budget to Actual Reconciliation
 - b. Calculation of South Middleton Township percent based on flow
 - c. Calculation of South Middleton Township Share of O&M expense
 - d. Calculation of amount due or overpayment from South Middleton Township
 - e. Notes to Schedule
 - i. Introduction
 - ii. Purpose and Scope
 - iii. Connection Point Identification
 - iv. Flow Analysis

Findings to Procedure 4:

See Schedule of Revenues and Expenses & Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses
For the Year Ended December 31, 2021

Revenues	
Interest	\$ 189.14
Revenue Interest	<u>948.62</u>
Total Interest Earnings	<u>1,137.76</u>
Sewer Charge	588,505.74
Sewer Charges – Penalties	6,665.78
Sewage Connection/Tapping Fee	<u>4,221.00</u>
Total Sewer Charges	<u>599,392.52</u>
Total Revenues	<u>\$ 600,530.28</u>
Expenses	
Collection System	
Maintenance & Repair	\$ 11,733.03
I & I	<u>14,772.50</u>
Total Collection System	<u>26,505.53</u>
Administration & Operations	
Audit	1,560.00
Engineer Expense	27,626.78
Legal Expense	1,496.00
Insurance Expense	12,440.59
State Permit Fees	1,660.00
Supervisor/Billing	30,700.00
Overhead Expenses	7,950.00
Dues, Mileage, Etc.	<u>120.48</u>
Total Administration & Operations	<u>83,553.85</u>
Wastewater Treatment	
Operations Salaries	83,846.86
Overtime	1,507.59
Unemployment Compensation – EB	983.47
Workman’s Compensation – EB	1,135.55
Hospital Insurance – EB	18,879.34
Social Security – Boro – EB	5,725.00
Pension Plan Reimbursement – G.F.	63,000.00
Software Support	3,889.08
Materials & Supplies	6,632.05
Chemicals	34,242.86
Laboratory Testing	19,442.35
Gasoline & Oil	3,506.00
Uniform Allowance	1,314.48

See Independent Accountant’s Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses – Continued
For the Year Ended December 31, 2021

Miscellaneous	572.33
Communications	3,878.14
Advertising & Printing	818.80
Public Utilities	39,836.96
Repair & Maintenance Service	24,429.08
Vehicle Maintenance	1,313.43
Building & Grounds Maintenance	2,228.81
Sludge Disposal	17,192.82
Conferences & Training	1,269.00
Loan Payment	51,844.00
Depreciation Expense	<u>169,968.00</u>
Total Wastewater Treatment	<u>557,456.00</u>
Total Expenses	<u>\$ 667,515.38</u>
Adjustments	
Sewage Collection	\$ (17,010.98)
Software Support (Authority Billing)	(1,056.40)
Loan Payment	(51,844.00)
Nutrition Credit	(38,346.00)
Depreciation Expense	(169,968.00)
Capitalized Expenses	<u>(354.84)</u>
Total Adjustments	<u>(278,580.22)</u>
Total Eligible Costs	<u>\$ 388,935.16</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation
For the Year Ended December 31, 2021

	WWTP Flow	Township Flow	Annual Payment
Total Flow (MG)	132.4476	35.7671	\$ 131,992,001.05, .593.44

Township Share of O&M Costs

Average Daily Flow (MGD)	0.337	0.098	29.0801 %
Minimum Daily Flow (MGD) per 1977 Agreement	0.337	0.1	29.6736 %
A) SMTMA Share of O&M			\$ 115,411.06
B) State Subsidy Deduction (1/3 Total Subsidy)			-
C) Capital Improvement Cost Allocation			<u>21,652.41</u>
D) Adjusted SMTMA Share (A-B)			137,063.47
E) Total Billed to SMTMA			131,992,001.05
F) Total Accounted for by way of Credit to SMTMA 2020 Payment ⁽⁴⁾			.593.44
G) Total Paid on Account by SMTMA ⁽⁵⁾			<u>-</u>
			131,992,001.05
			.593.44
H) 2021 Amount SMTA owes MHSBA (G-D)			(5,071,473).47
			(0.03)
I) Overpayment by SMTA applied to amount SMTA Owes MHSBA			26,398.36
J) 2020 Budget Reconciliation (SMTA Owed MHSBA)			<u>-</u>
JK) Net Amount SMTA Owes MHSBA			<u>\$</u>
			<u>(5,071,473).67</u>

⁽⁴⁾ In cases where MHSBA owes SMTMA for the previous year operations, SMTMA can elect to have the amount owed to them applied as a credit for the following year's obligation. In cases where SMTMA owes MHSBA for the previous year operations, a credit does not apply and the value entered here is zero.

⁽⁵⁾ Reflects total revenue per MHSBA year-end actual budget plus MHSBA credit to SMTMA.

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Proposed Sewer Operating Fund Budget

January 1, 2022 – December 31, 2022

Revenues		
Interest		
Revenue Interest	\$	300
		<u>900</u>
Total Interest Earnings		<u>1,200</u>
Sewer Charge		
Sewer Charges – Penalties		620,900
Sewage Connection/Tapping Fee		8,000
Sewage Miscellaneous		4,000
		<u>-</u>
Total Sewer Charges		<u>632,900</u>
Total Revenues	\$	<u>634,100</u>
Expenses		
Collection System		
Materials & Supplies		
Maintenance & Repair	\$	5,000
I & I		15,000
		<u>15,000</u>
Total Collection System		<u>35,000</u>
Administration & Operations		
Miscellaneous		-
Audit		-
Engineer Expense		2,500
Legal Expense		10,000
Insurance Expense		3,000
State Permit Fees		12,000
Supervisor/Billing		4,000
Overhead Expenses		51,000
Dues, Mileage, Etc.		10,000
		<u>200</u>
Total Administration & Operations		<u>92,700</u>
Wastewater Treatment		
Contracted Operations Services		
Operations Salaries		111,150
Retirement – Employee Benefits		63,472
Overtime		25,000
Unemployment Compensation – EB		500
Workman's Compensation – EB		1,000
Hospital Insurance – EB		1,000
Social Security – Boro – EB		12,000
Pension Plan Reimbursement – G.F.		3,000
Software Support		80,000
Materials & Supplies		3,000
		<u>5,000</u>

Chemicals
Laboratory Testing

30,000
18,000

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Proposed Sewer Operating Fund Budget – Continued

January 1, 2022 – December 31, 2022

Gasoline & Oil	1,500
Heating Oil & Diesel Fuels	500
Uniform Allowance	400
Miscellaneous	500
Communications	2,000
Advertising & Printing	500
Public Utilities	40,000
Repair & Maintenance Service	25,300
Vehicle Maintenance	1,000
Building & Grounds Maintenance	2,000
Sludge Disposal	55,000
Conferences & Training	250
Loan Payment	221,000
Capital Improvements	15,000
Depreciation Expense	-
	<u>718,072</u>
Total Wastewater Treatment	<u>718,072</u>
Total Expenses	<u>\$ 845,772</u>
Adjustments	
Loan Payment	\$ (221,000)
Capital Improvements	<u>(15,000)</u>
Total Adjustments	<u>(236,000)</u>
Total 2022 Proposed Eligible Costs	<u>\$ 609,772</u>
SMTA Share Prior to Capital Improvement Allocation	\$ 184,437
1/3 of Capital Improvements	<u>5,000</u>
2022 SMTA Share	<u>\$ 189,437</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

INTRODUCTION

This report summarizes the Budget Reconciliation process that is used to bill South Middleton Township Municipal Authority (SMTMA) for their share of operational costs associated with treating wastewater that originates from within South Middleton Township (SMT) and is treated at the Mount Holly Springs Municipal Authority (MHSBA) Wastewater Treatment Plant (WWTP). The procedure for billing is agreed to by both parties and is binding under the November 14, 1977 "Agreement for Treatment of Sewage" (1977 Agreement), amended August 24, 1979, that is between Mount Holly Springs Borough Authority/Borough of Mount Holly Springs and South Middleton Township Municipal Authority/Township of South Middleton.

Under the agreement, MHSBA owns an average daily flow (ADF) of 0.40 MGD and SMTMA owns an ADF of 0.20 MGD within MHSBA's wastewater treatment plant. Operations for the upcoming budget year are determined using budgeted wastewater treatment costs obtained from MHSBA's annual budget and the estimated flow contribution from SMTMA. SMTMA then pays a quarterly installment to MHSBA for their proportionate share of operational costs. Their estimated share of operational costs is based on SMTMA's previous year's actual flow contribution compared to the overall WWTP flow. At the end of each calendar year, that payment is reconciled using actual flows for the subject calendar year and MHSBA actual budget figures. A copy of the Proposed Sewer Operating Fund Budget is included on page 6 and 7 for reference.

As per the 1977 Agreement, SMTMA's portion of the wastewater treatment budget is proportioned based on the greater of SMTMA's actual ADF or a minimum flow of 100,000 GPD. For example, if SMTMA's ADF is 90,000 GPD, then the proportionate share of costs is based on 100,000 GPD since it is greater than the actual flow. Likewise, if SMTMA's actual ADF is 150,000 GPD, then the proportionate share of costs is based on the actual ADF since it is greater than the minimum ADF of 100,000 GPD.

PURPOSE AND SCOPE

The purpose of this audit is to evaluate the fairness of past billings to SMTMA as conducted through the Budget Reconciliation process that is defined in the 1977 Agreement. The scope includes several steps to make this determination. First, we verified the contribution of flow from SMT by identifying the connection points within Mount Holly Springs Borough (Borough) where flow from SMT enters MHSBA's collection system. Next, we examined the proportion of flow coming from SMT as compared to the total flow at the WWTP. Finally, we performed a brief validation of flows based on experience with other clients as to whether the flow contribution from SMT is reasonable given the number of connections. A summary of the evaluation follows.

BASIS OF ACCOUNTING

The accompanying schedules utilize a basis of accounting defined under the Intermunicipal Agreement. The expenses are reported on the accrual basis of accounting, except with respect to capital asset transactions. Specifically, capital asset purchases have been included in current year expenses and depreciation expense has been excluded.

FLOW ALLOCATIONS

Flow percentages used to allocate net adjusted operating and maintenance expenses were derived from reports provided by Mount Holly Springs Borough Authority's engineers.

CONNECTION POINT IDENTIFICATION

There are five (5) points of connection within MHSBA's collection system where flow is conveyed from SMT. Attachment 2 provides a map showing SMTMA's service area and the location of each connection described below.

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

CONNECTION POINT IDENTIFICATION (CONTINUED)

- **West Pine Street** - Flow is conveyed from nine (9) residential properties in SMT via gravity to the gravity sewer on West Pine Street. Flow from these properties is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Hill Street** - Flow is conveyed flow from one (1) residential property in SMT via gravity to the gravity sewer on Hill Street. Flow from this property is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Butler Street** - Flow is conveyed from the United Methodist Church in SMT via a sewer lateral connection to the gravity sewer on Butler Street. SMT confirmed that this is not a SMTMA customer, so they do not bill them for sewer and does not provide a water usage estimate in their Chapter 94 report for this property. The Borough indicated that they do not bill the Church either. There was some recollection from SMTMA that the Borough agreed to include the Church in their service area, however it wasn't confirmed. Prior engineers followed-up with SMTMA to request if they could provide any documentation supporting the understanding that the Church should be MHSBA's customer, however we have not heard back as of the date of this memo.
- **Route 34/North Baltimore Ave** - Flow is conveyed from approximately 645 parcels to SMTMA's PS No. 3, whose forcemain ties into the gravity sewer on Route 34/North Baltimore Avenue, just north of the intersection of Watts St. and Route 34. Flow from these connections is captured by the flow meter at SMTMA PS No. 3. This flow data is provided to the Borough on an annual basis through SMTMA's Chapter 94 Report submission to MHSBA and is accounted for in the Budget Reconciliation calculation.
- **Mill Street** - SMTMA constructed a tie-in connection to the terminal end of MHSBA's gravity sewer on Mill Street, east of the WWTP. This is an emergency use connection and is only to be used if there is a problem with SMTMA's PS No. 1 forcemain. Valves are in place so that they can be "opened" to convey flow from that pump station to the MHSBA WWTP; otherwise the valves are in the "closed" position and there is no flow from SMT at this connection point. To the best of Mr. Williams and Ms. Hall's knowledge, this connection has been inactive (i.e. no flow) during their respective tenures. Should this connection be used in the future, there is a flow meter within the pump station to record the volume of flow conveyed to Mount Holly.

Based on the above connection points, all flow generated within SMT that is conveyed to MHSBA's WWTP is captured through the SMTMA PS No. 3 flow meter and water usage data for the properties on West Pine Street and Hill Street. This combined flow is used in the Budget Reconciliation calculation. The only unaccounted for flow source is from the United Methodist Church, and further research is required to verify which municipality's service area this falls under.

FLOW ANALYSIS

The MHSBA WWTP is designed for an annual average flow of 0.70 MGD and maximum monthly flow of 0.97 MGD. Table 1 provides a summary of average WWTP, SMT and MHS flows. The average wastewater flow reported by SMT over the last five years ranges from 80,000 GPD to 149,000 GPD, therefore the Borough's estimated water usage for SMT is within the range of typical flows reported by SMT. Based on the flow data presented in Table 1, SMTMA's ADF ranges from 24% to 30% of the total flow.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

FLOW ANALYSIS (CONTINUED)

Table 1: Comparison of total wastewater treatment plan flow, MHSBA flow and SMT flow

Year	Average Flow, MGD			% WWTP Flow	
	WWTP	SMT	WWTP	SMT	MHS
2017	0.289	0.080	0.209	28	72
2018	0.628	0.149	0.479	24	76
2019	0.585	0.144	0.441	26	74
2020	0.374	0.098	0.276	27	73
2021	0.337	0.098	0.226	30	70

One thing to keep in mind when evaluating wastewater flow is that water usage does not equate to wastewater flow, as sources of inflow and infiltration are not captured in water usage data. Fortunately, since 99% of the flow that originates from SMT is conveyed through SMTMA PS No. 3, flow resulting from I/I is captured in their flow meter data, and since that data is used in the Budget Reconciliation calculation, SMTMA is paying for any increased flows that result from unmetered I/I sources.

Table 2 presents SMTMA's percent contribution towards MHSBA's operational budget for the WWTP for years 2017-2021 as presented in past Budget Reconciliations. The percent contribution is based on the greater of the flows from SMT's service area (Hill Street plus West Pine Street plus Route 34 connection points) or the minimum SMT flow of 100,000 GPD noted in the 1977 Agreement. In cases where the percent contribution shown is greater than SMT's percent flow noted in Table 1, it is because the minimum flow contribution of 100,000 GPD was greater than SMT's actual flow.

Table 2: Comparison of actual eligible treatment costs and SMT's responsible portion

Year	Actual Eligible WWTP O&M Costs		SMT % of Total Eligible O&M Costs
	Total O&M	SMT Portion	
2017	305,235	105,439	35
2018	318,928	75,536	24
2019	369,023	97,007	26
2020	285,936	87,904	27
2021	388,935	117,641	29

SMT FLOW VALIDATION

As noted in Table 1, SMTMA's flow ranged from 80,000 GPD to 149,000 GPD from 2017-2021. SMTMA's 2021 Chapter 94 Report notes that they had 679 EDUs connected at the end of 2021. At SMT's 2021 ADF of 98,000 GPD, this equates to approximately 150 GPD/EDU. Generally speaking, this flow is typical of the primarily residential area served by SMT sewers. Over the last five years, SMTMA's flow has ranged between 125 GPD/EDU and 232

GPD/EDU. This range is largely dependent on how wet of year it is, with the higher flows per EDU indicative of a wet year. MHSBA's flow has ranged between 219 GPD/EDU and 503 GPD/EDU. The overall higher average flow per EDU for MHS connections is to be expected considering the relative age of the original system (1962) as compared to SMTMA's system.

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2021

CONCLUSION

The following conclusions can be made based on the information presented:

1. 99% of SMTMA's flow enters the Borough through the SMTMA PS No. 3 forcemain discharge and this volume is captured using the pump station's flow meter. The remaining 1% of flow enters the Borough on West Pine and Hill Streets, and the volume is estimated based on water usage records. 100% of the flow contribution from SMT is reported to MHSBA on an annual basis through SMTMA's annual Chapter 94 Report.
2. Historic flow records indicate that SMTMA's flow makes up roughly 26% of the overall WWTP flow.
3. Historic Budget Reconciliation records indicate that SMTMA pays an average of 28% of the eligible WWTTP operation and maintenance costs. The average is slightly higher than SMTMA's 5-year average flow percentage due to reasons discussed under Section 4.
4. SMTMA's flow contribution averages 150 GPD/EDU and represents a typical flow for the predominantly residential nature of their service area. - Based on the above facts, SMTMA has been accurately billed for the treatment of their contribution of wastewater flows to the MHSBA WTP as per the billing procedure outlined in the 1977 Agreement.

EXHIBIT F

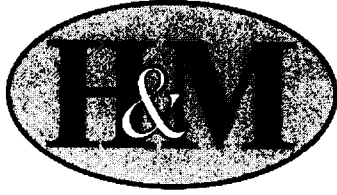
MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

RESULTS OF AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2022
AND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Results of Agreed-Upon Procedures
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For the Year Ended December 31, 2022

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HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
 JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Authority Members
 Mount Holly Springs Borough Authority
 Mount Holly Springs, Pennsylvania

We have performed the procedures enumerated in the attached schedule of procedures, findings, and recommendations on certain accounting records of Mount Holly Springs Borough Authority (the Authority) for the period January 1, 2022 to December 31, 2022. The Authority's management is responsible for the certain accounting records.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting on certain accounting records of the Authority for the period January 1, 2022 to December 31, 2022 for the use of the Authority. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings obtained, if any, are summarized in the attached schedule of procedures, findings, and recommendations.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the certain accounting records of the Authority. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management and Authority Members of Mount Holly Springs Borough Authority and is not intended to be and should not be used by anyone other than those specified parties.

May 3, 2023

Mechanicsburg, Pennsylvania

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Procedures, Findings, and Recommendations
For the Year Ended December 31, 2022

Procedure 1:

1. Perform a reconciliation of the approved Annual Budget of the Mount Holly Springs Borough Authority (MHSBA) Wastewater Treatment Plant (WWTP) to the actual audited expenses of the Authority.
 - a. Analyze expenses to be included in the report.
 - b. Receive approval of all expenses charged as a part of Operating and Maintenance with Mount Holly Springs Borough Authority Management.

Findings to Procedure 1:

See Schedule of Revenues and Expenses

Per the November 14, 1977 "Agreement for Treatment of Sewage" amended August 24, 1979, eligible costs do not include the salary, wages, and employee benefits and contributions of and on behalf of office staff. Management has determined that these costs are eligible costs in the agreement.

Procedure 2:

2. Based on the Certified Flow Data, calculate the share of Operating and Maintenance expenses owed by South Middleton Township Municipal Authority (SMTMA).

Findings to Procedure 2:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 3:

3. Using the payments that South Middleton Township (the Township) made during the calendar year, calculate the remaining amount due (payable) or overpayment (receivable) from South Middleton Township.

Findings to Procedure 3:

See Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

Procedure 4:

4. Prepare Budget to Actual Reconciliation Report
 - a. Budget to Actual Reconciliation
 - b. Calculation of South Middleton Township percent based on flow
 - c. Calculation of South Middleton Township Share of O&M expense
 - d. Calculation of amount due or overpayment from South Middleton Township
 - e. Notes to Schedule
 - i. Introduction
 - ii. Purpose and Scope
 - iii. Connection Point Identification
 - iv. Flow Analysis

Findings to Procedure 4:

See Schedule of Revenues and Expenses & Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Schedule of Revenues and Expenses
For the Year Ended December 31, 2022

Revenues	
Interest	\$ 684.50
Revenue Interest	<u>869.81</u>
Total Interest Earnings	<u>1,554.31</u>
Sewer Charge	578,284.63
Sewer Charges – Penalties	8,504.48
Sewage Connection/Tapping Fee	<u>4,221.00</u>
Total Sewer Charges	<u>591,010.11</u>
Total Revenues	<u>\$ 592,564.42</u>
Expenses	
Collection System	
Maintenance & Repair	\$ <u>3,125.74</u>
Total Collection System	<u>3,125.74</u>
Administration & Operations	
Miscellaneous	196.12
Audit	5,500.00
Engineer Expense	14,902.82
Legal Expense	5,341.96
Insurance Expense	14,519.30
State Permit Fees	1,100.00
Supervisor/Billing	51,000.00
Overhead Expenses	10,000.00
Dues, Mileage, Etc.	<u>185.00</u>
Total Administration & Operations	<u>102,745.20</u>
Wastewater Treatment	
Operations Salaries	26,027.74
Overtime	175.50
Contracted Operations Service	107,250.00
Hospital Insurance – EB	12,286.57
Social Security – Boro – EB	2,286.95
Pension Plan Reimbursement – G.F.	80,000.00
Software Support	4,212.96
Materials & Supplies	4,559.72
Chemicals	29,637.88
Laboratory Testing	18,890.00
Gasoline & Oil	2,418.57
Uniform Allowance	391.16

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
 Schedule of Revenues and Expenses – Continued
 For the Year Ended December 31, 2022

Miscellaneous	82.56
Communications	2,839.29
Advertising & Printing	608.47
Public Utilities	35,371.17
Repair & Maintenance Service	7,730.67
Vehicle Maintenance	346.89
Building & Grounds Maintenance	570.38
Sludge Disposal	14,491.16
Conferences & Training	60.00
Loan Payment	46,874.00
Capital Improvements	1,200.00
Depreciation Expense	<u>187,559.00</u>
Total Wastewater Treatment	<u>585,870.64</u>
Total Expenses	<u>\$ 691,741.58</u>
Adjustments	
Loan Payment	\$ (46,874.00)
Depreciation Expense	(187,559.00)
Capitalized Expenses	<u>24,558.33</u>
Total Adjustments	<u>(209,874.67)</u>
Total Eligible Costs	<u>\$ 481,866.91</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Calculation of South Middleton Township Municipal Authority's Share of WWTP Operation
For the Year Ended December 31, 2022

	<u>WWTP Flow</u>	<u>Township Flow</u>	<u>Annual Payment</u>
Total Flow (MG)	210.605	33.6478	\$ 0.00

Township Share of O&M Costs

Average Daily Flow (MGD)	0.577	0.0933	16.1698 %
Minimum Daily Flow (MGD) per 1977 Agreement	0.337577	0.1	29.673617.331 0 %
A) SMTMA Share of O&M			\$ 142,987.2683.5 12.35
B) State Subsidy Deduction (1/3 Total Subsidy)			-
C) Capital Improvement Cost Allocation			<u>24,558.33</u>
D) Adjusted SMTMA Share (A-B+C)			167,545.59108. 070.68
E) Total Billed to SMTMA			-
F) Total Accounted for by way of Credit to SMTMA 2020 Payment ⁽¹⁾			-
G) Total Paid on Account by SMTMA ⁽²⁾			-
H) 2022 Amount SMTA owes MHSBA (G-D)			(167,545.59108. 070.68)
I) 2021 Budget Reconciliation (SMTA Owedowes MHSBA)			<u>(5,071.4767)</u>
J) Net Amount SMTA Owes MHSBA			\$ <u>(172,617.06113)</u> <u>112.35</u>

⁽¹⁾ In cases where MHSBA owes SMTMA for the previous year operations, SMTMA can elect to have the amount owed to them applied as a credit for the following year's obligation. In cases where SMTMA owes MHSBA for the previous year operations, a credit does not apply and the value entered here is zero.

⁽²⁾ Reflects total revenue per MHSBA year-end actual budget plus MHSBA credit to SMTMA.

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Proposed Sewer Operating Fund Budget
January 1, 2023 – December 31, 2023

Revenues	
Interest	
Revenue Interest	\$ 300
	<u>900</u>
Total Interest Earnings	<u>1,200</u>
Sewer Charge	
Sewer Charges – Penalties	616,710
Sewage Connection/Tapping Fee	8,000
	<u>4,000</u>
Total Sewer Charges	<u>628,710</u>
Total Revenues	<u>\$ 629,910</u>
Expenses	
Collection System	
Materials & Supplies	\$ 5,000
Maintenance & Repair	10,000
I & I	<u>15,000</u>
Total Collection System	<u>30,000</u>
Administration & Operations	
Miscellaneous	100
Audit	2,500
Engineer Expense	10,000
Legal Expense	3,000
Insurance Expense	12,000
State Permit Fees	3,000
Supervisor/Billing	83,000
Overhead Expenses	8,000
Dues, Mileage, Etc.	<u>200</u>
Total Administration & Operations	<u>121,800</u>
Wastewater Treatment	
Contracted Operations Services	117,000
Operations Salaries	55,000
Retirement – Employee Benefits	25,000
Overtime	500
Unemployment Compensation – EB	1,000
Workman's Compensation – EB	1,000
Hospital Insurance – EB	12,000
Social Security – Boro – EB	3,000
Pension Plan Reimbursement – G.F.	80,000
Software Support	3,500
Materials & Supplies	5,000

Chemicals
Laboratory Testing

25,000
18,000

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY

Proposed Sewer Operating Fund Budget – Continued

January 1, 2023 – December 31, 2023

Gasoline & Oil	2,000
Heating Oil & Diesel Fuels	500
Uniform Allowance	400
Miscellaneous	500
Communications	2,500
Advertising & Printing	500
Public Utilities	35,000
Repair & Maintenance Service	30,000
Vehicle Maintenance	1,000
Building & Grounds Maintenance	2,000
Sludge Disposal	45,000
Conferences & Training	500
Loan Payment	221,000
Capital Improvements	<u>15,000</u>
Total Wastewater Treatment	<u>701,900</u>
Total Expenses	<u>\$ 853,700</u>
Adjustments	
Loan Payment	\$ (221,000)
Capital Improvements	<u>(15,000)</u>
Total Adjustments	<u>(236,000)</u>
Total 2022 Proposed Eligible Costs	<u>\$ 617,700</u>
SMTA Share Prior to Capital Improvement Allocation	\$ 99,881
1/3 of Capital Improvements	<u>5,000</u>
2023 SMTA Share	<u>\$ 104,881</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

INTRODUCTION

This report summarizes the Budget Reconciliation process that is used to bill South Middleton Township Municipal Authority (SMTMA) for their share of operational costs associated with treating wastewater that originates from within South Middleton Township (SMT) and is treated at the Mount Holly Springs Municipal Authority (MHSBA) Wastewater Treatment Plant (WWTP). The procedure for billing is agreed to by both parties and is binding under the November 14, 1977 "Agreement for Treatment of Sewage" (1977 Agreement), amended August 24, 1979, that is between Mount Holly Springs Borough Authority/Borough of Mount Holly Springs and South Middleton Township Municipal Authority/Township of South Middleton.

Under the agreement, MHSBA owns an average daily flow (ADF) of 0.40 MGD and SMTMA owns an ADF of 0.20 MGD within MHSBA's wastewater treatment plant. Operations for the upcoming budget year are determined using budgeted wastewater treatment costs obtained from MHSBA's annual budget and the estimated flow contribution from SMTMA. SMTMA then pays a quarterly installment to MHSBA for their proportionate share of operational costs. Their estimated share of operational costs is based on SMTMA's previous year's actual flow contribution compared to the overall WWTP flow. At the end of each calendar year, that payment is reconciled using actual flows for the subject calendar year and MHSBA actual budget figures. A copy of the Proposed Sewer Operating Fund Budget is included on page 6 and 7 for reference.

As per the 1977 Agreement, SMTMA's portion of the wastewater treatment budget is proportioned based on the greater of SMTMA's actual ADF or a minimum flow of 100,000 GPD. For example, if SMTMA's ADF is 90,000 GPD, then the proportionate share of costs is based on 100,000 GPD since it is greater than the actual flow. Likewise, if SMTMA's actual ADF is 150,000 GPD, then the proportionate share of costs is based on the actual ADF since it is greater than the minimum ADF of 100,000 GPD.

PURPOSE AND SCOPE

The purpose of these agreed upon procedures is to evaluate the fairness of past billings to SMTMA as conducted through the Budget Reconciliation process that is defined in the 1977 Agreement. The scope includes several steps to make this determination. First, we verified the contribution of flow from SMT by identifying the connection points within Mount Holly Springs Borough (Borough) where flow from SMT enters MHSBA's collection system. Next, we examined the proportion of flow coming from SMT as compared to the total flow at the WWTP. Finally, we performed a brief validation of flows based on experience with other clients as to whether the flow contribution from SMT is reasonable given the number of connections. A summary of the evaluation follows.

BASIS OF ACCOUNTING

The accompanying schedules utilize a basis of accounting defined under the Intermunicipal Agreement. The expenses are reported on the accrual basis of accounting, except with respect to capital asset transactions. Specifically, capital asset purchases have been included in current year expenses and depreciation expense has been excluded.

FLOW ALLOCATIONS

Flow percentages used to allocate net adjusted operating and maintenance expenses were derived from reports provided by Mount Holly Springs Borough Authority's engineers.

CONNECTION POINT IDENTIFICATION

There are five (5) points of connection within MHSBA's collection system where flow is conveyed from SMT.

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

CONNECTION POINT IDENTIFICATION (CONTINUED)

- **West Pine Street** - Flow is conveyed from nine (9) residential properties in SMT via gravity to the gravity sewer on West Pine Street. Flow from these properties is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Hill Street** - Flow is conveyed flow from one (1) residential property in SMT via gravity to the gravity sewer on Hill Street. Flow from this property is accounted for in the Budget Reconciliation from water usage data that SMTMA provides with their annual Chapter 94 Report.
- **Butler Street** - Flow is conveyed from the United Methodist Church (the Church) in SMT via a sewer lateral connection to the gravity sewer on Butler Street. SMT confirmed that this is not a SMTMA customer, so they do not bill them for sewer and does not provide a water usage estimate in their Chapter 94 report for this property. The Borough indicated that they do not bill the Church either. There was some recollection from SMTMA that the Borough agreed to include the Church in their service area; however, it wasn't confirmed. Prior engineers followed-up with SMTMA to request if they could provide any documentation supporting the understanding that the Church should be MHSBA's customer; however, we have not heard back as of the date of this memo.
- **Route 34/North Baltimore Ave** - Flow is conveyed from approximately 645 parcels to SMTMA's PS No. 3, whose forcemain ties into the gravity sewer on Route 34/North Baltimore Avenue, just north of the intersection of Watts St. and Route 34. Flow from these connections is captured by the flow meter at SMTMA PS No. 3. This flow data is provided to the Borough on an annual basis through SMTMA's Chapter 94 Report submission to MHSBA and is accounted for in the Budget Reconciliation calculation.
- **Mill Street** - SMTMA constructed a tie-in connection to the terminal end of MHSBA's gravity sewer on Mill Street, east of the WWTP. This is an emergency use connection and is only to be used if there is a problem with SMTMA's PS No. 1 forcemain. Valves are in place so that they can be "opened" to convey flow from that pump station to the MHSBA WWTP; otherwise the valves are in the "closed" position and there is no flow from SMT at this connection point. To the best of Mr. Williams and Ms. Hall's knowledge, this connection has been inactive (i.e. no flow) during their respective tenures. Should this connection be used in the future, there is a flow meter within the pump station to record the volume of flow conveyed to Mount Holly Springs Borough Authority.

Based on the above connection points, all flow generated within SMT that is conveyed to MHSBA's WWTP is captured through the SMTMA PS No. 3 flow meter and water usage data for the properties on West Pine Street and Hill Street. This combined flow is used in the Budget Reconciliation calculation. The only unaccounted for flow source is from the Church, and further research is required to verify which municipality's service area this falls under.

FLOW ANALYSIS

The MHSBA WWTP is designed for an annual average flow of 0.70 MGD and maximum monthly flow of 0.97 MGD. Table 1 provides a summary of average WWTP, SMT and MHS flows. The average wastewater flow reported by SMT over the last five years ranges from 80,000 GPD to 149,000 GPD; therefore the Borough's estimated water usage for SMT is within the range of typical flows reported by SMT. Based on the flow data presented in Table 1, SMTMA's ADF ranges from 24% to 30% of the total flow.

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

FLOW ANALYSIS (CONTINUED)

Table 1: Comparison of total wastewater treatment plan flow, MHSBA flow and SMT flow

Year	Average Flow, MGD			% WWTP Flow	
	Total WWTP	SMT	WWTP	SMT	MHS
2018	0.628	0.149	0.479	24	76
2019	0.585	0.144	0.441	26	74
2020	0.374	0.098	0.276	27	73
2021	0.337	0.098	0.239	30	70
2022	0.337	0.098	0.239	30	70

One thing to keep in mind when evaluating wastewater flow is that water usage does not equate to wastewater flow, as sources of inflow and infiltration are not captured in water usage data. Fortunately, since 99% of the flow that originates from SMT is conveyed through SMTMA PS No. 3, flow resulting from I/I is captured in their flow meter data, and since that data is used in the Budget Reconciliation calculation, SMTMA is paying for any increased flows that result from unmetered I/I sources.

Table 2 presents SMTMA's percent contribution towards MHSBA's operational budget for the WWTP for years 2018-2022 as presented in past Budget Reconciliations. The percent contribution is based on the greater of the flows from SMT's service area (Hill Street plus West Pine Street plus Route 34 connection points) or the minimum SMT flow of 100,000 GPD noted in the 1977 Agreement. In cases where the percent contribution shown is greater than SMT's percent flow noted in Table 1, it is because the minimum flow contribution of 100,000 GPD was greater than SMT's actual flow.

Table 2: Comparison of actual eligible treatment costs and SMT's responsible portion

Year	Actual Eligible WWTP O&M Costs		SMT % of Total Eligible O&M Costs
	Total O&M	SMT Portion	
2018	318,928	75,536	24
2019	369,023	97,007	26
2020	285,936	87,904	27
2021	388,935	115,411	29
2022	481,867	142,987	30

SMT FLOW VALIDATION

As noted in Table 1, SMTMA's flow ranged from 80,000 GPD to 149,000 GPD from 2018-2022. SMTMA's 2022 Chapter 94 Report notes that they had 688 EDUs connected at the end of 2022. At SMT's 2022 ADF of 93,273 GPD, this equates to approximately 150 GPD/EDU. Generally speaking, this flow is typical of the primarily residential area

served by SMT sewers. Over the last five years, SMTMA's flow has ranged between 125 GPD/EDU and 232 GPD/EDU. This range is largely dependent on how wet of a year it is, with the higher flows per EDU indicative of a wet year. MHSBA's flow has ranged between 219 GPD/EDU and 503 GPD/EDU over the past five years. The overall higher average flow per EDU for MHS connections is to be expected considering the relative age of the original system (1962) as compared to SMTMA's system.

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MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Notes to the Agreed-Upon Procedures
For the Year Ended December 31, 2022

CONCLUSION

The following conclusions can be made based on the information presented:

1. 99% of SMTMA's flow enters the Borough through the SMTMA PS No. 3 forcemain discharge and this volume is captured using the pump station's flow meter. The remaining 1% of flow enters the Borough on West Pine and Hill Streets, and the volume is estimated based on water usage records. 100% of the flow contribution from SMT is reported to MHSBA on an annual basis through SMTMA's annual Chapter 94 Report.
2. Historic flow records indicate that SMTMA's flow makes up roughly 26% of the overall WWTP flow.
3. Historic Budget Reconciliation records indicate that SMTMA pays an average of 28% of the eligible WWTP operation and maintenance costs. The average is slightly higher than SMTMA's 5-year average flow percentage due to reasons discussed under Section 4.
4. SMTMA's flow contribution averages 150 GPD/EDU and represents a typical flow for the predominantly residential nature of their service area. Based on the above facts SMTMA has been accurately billed for the treatment of their contribution of wastewater flows to the MHSBA WTP as per the billing procedure outlined in the 1977 Agreement.

EXHIBIT G

From: Gonder, Ryan T. <RGonder@mcneeslaw.com>
Sent: Monday, October 9, 2023 3:10 PM
To: Stephanie Lindsay <SLindsay@salzmannhughes.com>
Subject: Re: Meeting with SMT/SMTMA

External Email Warning!

This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and KNOW the content is safe.

Hi Stephanie,

I hope all is well. Thank you for following up. I think we may agree on some of the calculations that SMT provided in the letter. There appears that we may have done a miscalculation in the spreadsheet. We are working to confirm that now. It doesn't make sense to meet until we nail down our figures.

Thanks,

Ryan T. Gonder
rgonder@mcneeslaw.com
717.237.5340

From: Stephanie Lindsay <SLindsay@salzmannhughes.com>
Sent: Monday, October 9, 2023 1:48:54 PM
To: Gonder, Ryan T. <RGonder@mcneeslaw.com>
Subject: RE: Meeting with SMT/SMTMA

[EXTERNAL]

Good afternoon:

I just wanted to follow up since I know you were out of town last week. Would any of the below times work?

Thank you

From: Stephanie Lindsay
Sent: Tuesday, October 3, 2023 9:33 AM
To: Gonder, Ryan T. <RGonder@mcneeslaw.com>
Subject: RE: Meeting with SMT/SMTMA

Good morning:

Below are a few dates and times for your consideration.

10/10 at 2:00 pm

10/12 at 1:00 or 2:00 pm

Thank you

From: Gonder, Ryan T. <RGonder@mcneeslaw.com>
Sent: Friday, September 29, 2023 2:50 PM
To: Stephanie Lindsay <SLindsay@salzmannhughes.com>
Subject: RE: Meeting with SMT/SMTMA

External Email Warning!

This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and KNOW the content is safe.

Hi Stephanie,

Thank you for reaching out. That day/time will not work for us. Could you shoot us over a few dates/times and then we will coordinate internally and get back to you? I am out of town next week, so could we look to 10/9 or later?

Thank you very much.

Respectfully,

Ryan T. Gonder

*Public Finance & Government Services Group
State & Local Tax Group*



McNees Wallace & Nurick LLC

100 Pine Street
Harrisburg, PA 17101
Tel: 717.237.5340

[Website](#) | [LinkedIn](#) | [Public Sector Blog](#)

The foregoing message may be protected by the attorney-client privilege. If you believe it has been sent to you in error, do not read it. Please reply to the sender that you have received the message in error, then delete it. Thank you.

From: Stephanie Lindsay <SLindsay@salzmannhughes.com>
Sent: Friday, September 29, 2023 10:42 AM
To: Gonder, Ryan T. <RGonder@mcneeslaw.com>
Subject: Meeting with SMT/SMTMA

[EXTERNAL]

Good morning:

I've been asked to coordinate a meeting with SMT/SMTMA and yourself to discuss issues related to the 1977 IMA. Please let me know if you would be available to meet on October 5th at 2:00 at the SMT office.

Thank you

Stephanie A. Lindsay
Paralegal

79 St Paul Drive | Chambersburg, PA 17201
Office: 717.263.2121 Ext. 1109
Fax: 717.263.0663

**SALZMANN
HUGHES, P.C.**
Attorneys at Law
www.salzmannhughes.com



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Accepting wire and disbursement instructions by email is dangerous, especially changes to those instructions. Verify by calling the originator of the email using previously known contact information prior to sending funds.

EXHIBIT H

South Middleton Township Municipal Authority

P.O. Box 8
345 Lear Lane
Boiling Springs, PA 17007-0008

Administration of:

Sewer System
Water System

Telephone: 717-258-6476

Fax: 717-258-3599

Website: www.smtma.net

April 15, 2024

VIA HAND DELIVERY AND FIRST CLASS MAIL

Michael Gwozdecki, Authority President
Mt. Holly Springs Borough Authority
200 Harman Street
Mt. Holly Springs, PA 17065

RE: Wastewater Treatment Payments


Dear Mr. Gwozdecki:

I write on behalf of South Middleton Township Municipal Authority ("SMTMA") in follow up to Josephine Hall's letter dated February 16, 2024. At the next regular meeting of the South Middleton Township Board of Supervisors on April 25, 2024, the Board of Supervisors plans to approve payment to the Mount Holly Springs Authority in the amount of \$82,651.60, as requested in the letter from Thomas L. Day, Jr., dated January 24, 2024. As we have consistently relayed, SMTMA continues to seek an amicable relationship with Mount Holly Springs Borough and the Mount Holly Springs Borough Authority (collectively, "Mount Holly Springs").

While SMTMA continues to dispute Mount Holly Springs' calculations, the amount requested by Mount Holly Springs pursuant to the Intermunicipal Agreement dated November 14, 1977, as amended (the "IMA") will be paid in good faith and in the expectation that a meeting between the parties will be scheduled without further delay. In that meeting, SMTMA would like to discuss and review SMTMA's payments and obligations for 2021, the flow calculations for 2021 and 2022, and certain costs and expenses and corresponding cost increases for 2022 and 2023. We propose a meeting that would include two Mount Holly Springs Board members, two SMTMA Board members, Tom Day, Cory Adams, and Josephine Hall. We do not believe the attendance of our respective legal counsel would be necessary. In addition to resolving the current impasse, SMTMA's hope remains that such a meeting will help to restore the amicable and long-standing relationship we have established and alleviate any further disputes that may otherwise arise.

As a reflection of SMTMA's commitment toward a good working relationship, we plan to remit the payment, as mentioned above, in good faith. SMTMA remains optimistic that a meeting with Mount Holly Springs to review and resolve these current issues will help to enable each party's timely compliance with contractual obligations pursuant to the IMA going forward. Josephine Hall will contact you in a separate email to provide potential dates and times that we are available for a meeting to discuss these issues with the expectation that a meeting will be held in the very near term.

Sincerely,


Bryan Gembusia, Chairman

cc: Mount Holly Springs Borough Authority
Mount Holly Springs Borough Council
SMTMA Board Members
South Middleton Township Board of Supervisors
Bryan Salzman, Esq., South Middleton Township Solicitor
Cory S. Adams, South Middleton Township Manager
Josephine Hall, Authority Manager
Ryan Gonder, Esq., McNees Wallace & Nurick LLC

EXHIBIT I

ORIGINAL HAND DELIVERED
SEP. 30, 2024

South Middleton Township Municipal Authority

P.O. Box 8
345 Lear Lane
Boiling Springs, PA 17007-0008

Administration of:

Sewer System
Water System

Telephone: 717-258-6476

Fax: 717-258-3599

Website: www.smtma.net

September 27, 2024

VIA HAND DELIVERY AND FIRST CLASS MAIL

Michael Gwozdecki, Authority President
Mount Holly Springs Borough Authority
200 Harman Street
Mt. Holly Springs, PA 17065

Sherry Boyles, Borough President
Mount Holly Springs Borough
200 Harman Street
Mt. Holly Springs, PA 17065

RE: Wastewater Treatment Payments

Dear Mr. Gwozdecki and Mrs. Boyles:

I write on behalf of South Middleton Township Municipal Authority ("SMTMA"). The SMTMA Board has approved payment to the Mount Holly Springs Borough Authority in the amount of \$149,378.52 representing payment through the third quarter of 2024 pursuant to the Intermunicipal Agreement dated November 14, 1977, as amended (the "IMA"). This payment is being made in good faith based upon what SMTMA has calculated is owed from the information presently available to SMTMA. SMTMA reserves its right to a credit or reimbursement if its payment is more than SMTMA owes under the IMA.

Prior to the filing of the lawsuit by Mount Holly Springs Borough and the Mount Holly Springs Borough Authority (collectively, "Mount Holly"), SMTMA repeatedly conveyed concerns regarding the calculations provided by Mount Holly with respect to payments purportedly owed by SMTMA under the IMA. The Second Amended Complaint filed in Mount Holly's legal action, coupled with the multiple versions of reconciliation reports, demonstrate that SMTMA was correct to be concerned and that, in fact, Mount Holly's calculations were incorrect. As just one example, Mount Holly's Second Amended Complaint admits that for 2021, Mount Holly owes SMTMA money where Mount Holly previously claimed that SMTMA owed Mount Holly for 2021. Additionally, Mount Holly's claim includes "interest" for alleged payments owed by SMTMA. It is simply unreasonable and not in compliance with the terms of the IMA for Mount Holly to demand SMTMA pay any interest where, by your own admission, Mount Holly incorrectly calculated the same amounts for which Mount Holly is seeking to charge SMTMA interest.

Before Mount Holly initiated litigation, in its letters dated September 14, 2023, February 16, 2024, and April 15, 2024, SMTMA requested a meeting with Mount Holly to discuss and review the current payment disputes in the hope to resolve the same, to help to restore the amicable

and long-standing relationship we have established, and to alleviate any further disputes that may otherwise arise. Given the clear miscalculations recognized by Mount Holly, and SMTMA's good faith payment, SMTMA is again asking for such meeting and hopes that Mount Holly will agree.

Please advise promptly if Mount Holly will agree to meet and if Mount Holly has any proposal for the terms for conducting the meeting.

Sincerely,


Josephine Hall, Authority Manager

cc: Mount Holly Springs Borough Authority
Mount Holly Springs Borough Council
SMTMA Board Members
South Middleton Township Board of Supervisors
Bryan Salzman, Esq. and Isaac P. Wakefield, Esq. of Salzman Hughes, Solicitor to
South Middleton Township and South Middleton Township Municipal Authority
Cory S. Adams, South Middleton Township Manager
Ryan Gonder, Esq., McNeese Wallace & Nurick LLC



SOUTH MIDDLETON TOWNSHIP

CHECK NO. 46698

60-1503
313

GENERAL FUND
520 PARK DRIVE
BOILING SPRINGS, PA 17007

ORRSTOWN BANK
SHIPPENSBURG, PENNSYLVANIA

VENDOR	CHECK DATE	CHECK AMOUNT
80	09/13/2024	\$149,378.52

PAY One Hundred Forty-Nine Thousand Three Hundred Seventy-Eight and 52/100 Dollars*****

TO THE ORDER

MT. HOLLY SPRINGS BOROUGH
200 HARMAN ST
MT. HOLLY SPRINGS, PA 17065

Janett A. Sweeney

[Signature]
MP
AUTHORIZED SIGNATURES



SOUTH MIDDLETON TOWNSHIP

46698

INVOICE DATE	INVOICE NUMBER	ACCT/INVOICE DESCRIPTION	NET INVOICE	PO NO.	
	091324	payment	\$149,378.52		

Vendor 80 MT. HOLLY SPRINGS BOROUGH

Check Total: \$149,378.52

46698

Check delivered with
letter to Authority President,
Michael Gwozdecki

EXHIBIT J

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2021
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Combining Schedule of Revenues, Expenses, and Change in Net Position -- Modified Cash Basis
For the Year Ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue			
Charges for Services -- Water			
User Fees and Penalties	\$ 296,522	\$ 601,531	\$ 898,053
Treatment Charges	-	131,992	131,992
Connection and Water Meter Fees	40,900	4,221	45,121
Miscellaneous	<u>-</u>	<u>38,346</u>	<u>38,346</u>
Total Operating Revenue	<u>337,422</u>	<u>776,090</u>	<u>1,113,512</u>
Operating Expenses			
Public Works			
Operations and Maintenance			
Chemicals	-	34,243	34,243
Employee Benefits	9,880	81,879	91,759
Engineering Supplies	17,150	27,627	44,777
Gas and Oil	-	3,506	3,506
Maintenance, Repairs, and Replacements	68,399	54,477	122,876
Materials, Supplies and Lab Tests	10,813	26,074	36,887
Payroll Taxes	3,054	5,725	8,779
Salaries	41,429	85,355	126,784
Sludge Disposal	-	17,193	17,193
Uniform Allowance	-	1,314	1,314
Utilities	<u>19,615</u>	<u>39,837</u>	<u>59,452</u>
Total Operations and Maintenance	<u>170,340</u>	<u>377,230</u>	<u>547,570</u>
Administrative			
Administrative Charge	51,540	31,969	83,509
Authority Board	96	-	96
Conferences, Training, and Publications	4,203	819	5,022
Insurance	9,245	14,560	23,805
Legal and Accounting	3,869	3,058	6,927
Miscellaneous	4,223	10,302	14,525
Software Support	3,940	3,889	7,829
Telephone	<u>1,586</u>	<u>3,878</u>	<u>5,464</u>
Total Administrative	<u>78,702</u>	<u>68,475</u>	<u>147,177</u>
Total Public Works	<u>249,042</u>	<u>445,705</u>	<u>694,747</u>
Depreciation			
Water	2,920	-	2,920
Sewer	<u>-</u>	<u>169,968</u>	<u>169,968</u>
Total Depreciation Expense	<u>2,920</u>	<u>169,968</u>	<u>172,888</u>
Operating Income	<u>85,460</u>	<u>160,417</u>	<u>245,877</u>

See Independent Auditor's Report

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2022
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Combining Schedule of Revenues, Expenses, and Change in Net Position – Modified Cash Basis
For the Year Ended December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue			
Charges for Services			
User Fees and Penalties	\$ 291,372	\$ 596,489	\$ 887,861
Connection and Water Meter Fees	<u>24,810</u>	<u>4,221</u>	<u>29,031</u>
Total Operating Revenue	<u>316,182</u>	<u>600,710</u>	<u>916,892</u>
Operating Expenses			
Public Works			
Operations and Maintenance			
Chemicals	-	29,638	29,638
Employee Benefits	-	92,287	92,287
Engineering Supplies	5,293	14,903	20,196
Gas and Oil	-	2,419	2,419
Maintenance, Repairs, and Replacements	44,213	11,774	55,987
Materials, Supplies and Lab Tests	3,197	23,450	26,647
Payroll Taxes	1,577	2,287	3,864
Salaries	20,578	26,204	46,782
Sludge Disposal	-	14,491	14,491
Uniform Allowance	-	391	391
Utilities	<u>16,909</u>	<u>35,371</u>	<u>52,280</u>
Total Operations and Maintenance	<u>91,767</u>	<u>253,215</u>	<u>344,982</u>
Administrative			
Administrative Charge	34,900	158,310	193,210
Authority Board	63	-	63
Conferences, Training, and Publications	3,619	608	4,227
Insurance	9,479	14,519	23,998
Legal and Accounting	3,875	10,842	14,717
Miscellaneous	4,450	12,764	17,214
Software Support	4,120	4,213	8,333
Telephone	<u>3,100</u>	<u>2,839</u>	<u>5,939</u>
Total Administrative	<u>63,606</u>	<u>204,095</u>	<u>267,701</u>
Total Public Works	<u>155,373</u>	<u>457,310</u>	<u>612,683</u>
Depreciation			
Water	3,825	-	3,825
Sewer	<u>-</u>	<u>187,559</u>	<u>187,559</u>
Total Depreciation Expense	<u>3,825</u>	<u>187,559</u>	<u>191,384</u>
Operating Income (Loss)	<u>156,984</u>	<u>(44,159)</u>	<u>112,825</u>

See Independent Auditor's Report

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

MOUNT HOLLY SPRINGS BOROUGH AUTHORITY
Combining Schedule of Revenues, Expenses, and Change in Net Position – Modified Cash Basis
For the Year Ended December 31, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue			
Charges for Services			
User Fees and Penalties	\$ 358,571	\$ 593,477	\$ 952,048
Treatment Charges	-	100,000	100,000
Connection and Water Meter Fees	<u>2,045</u>	<u>-</u>	<u>2,045</u>
Total Operating Revenue	<u>360,616</u>	<u>693,477</u>	<u>1,054,093</u>
Operating Expenses			
Public Works			
Operations and Maintenance			
Chemicals	-	36,346	36,346
Employee Benefits	-	106,698	106,698
Engineering Supplies	4,135	5,700	9,835
Gas and Oil	-	3,487	3,487
Maintenance, Repairs, and Replacements	38,682	13,831	52,513
Materials, Supplies and Lab Tests	6,163	25,048	31,211
Payroll Taxes	1,588	2,869	4,457
Salaries	24,651	33,167	57,818
Sludge Disposal	-	17,638	17,638
Utilities	<u>20,440</u>	<u>36,223</u>	<u>56,663</u>
Total Operations and Maintenance	<u>95,659</u>	<u>281,007</u>	<u>376,666</u>
Administrative			
Administrative Charge	34,658	200,083	234,741
Conferences, Training, and Publications	4,280	-	4,280
Insurance	8,092	16,184	24,276
Legal and Accounting	3,820	9,855	13,675
Miscellaneous	5,277	11,171	16,448
Software Support	4,468	3,144	7,612
Telephone	<u>2,265</u>	<u>2,001</u>	<u>4,266</u>
Total Administrative	<u>62,860</u>	<u>242,438</u>	<u>305,298</u>
Total Public Works	<u>158,519</u>	<u>523,445</u>	<u>681,964</u>
Depreciation			
Water	3,825	-	3,825
Sewer	<u>-</u>	<u>189,421</u>	<u>189,421</u>
Total Depreciation Expense	<u>3,825</u>	<u>189,421</u>	<u>193,246</u>
Operating Income (Loss)	<u>198,272</u>	<u>(19,389)</u>	<u>178,883</u>

See Independent Auditor's Report

EXHIBIT K

**Mount Holly Springs Borough Authority
200 Harman Street
Mt. Holly Springs, PA 17065**

**Regular Meeting Minutes
March 14, 2024**

CALL TO ORDER

Chairman Mike Gwozdecki called the March 14, 2024 Authority meeting to order at 5:00 p.m. Members stood and recited the Pledge of Allegiance to the flag.

MEMBERS PRESENT

Mike Gwozdecki, Judy Russell, Deborah Halpin-Brophy, James Collins II, Pennoni Representative Ryan Jongezoon, WWTP Josh Kuhn

BOROUGH Chief/Borough Manager Tom Day

MEMBERS ABSENT Brian Robertson & Engineer Greg Rogalski

RECOGNITION OF VISITORS No visitors

REVIEW OF REGULAR MEETING MINUTES-FEBRUARY 8, 2024

Jim Collins made a motion to approve the Authority meeting minutes of February 8, 2024. The motion was seconded by Deb Brophy. Motion passed.

BILLS FOR APPROVAL-FEBRUARY 2024

Jim Collins made a motion to approve payment of the water and sewer bills for February 2024. The motion was seconded by Judy Russell. Motion passed.

ENGINEER'S REPORT

Mr. Jongezoon reported he received an email from Nick Shearer for the Chapter 94 report. They just received the report from South Middleton Township and was reviewed by Mr. Jongezoon. He should finish up the Mt. Holly report tomorrow and should be ready next Wednesday or Thursday. Mr. Day asked if the flow rates were verified from Pine Road. Mr. Jongezoon indicated he would verify the flows. Last year there was a conflict when Nick did the actual audit. South Middleton argued the figures were not correct.

Mr. Jongezoon stated the small water and sewer grant has been awarded to Mt. Holly Springs in the amount of \$391,000 for the water main replacement on McLand Road between

Sycamore and Pine Road. Mr. Jongezoon indicated they completed a field survey and will get some plans together. The asbestos pipe would be replaced with ductal iron. Mr. Day stated along with the \$391,000 another \$125,000 would be needed depending on where the pipe is ran. Mr. Day reported the Authority did not get the five and one half million grant for the new water system on the south end of town.

OLD BUSINESS

Sludge Hauling Contract-Mr. Day received information pertaining to the sludge hauling contract. The Authority is running on a year expired contract with Waste Management. The proposed rate went from \$94.00 to \$122.00 per ton. When the bids were put out the last time, there was the only bidder. Mr. Day indicated he would reach out to Park's to see whether they would be willing to put in a bid. The matter would be discussed at April's meeting.

NEW BUSINESS

Treasurer's Report-Jim Collins made a motion to approve the Treasurer's Report for February 2024 as presented. The motion was seconded by Deb Brophy. Motion passed.

Borough Report-Mr. Day reported starting May 1, 2024 that would be the first collection of rent for 50 Maple Street and would be \$750 per month. A rental agreement has been drawn up and signed.

Rescind Line of Credit-Jim Collins made a motion to rescind the \$1,000,000 line of credit for the H20 grant approved on May 11, 2023. The motion was seconded by Judy Russell. Motion passed.

Mr. Day reported the initial \$1,000,000 investment as of February 29, 2024 is worth \$1,044,171.11. The current rate is around 5%.

Mr. Day reported he has reached an impasse with South Middleton. The Authority would have to file suit against them for the money that is owed for the reconciliation. A letter was hand delivered to them and a letter was sent to all the supervisors and all the board members on February 20, 2024 stating they pay 75% of what they owed pending litigation or mediation to determine what they claim they owed and what the Authority believes they owe. There was no response from South Middleton. Since 2021 the Authority received no payment and nothing in 2022. In August of 2023 South Middleton sent \$100,000 and said it was in good faith and no other payment has been received as of this date. South Middleton owes the Authority approximately \$160,000 and the interest and penalties. Mr. Day stated there is no sense paying Ryan to send worthless papers that they are ignoring. They are also seeking legal fees and Mr. Day wants the agreement dissolved as a breach of the agreement and see if the Judge can't force South Middleton to come to the table to re-negotiate the agreement.

Jim Collins made a motion to proceed with litigation against South Middleton. The motion was seconded by Judy Russell. Motion passed.

Tom Day reported Josh has the flow meters placed in the long run that runs parallel with Mountain Creek. There is one on East Pine Street that will collect the flow coming from the paper mill and all the houses on E. Pine St., Brenely Lane and Mountain Street. The other meter is behind Shildts house and will pick up the flow on Orange Street. The meters would be in for 30 days.

Mike Gwozdecki asked about Terry Rickert hooking onto the system. Mr. Day stated he was using his well for the domestic water instead of being tapped in the Authority's system. Mr. Gwozdecki suggested sending him a copy of the hookup regulation. Judy Russell suggested having the attorney send him a letter.

Mike Gwozdecki suggested putting a flow meter at Rickert's property. Tom & Josh would look into the matter.

Deb Brophy questioned if the Authority would consider raising the NSF fee charged for bad checks. Mike Gwozdecki stated \$14.00 was not enough to process the paperwork and asked to have some research done for the next meeting. Mrs. Russell suggested checking the rules and rates & regulations.

Deb Brophy reported someone approached her about having problems paying their bill. Mrs. Brophy indicated she went on the internet and found assistance through LWHEAP.

Mike Gwozdecki stated the next meeting would be on April 11th at 5:00 p.m.

ADJOURN

Mike Gwozdecki adjourned the March 14th meeting at 5:38 p.m.

Respectfully submitted,

Pat Fisher
Utility Billing Clerk

CERTIFICATE OF SERVICE

I, an employee of Salzmann Hughes, P.C., hereby certify that on the 11th day of October, 2024, I served a true and correct copy of the foregoing document via email and United States mail, first class, postage prepaid, and addressed as follows:

Erik Roberts Anderson, Esq.
Ryan T. Gonder, Esq.
Matthew L. Hoke, Esq.
MCNEES WALLACE & NURICK LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17101
eanderson@mcneeslaw.com
rgonder@mcneeslaw.com
mhoke@mcneeslaw.com
Attorneys for Plaintiffs

SALZMANN HUGHES, P.C.

Date: October 11, 2024

By: /s/ Michelle McGroary
Michelle McGroary, Paralegal to
*Isaac P. Wakefield, G. Bryan Salzmann, and
Elana D. Schnall*

CERTIFICATE OF COMPLIANCE

I certify that this filing complies with the provision of the Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts that require filing confidential information and documents differently than non-confidential information and documents.

Date: October 11, 2024

By: /s/ Isaac P. Wakefield
Isaac P. Wakefield