

SEVEN VALLEYS BOROUGH

FINANCIAL STATEMENTS

DECEMBER 31, 2021

SEVEN VALLEYS BOROUGH
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INDEPENDENT AUDITORS' REPORT

To the Members of Borough Council
Seven Valleys Borough
Seven Valleys, Pennsylvania

Opinions

We have audited the financial statements of the governmental activities of Seven Valleys Borough, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Seven Valleys Borough as of and for the year ending December 31, 2021, and the respective changes in financial position in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with audit standards generally accepted in the United States of America (GAAS).

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial Statements section of our report. We are required to be independent of Seven Valleys Borough to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

As described in Note 1, the Borough's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when obligations are incurred. Accordingly, the accompanying financial statements are not intended to present fairly, the financial position and results of operations in conformity with generally accepted accounting principles.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seven Valleys Borough's ability to continue as a going concern for the year ended December 31, 2021.

Auditor Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS we;

Exercise professional judgement and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Seven Valley Borough's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seven Valleys Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kochenour, Earnest, Smyser, & Burg
Certified Public Accountants

York, Pennsylvania
June 27, 2022

SEVEN VALLEYS BOROUGH
GOVERNMENT-ENTITY WIDE PRESENTATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
DECEMBER 31, 2021

	<u>Governmental Funds</u>
<u>ASSETS</u>	
Cash and Temporary Investments (Note 2)	\$ 305,690
TOTAL ASSETS	\$ 305,690
<u>LIABILITIES</u>	
Accrued Payroll Taxes	\$ 1,547
G. O. Note	0
TOTAL LIABILITIES	1,547
<u>FUND BALANCES</u>	
Unrestricted Fund Balances	304,143
TOTAL LIABILITIES AND FUND BALANCES	\$ 305,690

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
GOVERNMENT-ENTITY WIDE PRESENTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenditures) Revenue and Changes in Fund Balance
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 29,587	\$ 19,907	\$ 26,842	\$ 17,162
Public Safety	20,963	2485	2407	(16,071)
Health and Welfare	918	0	0	(918)
Sanitation	2,180	0	0	(2,180)
Highways	19,869	0	15,994	(3,875)
Culture - Recreation	525	0	0	(525)
Debt Interest	0	0	0	(0)
Miscellaneous	16,882	0	0	(16,882)
Total Governmental Activities:	<u>\$ 90,924</u>	<u>\$ 22,392</u>	<u>\$ 45,243</u>	<u>(23,289)</u>
General Revenues:				
				27,617
				65,183
				10,745
				149
				1,935
				<u>105,629</u>
				82,340
				221,803
				<u>\$ 304,143</u>

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
FUND FINANCIAL STATEMENT PRESENTATION
COMBINED STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES - ALL FUNDS - CASH BASIS
DECEMBER 31, 2021

	GOVERNMENTAL FUND TYPE	SPECIAL REVENUE FUNDS		TOTALS MEMO ONLY
	GENERAL FUND	STATE LIQUID FUELS FUND		
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 2)	\$ 303,657	\$ 2,033	\$	305,690
<u>LIABILITIES</u>				
Payroll Taxes Withheld	\$ 1,547	\$ 0	\$	1,547
G. O. Note	0	0	\$	0
TOTAL LIABILITIES	1,547	0		1,547
 <u>FUND BALANCES</u>	 302,110	 2,033		 304,143
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 303,657	 \$ 2,033	 \$	 305,690

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
FUND FINANCIAL STATEMENT PRESENTATION
COMBINED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES - ALL FUNDS - CASH BASIS
DECEMBER 31, 2021

	<u>GOVERNMENTAL FUND TYPE</u>	<u>SPECIAL REVENUE FUND</u>	<u>STATE LIQUID FUELS FUND</u>	<u>TOTALS MEMO ONLY</u>
	<u>GENERAL FUND</u>			
<u>REVENUES</u>				
Taxes	\$ 103,545	\$ 0	\$ 103,545	
Licenses and Permits	5,979	0	5,979	
Fines and Forfeits	1,834	0	1,834	
Interest	147	2	149	
Intergovernmental Revenue	29,249	15,994	45,243	
Charges for Service	14,579	0	14,579	
Miscellaneous	1,935	0	1,935	
TOTAL REVENUE	<u>157,268</u>	<u>15,996</u>	<u>173,264</u>	
<u>EXPENSES</u>				
General Government	29,587	0	29,587	
Public Safety	20,963	0	20,963	
Health and Welfare	918	0	918	
Sanitation	2,180	0	2,180	
Highways	3,665	16,204	19,869	
Culture - Recreation	525	0	525	
Miscellaneous	16,882	0	16,882	
Debt Interest	0	0	0	
TOTAL EXPENSES	<u>74,720</u>	<u>16,204</u>	<u>90,924</u>	
<u>OTHER FINANCING SOURCES (USES)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES</u>				
	<u>82,548</u>	<u>(208)</u>	<u>82,340</u>	
<u>FUND BALANCES - BEGINNING</u>	<u>219,562</u>	<u>2,241</u>	<u>221,803</u>	
<u>FUND BALANCES - ENDING</u>	<u>\$ 302,110</u>	<u>\$ 2,033</u>	<u>\$ 304,143</u>	

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES DETERMINING SCOPE OF REPORTING ENTITY

The financial statements of Seven Valleys Borough consist of all the funds of Seven Valleys Borough. The financial report includes the accounts of all the Borough's operations and includes all the entities which are considered controlled by or dependent on the Borough. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

GOVERNMENT-ENTITY WIDE FINANCIAL STATEMENTS

The Statement of Assets, Liabilities and Fund Balances and the Statement of Revenues, Expenditures and Changes in Fund Balance display financial information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services and other revenue. The various governmental funds listed below are all combined together for the Government-Entity Wide financial statement presentation. We have added these two financial statements due to recent accounting changes.

FUND FINANCIAL STATEMENTS

The accounts of the Borough are organized on the basis of funds and accounting groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Combined Statement of Assets, Liabilities and Fund Balances and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Funds are the respective fund financial statements.

The various funds are grouped in the Fund Financial Statements in the broad fund categories as follows:

GOVERNMENT FUND TYPES

GENERAL FUND: The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS: The Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources. The State Liquid Fuels Highway Aid Fund is a special revenue fund used to account for revenue from the Commonwealth of Pennsylvania for the maintenance and construction of highways and streets.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUND TYPE

AGENCY FUND: This fund is used to account for assets held by the Borough as an agent for other funds and/or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for on the basis of cash receipts and expenditures; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the liability is incurred.

BUDGETS

In accordance with the laws of the Commonwealth, the annual budget was presented to the Seven Valleys Borough Council on November 2, 2020 and was published, or otherwise made available for public inspection. The budget was adopted on December 7, 2020 and a certification was filed with the Secretary of Community Affairs for The Commonwealth of Pennsylvania, as of that date.

All unused Budget Appropriations lapse at year-end.

GENERAL FIXED ASSETS

Acquisitions of property and equipment are not recorded in a general fixed assets group of accounts, but are included as expenditures in the year of acquisition. Therefore, no depreciation expense is recorded.

REAL ESTATE TAXES

The real estate tax rate for the year 2021 was 1.200 mills. A two percent (2%) discount is allowed if paid within two months after the date of the tax notice. Four months after the date of the tax notice, a penalty of ten percent (10%) is charged. Delinquent taxes are returned to the County for collection no later than January 15th of the year following the year of levy.

Real estate taxes are included in revenue during the year of collection. The real estate tax rate was approved by the Borough Council on December 7, 2020.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOTAL MEMORANDUM ONLY COLUMNS

The memorandum only totals are presented only for informational purposes and the totals do not present consolidated financial information.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and Temporary Investments consist of the following as of December 31:

<u>GENERAL FUND</u>	<u>2021</u>
Cash – Checking – Peoples Bank	\$ 17,135
Cash – Checking – Peoples Bank - ARPA Funds	26,748
Cash – Checking - PLGIT	<u>259,774</u>
	303,657
<u>STATE LIQUID FUEL FUND</u>	
Cash – Checking - PLGIT	<u>2,033</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 305,690</u>

The bank balances at December 31, 2021 were \$307,976 and \$305,690 per the books. All bank balances are fully insured by FDIC, FSLIC or collateralized in accordance with Act 72.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2021, \$264,093 of the Borough's bank balance of \$307,976 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	264,093
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	0
	<u>\$ 264,093</u>

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation to Financial Statements:

Collateralized with securities held by the pledging financial institution	\$ 264,093
Plus: Insured Amount	43,883
Less: Outstanding Checks	(2,286)
Carrying Amount - Bank Balances	305,690
Plus: Petty Cash	0
Total Cash per Financial Statements	\$ 305,690

Cash Summary per Respective Funds:

Statement of Net Assets - Cash - Governmental Funds	\$ 305,690
Total Cash per Financial Statements	\$ 305,690

NOTE 3 – COMMITMENTS AND CONTINGENCIES

On October 15, 1997, Seven Valleys Borough entered into an agreement with Springfield Township, Loganville Borough and Jacobus Borough for the construction of a sewer system for the residents of these four municipalities. The Springfield Township Sewer Authority was created and will manage the sewer system. Each municipality guaranteed a portion of the \$10,235,000 bond issue used to finance the sewer project. The Borough's portion of the bond guarantee was \$2,670,000. The bond issue will be repaid through charges for tapping into the sewer system and sewer use charges. All payments for sewer usage will be made to the Springfield Township Sewer Authority who will then pay the operating costs and respective bond issues as they come due. Seven Valleys Borough will only be responsible for their portion of the bond issue in case of default by the Springfield Township Sewer Authority.

Seven Valleys Borough is subject to various claims and legal proceedings covering matters that arise in the ordinary course of municipal activities. Each of these matters is subject to uncertainties, and some of these matters may be resolved unfavorably to the Borough. Management believes that any liability that may ultimately result from the resolution of these matters would not have a material adverse effect on the financial position of the Borough.

NOTE 4 - GENERAL OBLIGATION NOTE

Seven Valleys Borough issued the \$140,000 General Obligation Note, Series of 2008 for the purpose of completing the Maple Street Project. The Note was paid in full during the 2019 year.

NOTE 5 - SUBSEQUENT EVENTS

Management of the Borough evaluated subsequent events through the date of the audit report. No subsequent events were noted.

SUPPLEMENTARY INFORMATION

SEVEN VALLEYS BOROUGH
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGE
IN FUND BALANCES - BUDGET VERSUS ACTUAL
DECEMBER 31, 2021

	GOVERNMENTAL FUND TYPE			SPECIAL REVENUE		
	GENERAL FUND			LIQUID FUELS FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 89,650	\$ 103,545	\$ 13,895	\$ 0	\$ 0	\$ 0
Licenses and Permits	6,000	5,979	(21)	0	0	0
Fines and Forfeits	1,775	1,834	59	0	0	0
Interest	480	147	(333)	24	2	(22)
Intergovernmental Revenue	3,390	29,249	25,859	17,000	15,994	(1,006)
Charges for Service	12,500	14,579	2,079	0	0	0
Miscellaneous	0	1,935	1,935	0	0	0
TOTAL REVENUE	113,795	157,268	43,473	17,024	15,996	(1,028)
EXPENSES						
General Government	30,525	29,587	938	0	0	0
Public Safety	22,309	20,963	1,346	0	0	0
Health and Welfare	300	918	(618)	0	0	0
Sanitation	400	2,180	(1,780)	0	0	0
Highways	40,000	3,665	36,335	15,525	16,204	(679)
Culture - Recreation	900	525	375	0	0	0
Debt Interest	0	-	-	0	0	0
Miscellaneous	14,795	16,882	(2,087)	0	0	0
TOTAL EXPENSES	109,229	74,720	34,509	15,525	16,204	(679)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	4,566	82,548	77,982	1,499	(208)	(1,707)
OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	\$ 4,566	82,548	\$ 77,982	\$ 1,499	(208)	\$ (1,707)
FUND BALANCE - BEGINNING		219,562			2,241	
FUND BALANCE - ENDING		\$ 302,110			\$ 2,033	

See accompanying notes to the financial statements.