

SEVEN VALLEYS BOROUGH

FINANCIAL STATEMENTS

DECEMBER 31, 2020



**KOCHENOUR, EARNEST,
SMYSER & BURG**

CERTIFIED PUBLIC ACCOUNTANTS

SEVEN VALLEYS BOROUGH
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of Seven Valleys Borough, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Seven Valleys Borough as of and for the year ending December 31, 2020, and the respective changes in financial position in accordance with the cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Seven Valleys Borough. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
March 30, 2021

SEVEN VALLEYS BOROUGH
GOVERNMENT-ENTITY WIDE PRESENTATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
DECEMBER 31, 2020

		<u>Governmental Funds</u>
<u>ASSETS</u>		
Cash and Temporary Investments (Note 2)	\$	223,451
TOTAL ASSETS	\$	<u>223,451</u>
<u>LIABILITIES</u>		
Accrued Payroll Taxes	\$	1,648
G. O. Note		<u>0</u>
TOTAL LIABILITIES		1,648
<u>FUND BALANCES</u>		
Unrestricted Fund Balances		<u>221,803</u>
		221,803
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>223,451</u>

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, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenditures) Revenue and Changes in Fund Balance
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ 27,279	\$ 21,706	\$ 689	\$ (4,884)
Public Safety	22,280	1580	2702	(17,998)
Health and Welfare	46	0	0	(46)
Sanitation	200	0	0	(200)
Highways	27,149	0	17,229	(9,920)
Culture - Recreation	525	0	0	(525)
Debt Interest	0	0	0	(0)
Miscellaneous	15,974	0	0	(15,974)
Total Governmental Activities:	\$ 93,453	\$ 23,286	\$ 20,620	(49,547)

General Revenues:	
Property Taxes Levied for General Purposes	26,694
Income Taxes Levied for General Purposes	60,092
Other Taxes Levied for General Purposes	11,422
Investment Earnings	1,355
Miscellaneous	0
Total General Revenues	99,563
Change in Fund Balances	50,016
Fund Balances - Beginning	171,787
Fund Balances - Ending	\$ 221,803

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, 2020

	<u>GOVERNMENTAL FUND TYPE</u>	<u>SPECIAL REVENUE FUNDS</u>	
	<u>GENERAL FUND</u>	<u>STATE LIQUID FUELS FUND</u>	<u>TOTALS MEMO ONLY</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 2)	\$ <u>221,210</u>	\$ <u>2,241</u>	\$ <u>223,451</u>
<u>LIABILITIES</u>			
Payroll Taxes Withheld	\$ 1,648	\$ 0	\$ 1,648
G. O. Note	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>1,648</u>	<u>0</u>	<u>1,648</u>
 <u>FUND BALANCES</u>	 <u>219,562</u>	 <u>2,241</u>	 <u>221,803</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>221,210</u>	 \$ <u>2,241</u>	 \$ <u>223,451</u>

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, 2020

	<u>GOVERNMENTAL FUND TYPE</u>	<u>SPECIAL REVENUE FUND</u>	
	<u>GENERAL FUND</u>	<u>STATE LIQUID FUELS FUND</u>	<u>TOTALS MEMO ONLY</u>
<u>REVENUES</u>			
Taxes	\$ 98,208	\$ 0	\$ 98,208
Licenses and Permits	5,998	0	5,998
Fines and Forfeits	2,158	0	2,158
Interest	1,278	77	1,355
Intergovernmental Revenue	3,391	17,229	20,620
Charges for Service	15,130	0	15,130
Miscellaneous	0	0	0
TOTAL REVENUE	<u>126,163</u>	<u>17,306</u>	<u>143,469</u>
<u>EXPENSES</u>			
General Government	27,279	0	27,279
Public Safety	22,280	0	22,280
Health and Welfare	46	0	46
Sanitation	200	0	200
Highways	6,393	20,756	27,149
Culture - Recreation	525	0	525
Miscellaneous	15,974	0	15,974
Debt Interest	0	0	0
TOTAL EXPENSES	<u>72,697</u>	<u>20,756</u>	<u>93,453</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>53,466</u>	<u>(3,450)</u>	<u>50,016</u>
<u>FUND BALANCES - BEGINNING</u>	<u>166,096</u>	<u>5,691</u>	<u>171,787</u>
<u>FUND BALANCES - ENDING</u>	<u>\$ 219,562</u>	<u>\$ 2,241</u>	<u>\$ 221,803</u>

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 4, 2019 and was published, or otherwise made available for public inspection. The budget was adopted on December 2, 2019 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 2020 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 2, 2019.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>2020</u>
Cash – Checking – Peoples Bank	\$ 5,182
Cash – Checking - PLGIT	<u>216,028</u>
	221,210
<u>STATE LIQUID FUEL FUND</u>	
Cash – Checking - PLGIT	<u>2,241</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$ 223,451</u>

The bank balances at December 31, 2020 were \$223,451 and \$223,451 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, 2020, \$218,269 of the Borough's bank balance of \$223,451 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	218,269
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	0
	<u>\$ 218,269</u>

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation to Financial Statements:

Collateralized with securities held by the pledging financial institution	\$ 218,269
Plus: Insured Amount	5,182
Less: Outstanding Checks	0
Carrying Amount - Bank Balances	223,451
Plus: Petty Cash	0
Total Cash per Financial Statements	\$ 223,451

Cash Summary per Respective Funds:

Statement of Net Assets - Cash - Governmental Funds	\$ 223,451
Total Cash per Financial Statements	\$ 223,451

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, 2020

	GOVERNMENTAL FUND TYPE				SPECIAL REVENUE			
	GENERAL FUND		LIQUID FUELS FUND		LIQUID FUELS FUND		LIQUID FUELS FUND	
	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)	FAVORABLE	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)	FAVORABLE
REVENUES								
Taxes	\$ 89,650	\$ 98,208	\$ 8,558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	6,155	5,998	(157)	0	0	0	0	0
Fines and Forfeits	1,000	2,158	1,158	0	0	0	0	0
Interest	3,400	1,278	(2,122)	200	77	77	(123)	(123)
Intergovernmental Revenue	3,900	3,391	(509)	16,885	17,229	17,229	344	344
Charges for Service	10,500	15,130	4,630	0	0	0	0	0
Miscellaneous	0	0	-	0	0	0	0	0
TOTAL REVENUE	114,605	126,163	11,558	17,085	17,306	17,306	221	221
EXPENSES								
General Government	30,916	27,279	3,637	0	0	0	0	0
Public Safety	21,625	22,280	(655)	0	0	0	0	0
Health and Welfare	300	46	254	0	0	0	0	0
Sanitation	500	200	300	0	0	0	0	0
Highways	20,000	6,393	13,607	22,465	20,756	20,756	1,709	1,709
Culture - Recreation	900	525	375	0	0	0	0	0
Debt Interest	0	-	-	0	0	0	0	0
Miscellaneous	17,345	15,974	1,371	0	0	0	0	0
TOTAL EXPENSES	91,586	72,697	18,889	22,465	20,756	20,756	1,709	1,709
EXCESS OF REVENUES OVER (UNDER) EXPENSES	23,019	53,466	30,447	(5,380)	(3,450)	(3,450)	1,930	1,930
OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0	0
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	\$ 23,019	\$ 53,466	\$ 30,447	\$ (5,380)	\$ (3,450)	\$ (3,450)	\$ 1,930	\$ 1,930
FUND BALANCE - BEGINNING		166,096			5,691			
FUND BALANCE - ENDING	\$ 219,562				\$ 2,241			

See accompanying notes to the financial statements.