

SEVEN VALLEYS BOROUGH

FINANCIAL STATEMENTS

DECEMBER 31, 2023

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
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Borough Council
Borough of Seven Valleys
Seven Valleys, Pennsylvania

We have audited the financial statements of Seven Valleys Borough for the year ended December 31, 2023, and have issued our report thereon dated November 4, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 9, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies of Seven Valleys Borough are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Seven Valleys Borough during the year for which there is a lack authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We have given management journal entries to post to their financial records which they have completed. There were no uncorrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Representations Requested From Management

We have requested certain written representations from management which are included in the management representation letter dated November 4, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Seven Valleys Borough's financial statements or the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing with management each year prior to retention as Seven Valleys Borough's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Seven Valleys Borough's basic financial statements. The supplemental information listed in the table of contents are presented for purposes of additional analysis and are 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 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Restrictions on Use

This report is intended solely for the information and use of the Borough Council and management of Seven Valleys Borough, and is not intended to be and should not be used by anyone other than these specified parties.

Kochenour Earnest Smyser & Burg

York, Pennsylvania
November 4, 2024

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, 2023, 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, 2023, 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, 2023.

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, Smysler, & Burg

Certified Public Accountants

York, Pennsylvania
November 4, 2024

SEVEN VALLEYS BOROUGH
GOVERNMENT-ENTITY WIDE PRESENTATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
DECEMBER 31, 2023

		<u>Governmental Funds</u>
<u>ASSETS</u>		
Cash and Temporary Investments (Note 2)	\$	468,382
TOTAL ASSETS	\$	<u>468,382</u>
<u>LIABILITIES</u>		
Accrued Payroll Taxes	\$	1,245
G. O. Note		<u>0</u>
TOTAL LIABILITIES		1,245
<u>FUND BALANCES</u>		
Unrestricted Fund Balances		<u>467,137</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>468,382</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, 2023

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	\$ 54,764	\$ 29,613	\$ 772	\$ (24,379)
Public Safety	13,338	0	2,828	(10,510)
Health and Welfare	857	0	0	(857)
Sanitation	1,280	0	0	(1,280)
Highways	26,973	0	15,711	(11,262)
Culture - Recreation	150	0	0	(150)
Debt Interest	0	0	0	(0)
Miscellaneous	16,316	0	0	(16,316)
Total Governmental Activities:	<u>\$ 113,678</u>	<u>\$ 29,613</u>	<u>\$ 19,311</u>	<u>(64,754)</u>
General Revenues:				
Property Taxes Levied for General Purposes				27,283
Income Taxes Levied for General Purposes				71,236
Other Taxes Levied for General Purposes				12,427
Investment Earnings				19,202
Miscellaneous				2
Total General Revenues				<u>130,150</u>
Change in Fund Balances				65,396
Fund Balances - Beginning				401,741
Fund Balances - Ending				<u>\$ 467,137</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, 2023

	GOVERNMENTAL FUND TYPE	SPECIAL REVENUE FUNDS		TOTALS MEMO ONLY
	GENERAL FUND	STATE LIQUID FUELS FUND		
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 2)	\$ 453,128	\$ 15,254	\$	468,382
<u>LIABILITIES</u>				
Payroll Taxes Withheld	\$ 1,245	\$ 0	\$	1,245
G. O. Note	0	0	\$	0
TOTAL LIABILITIES	1,245	0		1,245
<u>FUND BALANCES</u>	451,883	15,254		467,137
TOTAL LIABILITIES AND FUND BALANCES	\$ 453,128	\$ 15,254	\$	468,382

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, 2023

	<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	\$ 110,946	\$ 0	\$ 110,946	
Licenses and Permits	6,214	0	6,214	
Fines and Forfeits	918	0	918	
Interest	18,436	766	19,202	
Intergovernmental Revenue	3,600	15,711	19,311	
Charges for Service	22,481	0	22,481	
Miscellaneous	2	0	2	
TOTAL REVENUE	<u>162,597</u>	<u>16,477</u>	<u>179,074</u>	
<u>EXPENSES</u>				
General Government	54,764	0	54,764	
Public Safety	13,338	0	13,338	
Health and Welfare	857	0	857	
Sanitation	1,280	0	1,280	
Highways	20,345	6,628	26,973	
Culture - Recreation	150	0	150	
Miscellaneous	16,316	0	16,316	
Debt Interest	0	0	0	
TOTAL EXPENSES	<u>107,050</u>	<u>6,628</u>	<u>113,678</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>55,547</u>	<u>9,849</u>	<u>65,396</u>	
<u>FUND BALANCES - BEGINNING</u>	<u>396,336</u>	<u>5,405</u>	<u>401,741</u>	
<u>FUND BALANCES - ENDING</u>	<u>\$ 451,883</u>	<u>\$ 15,254</u>	<u>\$ 467,137</u>	

See accompanying notes to the financial statements.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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 7, 2022 and was published, or otherwise made available for public inspection. The budget was adopted on December 5, 2022 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 2023 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 5, 2022.

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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>2023</u>
Cash – Checking – Peoples Bank	\$ 14,959
Cash – Checking – Peoples Bank - ARPA Funds	55,214
Cash – Checking - PLGIT	<u>382,955</u>
	453,128
<u>STATE LIQUID FUEL FUND</u>	
Cash – Checking - PLGIT	<u>15,254</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 468,382</u>

The bank balances at December 31, 2023 were \$477,445 and \$468,382 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, 2023, \$407,433 of the Borough's bank balance of \$477,445 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	407,433
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	0
	<u>\$ 407,433</u>

SEVEN VALLEYS BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation to Financial Statements:

Collateralized with securities held by the pledging financial institution	\$ 407,433
Plus: Insured Amount	70,012
Less: Outstanding Checks	(9,485)
Add: Deposit in Transit	422
Carrying Amount - Bank Balances	468,382
Plus: Petty Cash	0
Total Cash per Financial Statements	\$ 468,382

Cash Summary per Respective Funds:

Statement of Net Assets - Cash - Governmental Funds	\$ 468,382
Total Cash per Financial Statements	\$ 468,382

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, 2023

	GOVERNMENTAL FUND TYPE			SPECIAL REVENUE		
	GENERAL FUND			LIQUID FUELS FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 101,800	\$ 110,946	\$ 9,146	\$ 0	\$ 0	\$ 0
Licenses and Permits	6,000	6,214	214	0	0	0
Fines and Forfeits	1,050	918	(132)	0	0	0
Interest	1,250	18,436	17,186	100	766	666
Intergovernmental Revenue	45,650	3,600	(42,050)	15,350	15,711	361
Charges for Service	8,100	22,481	14,381	0	0	0
Miscellaneous	0	2	2	0	0	0
TOTAL REVENUE	163,850	162,597	(1,253)	15,450	16,477	1,027
EXPENSES						
General Government	36,195	54,764	(18,569)	0	0	0
Public Safety	19,825	13,338	6,487	0	0	0
Health and Welfare	1,000	857	143	0	0	0
Sanitation	600	1,280	(680)	0	0	0
Highways	92,800	20,345	72,455	15,450	6,628	8,822
Culture - Recreation	1,400	150	1,250	0	0	0
Debt Interest	0	-	-	0	0	0
Miscellaneous	24,335	16,316	8,019	0	0	0
TOTAL EXPENSES	176,155	107,050	69,105	15,450	6,628	8,822
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(12,305)	55,547	67,852	0	9,849	9,849
OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	\$ (12,305)	55,547	\$ 67,852	\$ 0	9,849	\$ 9,849
FUND BALANCE - BEGINNING		396,336			5,405	
FUND BALANCE - ENDING		\$ 451,883			\$ 15,254	

See accompanying notes to the financial statements.