

BUFFALO VALLEY RECREATION AUTHORITY

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Officer and Members
Buffalo Valley Recreation Authority
Lewisburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of Buffalo Valley Recreation Authority, as of and for the year ended December 31, 2022, and the related notes to the 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 financial position of Buffalo Valley Recreation Authority, as of and for the year ended December 31, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Buffalo Valley Recreation Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 the Buffalo Valley Recreation Authority'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.

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.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Douglas G. Parker, CPA

Lewisburg, Pennsylvania
August 23, 2023

BUFFALO VALLEY RECREATION AUTHORITY
STATEMENT OF NET POSITION
Proprietary Fund Type
December 31, 2022

ASSETS

Cash - unrestricted	\$	120,990
Cash - restricted		6,707
Accounts receivable		0
Prepaid expenses		17,623
		145,320
Property and equipment, net		787,542
Asset held under lease obligation		691,104
Leasehold security deposits		15,000
		1,638,966
TOTAL ASSETS	\$	1,638,966

LIABILITIES

Accounts payable	\$	533
Accrued expenses		7,133
Payroll liabilities		2,190
Unearned revenues		18,164
Current portion of long-term debt		17,654
Current portion of lease obligations		102,339
		148,013
Long-term debt, less current portion		57,153
Long-term lease obligations, less current portion		588,765
		793,931
TOTAL LIABILITIES		793,931

NET POSITION

Invested in capital assets, net of related debt		712,735
Unrestricted – unreserved - deficit		125,593
Temporarily restricted - reserved		6,707
		845,035
TOTAL NET POSITION		845,035
TOTAL LIABILITIES AND NET POSITION	\$	1,638,966

See accompanying notes to the basic financial statements

BUFFALO VALLEY RECREATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Fund Type
Year Ended December 31, 2022

OPERATING REVENUES

General	\$ 222,281
Community pool	90,987
Park and tennis	14,139
Camp and ice rink	85,165
Outdoor recreation	2,368
Gymnastics	492,449
Special Events	400
TOTAL UNRESTRICTED SUPPORT	907,789

OPERATING EXPENSES

Administrative	127,757
General	52,749
Community pool	107,215
Park	57,536
Camp and ice rink	75,585
Outdoor recreation	1,582
Gymnastics	374,689
TOTAL EXPENSES	797,113

INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	110,676
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DEPRECIATION EXPENSE	97,189
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INCOME (LOSS) FROM OPERATIONS	13,487
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NET POSITION, beginning of year	831,548
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NET POSITION, end of year	\$ 845,035
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See accompanying notes to the basic financial statements

BUFFALO VALLEY RECREATION AUTHORITY
STATEMENT OF CASH FLOWS
Proprietary Fund Type
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from services	\$ 712,063
Receipts from operating grants	220,925
Receipts from other sources	1,755
Payments to suppliers	(384,683)
Payments to employees	(451,211)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	98,849

CASH FLOWS FROM INVESTING ACTIVITIES:

None	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment of municipal loans	(17,654)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(17,064)

NET CHANGE IN CASH

81,195

CASH, beginning of year

46,502

CASH, end of year

\$ 127,697

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Income (loss) from operations	\$ 13,487
Adjustments to reconcile increase (decrease) in net position to net cash provided (used) by operating activities:	
Amortization and depreciation	97,189
(Increase) decrease in operating assets	
Prepaid insurance	(7,898)
Increase (decrease) in operating liabilities	
Accounts payable	(2,402)
Accrued expenses	2,153
Payroll liabilities	(718)
Unearned revenue	(2,962)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 98,849

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	\$ 0
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See accompanying notes to the basic financial statements

BUFFALO VALLEY RECREATION AUTHORITY
Budgetary Comparison Schedule
Proprietary Fund Type
Year Ended December 31, 2022

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES			
General revenue	\$ 237,050	\$ 222,281	\$ (14,769)
Community pool	70,500	90,987	20,487
Park and tennis	12,000	14,139	2,139
Camp and ice rink	152,300	85,165	(67,523)
Outdoor recreation & nature school	0	2,368	2,368
Gymnastics	369,300	492,449	123,149
Special events	500	400	(100)
TOTAL OPERATING REVENUES	<u>841,650</u>	<u>907,789</u>	<u>66,139</u>
OPERATING EXPENSES			
Administrative	93,634	127,757	(34,123)
General	78,304	52,749	25,555
Community pool	140,475	107,215	33,260
Park and tennis	54,694	57,536	(2,842)
Camp and ice rink	105,143	75,585	29,558
Outdoor recreation & nature school	9,000	1,582	7,418
Gymnastics	364,084	374,689	(10,605)
Special events	172	0	172
TOTAL OPERATING EXPENSES	<u>845,506</u>	<u>797,113</u>	<u>48,393</u>
NET OPERATING INCOME (LOSS)			
BEFORE DEPRECIATION	<u>\$ (3,856)</u>	<u>\$ 110,676</u>	<u>\$ 114,532</u>

See accompanying notes to the basic financial statements

BUFFALO VALLEY RECREATION AUTHORITY NOTES TO FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

In compliance with the requirements of the "Municipality Authorities Act of 1945" (the Act of May 2, 1945, P.L. 382, as amended and supplemented, 53 P.S. 301 et seq.), the townships of East Buffalo and Kelly and the Borough of Lewisburg, County of Union, Commonwealth of Pennsylvania, pursuant to ordinances duly enacted by the Townships and the Borough authorized and directed the formation of the Buffalo Valley Area Recreation Authority (the "Authority").

The Authority (a corporation) adopted its by-laws on March 12, 1981, later amended on November 16, 1999, as per an intergovernmental agreement between East Buffalo Township and the Lewisburg Borough.

On August 19, 2004 the Authority signed a twenty five (25) year management agreement with Lewisburg Borough to manage and maintain the area known as Lewisburg Area Recreation Park and the Lewisburg Community Pool.

The purpose of the Authority is to acquire, hold, construct, improve, maintain, operate, own and lease (either in capacity of lesser or lessee) projects of the following kind and character: buildings to be devoted wholly or partially for public use, parks, recreation grounds and facilities, swimming pools, playgrounds and other area community projects and activities.

The Authority manages a world class park and community swimming pool as well as offering recreational programs year-round. The swimming pool is open daily throughout the summer months and offers various aquatic programs and swimming lessons. Memberships are also available.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the basic financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues and expenditures.

The fund type used by the Authority is limited to proprietary funds. The focus of proprietary fund measurement is based upon the determination of operating income, changes in net positions, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Authority describes its proprietary funds as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

The Authority reports on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

**BUFFALO VALLEY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget

The Board of Directors approves, prior to the beginning of each year, an annual budget on the accrual basis of accounting. Unexpended appropriations lapse at the end of each fiscal year. The Board may increase the subsequent year's appropriation by an amount equal to the outstanding encumbrances and reserve a portion of the fund balance in a like amount.

Public Support and Revenue

Annual contributions are generally available for unrestricted use unless specifically restricted by the donor. Contributions are recognized as unconditional when the donor makes a promise to give to the Authority. The Authority uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets (in-kind) are recorded at their fair values in the period received as unrestricted support. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services.

The Authority prepares its financial statements in accordance with generally accepted accounting principles which involve the application of accrual accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

The Authority capitalized all property and equipment acquisitions in excess of \$2,500. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. If donor stipulations regarding how long those donated assets must be maintained are absent, then the Authority reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Authority reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their useful lives. Leasehold improvements are amortized over the shorter of their estimated useful lives or the applicable lease term.

**BUFFALO VALLEY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Intergovernmental Agreement of Cooperation

The Authority signed an intergovernmental agreement of cooperation on 19th of March, 2013 with East Buffalo Township and the Lewisburg Borough, collectively referred to as the Participants in the document. Currently the agreement was effective on January 1, 2013 and expired on December 31, 2017, and shall be automatically renewed in full force and effect year-to-year thereafter except as otherwise provided in the agreement. (See Note E - Related Party Transactions)

Income Tax Exemption

Internal Revenue Code section 115 states that gross income does not include income derived from the exercise of any governmental function and accruing to a state or any political subdivision thereof. The Authority is tax exempt as a result of this Internal Revenue Code section.

Qualified Charitable Organization

Internal Revenue Code section 170(c) states that contributions made to a political subdivision (the Authority) are tax deducted by the donor for income tax purposes, only if the contribution or gift is made for exclusively public purposes.

NOTE B – CASH

At December 31, 2022 the bank balance on hand was \$133,374 and was FDIC insured by Susquehanna Community Bank. The book balance equaled \$127,697 as reconciled. Below is the breakdown of the cash balances:

	<u>Bank Balance</u>	<u>Book Balance</u>
General operating checking	\$ 126,667	\$ 120,690
Designated donation account	6,707	6,707
Office petty cash	-	300
Total	<u>\$ 133,374</u>	<u>\$ 127,697</u>

**BUFFALO VALLEY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE C – PROPERTY AND EQUIPMENT

<u>Description</u>	<u>Life</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Pool improvements	25 yrs	1,125,664	-	-	\$1,125,664
Park improvements	25 yrs	1,145,258	-	-	1,145,258
Park equipment	15 yrs	634,129	-	-	634,129
Gym leasehold improvements	10 yrs	65,450	-	-	65,450
Equipment	5-7 yrs	47,393	-	-	47,393
Office leasehold improvements		<u>2,710</u>	<u>-</u>	<u>-</u>	<u>2,710</u>
Total Cost		3,023,604	-	-	3,023,604
Amortization and depreciation		<u>(2,138,873)</u>	<u>(97,189)</u>	<u>-</u>	<u>(2,236,062)</u>
Net Book Value		<u>\$ 884,731</u>	<u>\$ (97,189)</u>	<u>\$ -</u>	<u>\$ 787,542</u>

Total depreciation expense for the year equaled \$97,189.

NOTE D – LONG TERM DEBT

On December 7, 2016, both the Borough of Lewisburg and East Buffalo Township each loaned the Authority \$86,063.53 for a total of \$172,127.06. All proceeds were used to pay off the PennVest Loan.

The terms of the Lewisburg Borough loan are 0.0% and payments are \$754.00 per month until December 31, 2026. The loan balance at December 31, 2022 was \$31,776.

The terms of the East Buffalo Township loan are 0.0% for 10 years with payments of \$717.20 per month until December 31, 2026. EBT suspended loan payments for 2021, therefore the new maturity date will December 31, 2027. The loan balance at December 31, 2022 was \$43,032.

Debt service payments for each of the five years following December 31, 2022 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2023	\$ 17,654	0	\$ 17,654
2024	17,654	0	17,654
2025	17,654	0	17,655
2026	17,654	0	17,654
2027	<u>4,192</u>	<u>0</u>	<u>4,192</u>
	<u>\$ 74,808</u>	<u>\$ 0</u>	<u>\$ 74,808</u>

**BUFFALO VALLEY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE E -- RELATED PARTY TRANSACTIONS

On August 19, 2004 a management agreement was signed between the Borough of Lewisburg and the Buffalo Valley Area Recreation Authority (“BVRA”). The term of the agreement is for 25 years and expires August 31, 2029.

The Borough does not pay the Authority any compensation for the management services it renders, but may at its discretion periodically contribute to the Authority some of its municipal funds as may be properly budgeted, approved and authorized by the Borough Council.

On September 17, 2019 an addendum to management agreement was made whereby the Borough of Lewisburg agrees that for 2019 it shall make a financial contribution to the Authority in the amount of \$66,273.00 which amount shall be paid to the Authority in installments as determined by the Borough as to specific amounts and dates of payment. Following 2019, the Borough of Lewisburg shall increase its 2019 contribution amount to BVRA by two percent (2%) each year until December 31, 2022 and at a negotiated rate of increase for the remaining term of the Agreement thereafter.

On September 10, 2018 an agreement with regard to recreation was signed between the Township of East Buffalo and the Buffalo Valley Area Recreation Authority. The Township shall contribute \$118,352 to the Buffalo Valley Area Recreation Authority in 2019. The Township’s contribution shall be increased by an amount not to exceed 2% of the previous year’s contribution for each year this agreement remains in full force and effect. The Township may, but is not obligated to provide additional funds to BVRA if Township, in its sole and absolute discretion determines that the same is warranted. Factors to be considered in making the determination shall include but not limited to the BVRA acquiring additional physical facilities, catastrophic events not caused by BVRA and substantial increase in costs outside the control of BVRA.

During 2022 the Borough of Lewisburg and East Buffalo Township made financial contributions in the amount of \$70,329 and \$125,596 respectively, for a total of \$195,925 a 2% increase over the prior year.

In addition to the operating subsidies just mentioned above, and also disclosed on Note D, in December 2016, the Borough of Lewisburg and East Buffalo Township each paid \$86,063.53 for a total of \$172,127 towards paying off the PennVest Loan. At December 31, 2022 the collective balance from the municipality loans was \$74,808. The interest rate on the East Buffalo Township loan and Borough of Lewisburg loan is 0%.

NOTE F – DONATED SERVICES AND FACILITIES

In accordance with the By-laws of the Buffalo Valley Recreation Authority, the Board of Directors shall serve without remuneration. The Board meets at least once a month and with a majority vote shall decide any question properly before the Board such as recreational issues, governmental contracts, legal and financial matters. No amounts for donated services have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS 116 have not been satisfied.

No value has been placed on the recreational facilities in the Lewisburg Area Recreation Park other than the improvements which are being amortized over the life of the management agreement with the Lewisburg Borough.

**BUFFALO VALLEY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE G – LEASE COMMITMENTS

The Authority has gym and office space under an operating lease located at 815 Market Street, Suite 182, Lewisburg, PA 17837. Lease obligations for operating lease right-of-use (“ROU”) assets are included on the balance sheet as asset held under lease obligation, current portion of lease obligations and long-term lease obligations, less current portion.

A lease for gym and office space was entered into on January 1, 2020 for a period of ten years. Rent payments began on January 1, 2020. Annual rent for 2023 was \$103,250; Year 2024 \$103,250; Years 2025-2028 \$107,500; Year 2029 \$111,750, expiring midnight December 31, 2029.

Total rent expense for the above lease was \$103,250 for the year ending December 31, 2022.

Recorded in other assets on the balance sheet is a security deposit held by the Lessor in the amount of \$15,000.

At year end a lease agreement was entered into for an advertising sign for gymnastics. Payment began January 1, 2022 at \$100 per month for 48 months.

Future year’s payouts stated at present value discounted at 2% for the above lease obligations are as follows:

	<u>Building</u>	<u>Sign</u>	<u>Combined</u>
2023	\$ 101,185	\$ 1,154	\$ 102,339
2024	99,120	1,131	100,251
2025	101,050	1,109	102,159
2026	98,900	-	98,900
2027	96,750	-	96,750
2028	94,600	-	94,600
2029	<u>96,105</u>	<u>-</u>	<u>96,105</u>
Total	<u>\$ 687,710</u>	<u>\$ 3,394</u>	<u>\$ 691,104</u>
Current portion	<u>\$ 101,185</u>	<u>\$ 1,154</u>	<u>\$ 102,339</u>
Long-term	<u>\$ 586,525</u>	<u>\$ 2,240</u>	<u>\$ 588,765</u>

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; to employees; and natural disasters. The Authority provides for these risks by the purchase of commercial insurances.

NOTE I - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through August 23, 2023, the date which the financial statements were available to be issued. The Board believes that there is no going concern issue and that operations are back normal.