

**BERKS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
AND COMPONENT UNIT**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019 and 2018

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-14
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Net Position	15-16
Consolidated Statements of Revenues, Expenses and Changes in Net Position	17
Consolidated Statements of Cash Flows	18-19
Notes to Consolidated Financial Statements	20-37
SUPPLEMENTARY INFORMATION	
Consolidated Combining Statement of Net Position, by Sub-fund	38-41
Consolidated Combining Statement of Revenues, Expenses and Changes in Net Position, By Sub-fund	42-43
Consolidated Schedules of Operating Expenses	44
Consolidated Combining Schedule of Operating Expenses, By Sub-fund	45-46
Consolidated Comparative Financial Statistics	47-48
Consolidated Schedules of Bonds Outstanding	49-50
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	51-52

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Berks County Industrial Development Authority and Component Unit

Berks County, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Berks County Industrial Development Authority (the "Authority") and Component Unit as of and for the years ended December 31, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise the Authority's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial

To the Board of Directors
Berks County Industrial Development Authority and Component Unit

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 consolidated 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 consolidated financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Berks County Industrial Development Authority and Component Unit as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Berks County Industrial Development Authority and Component Unit's consolidated financial statements. The accompanying financial information listed as

To the Board of Directors
Berks County Industrial Development Authority and Component Unit

supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2020 on our consideration of the Berks County Industrial Development Authority and Component Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Berks County Industrial Development Authority and Component Unit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berks County Industrial Development Authority and Component Unit's internal control over financial reporting and compliance.

William D. Koch & Associates

Wyomissing, Pennsylvania
March 9, 2020

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial Performance:

Because of the excellent performance of the investments the Berks IDA has in its investment subsidiary, the Berks County Industrial Development Foundation, the Berks IDA was able to pay all of its operating expenses and much of its project development expenses from the gains that occurred from those investments. The unrestricted market value of the BCIDF's investments was \$ 9,582,583 at the end of 2018 and finished 2019 at \$ 10,318,578 This occurred despite the fact that withdrawals were made throughout the year which will be further explained in this audit.

Operating Budget Financial Performance:

The Berks IDA expenditures for operations increased significantly from 2018 due to the creation of the position of Deputy Director and the conduct of a number of marketing activities including the presentation of a 50th anniversary event, production of a promotional video and the development of a new website. Operating expenditures increased from \$ 369,360 in 2018 to \$ 625,064 in 2019.

In addition to these expenditures it was necessary to spend \$ 13,510 for new staff PC's, office furniture, and a new copier.

Development Budget Financial Performance - *Berks Park 183*

Electric Line Extension

The most significant financial transaction that occurred was a payment to Met-Ed of \$ 1,093,078 to pay for an electric line extension which will provide up to 3 MW of power to the industrial park. Financing for this amount was provided from a draw of a \$6M line of credit that the Berks IDA has with First National Bank of PA (FNB). Security for the line is provided by a pledge of assets held in the Berks County Industrial Development Foundation's investment account. No real estate, mortgages or liens are involved.

Phase One Infrastructure and Intersection Improvements

Additional draws from the FNB line did not occur during 2019 but should occur during 2020. The draws will pay for the significant infrastructure improvements that are expected to occur including: improvements to the intersection of Route 183 and Aviation Road; reconstruction of Aviation Road; relocation of water and sewer lines; extension of gas lines; and installation of stormwater management facilities.

Permitting Delays

Stormwater

The work described above was to have been completed in 2019 but was delayed due to the time that was required to obtain a National Pollutant Discharge Elimination System (NPDES) stormwater permit from the PA Department of Environmental Protection (DEP). The entire process took 21 months to complete. The permit was finally received in December but was far past the time when work could have begun.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

A major obstacle in obtaining the permit was a dispute between the Federal Army Corps of Engineers and the State Department of Environmental Protection on wetlands.

In addition, there were a number of deficiencies found in the NPDES application. To resolve them the Berks IDA hired another engineer, Snyder Secary, to perform a peer review. This step was helpful in providing a resolution but added additional expense.

FAA Environmental Assessment

Another obstacle was a requirement by FAA for an environmental assessment on an easement that had originally been approved by FAA eight years earlier. The assessment took until September to be approved.

Bern Township Approvals

The Phase 1 Land Development Plan was given conditional final plan approval after a period of extensive review and comment including coordination on matters related to the DEP review and the local township storm water ordinance.

PennDOT Highway Occupancy Permit (HOP)

The HOP plans were completed, and supplemental information was being supplied to finish the process of obtaining approvals for improvements at the intersection of Aviation Road and Route 183. Much work was needed to resolve extensive underground utility conflicts which added to testing and engineering costs.

Permitting Delays Financial Impact

As a result of all these permitting issues the bids for the work needed to be cancelled. The delays resulted in increases in engineering and other pre-development costs.

Building Demolition Expenses

The last remaining building on the site was demolished at a cost of \$ 9,350. Because the building had a history of being involved in a World War II POW camp, the Berks IDA provided funds in the amount of \$ 12,360 to the Berks Military History Museum which were used to recover artefacts from the building.

State Grant Funding

Redevelopment Assistance Capital Program (RACP)

A grant contract for \$ 3M of Redevelopment Assistance Capital Program (RACP) funds with the Commonwealth of Pennsylvania through the Office of the Budget was extended another year. The reason for the extension was the permitting delay that stopped the Phase One infrastructure from being constructed.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Penn DOT Multi-Modal Fund (MTF)

Another State grant for \$ 700,000 of Multi-Modal Funds (MTF) through PennDOT was also not utilized due the same permitting delays described above. The grant agreement remains in place and is planned to be utilized in 2020.

Industrial Site Reuse Program (ISRP)

The Berks IDA has been approved for an Industrial Site Reuse Program (ISRP) grant to pay 75% of the cost of the preparation of a clean-up plan for the police shooting range. A request for \$ 9,757.28 is now pending.

During 2020 it is hoping to receive an ISRP grant to pay for 75% of the clean-up itself.

Repayment of HUD Section 108 Loan

In 2007 the Berks IDA closed on a U.S. Department of Housing and Urban Development Section 108 loan in the amount of \$ 3,500,000. These proceeds were used to help fund: purchase of the property; relocation of tenants; clear a mobile home park; demolish buildings; and pay for predevelopment costs including the cost of preparing a clean-up plan for a former police shooting range.

During 2019, the Berks IDA made principal and interest payments of \$ 321,236.40. This left an outstanding loan balance of \$ 1,763,000.

Per an agreement to assist the Berks IDA with debt service on the loan, the County government provided \$ 138,071 in HUD Community Development Block Grant (CDBG) funds to the Berks IDA in 2019.

Other Staff and Board Activities

Complete Remaining Details at Berks Park 78

The Berks IDA obtained PennDOT approval to sell 2.31 acres across the street from entrance from Berks Park 78 that had been acquired as part of HOP process. The property is listed for sale with real estate broker.

The Berks IDA reviewed and attempted to resolve a dispute with RAWA on a third well contract. The dispute has not been resolved.

A.W. Golden Bridge Financing

The Berks IDA provided a bridge loan for the A.W. Golden redevelopment project to Alan Shuman. Funds were routed from the Community First Fund to the Berks IDA and then to the developer. The interim loan was necessary until New Market Tax Credits were approved for the project. The loan was paid off in October.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Berks Community Health Center (BCHC) RACP

The Berks IDA was engaged by BCHC to serve as grantee for their RACP grant. Although the Berks IDA has provided guidance to BCHC to help obtain the grant there are a number of regulatory issues that are delaying the grant.

American Trust RACP

The Berks IDA worked with Alan Shuman and his consultant, Delta Development, on an RACP application where the Berks IDA is contracted to serve as grantee.

Fourth and Elm Project

The Berks IDA met with the principle developers on a \$ 8.2M project to convert former City public works facility into mixed-use development anchored by a grocery store. Various financing options including bridge financing and RACP grants were discussed.

Riverview Industrial Park (South Dana Site)

The Berks IDA left in place an offer to purchase the South Dana property from the Reading Redevelopment Authority. No further activity occurred.

Updated Financing Fees

A fee survey was conducted of regional entities that provide tax exempt financing including loans, bonds and tax increment financing. To better align with these entities the Berks IDA adopted a new fee structure.

Administration of Tax Increment Financing Projects

Preparation of detailed billing to the taxing bodies for administration of TIF financing for Cabela's and Exeter Commons was accomplished. Multiple tax records, payments at different times and adjustments for boundaries requires significant attention to detail. The Administrative Assistant/Bookkeeper continues to do an excellent job of handling the Berks IDA's TIF responsibilities.

Hiring of Deputy Director

The Berks IDA hired Jeremy Zaborowski to serve as Deputy Director starting on March 25, 2019. Exposure to Berks IDA activities, contacts and training occurred.

Outreach and Communication

The Deputy Director led a very successful project to produce new logo and website through services of Da Brian marketing. He also oversaw the work of Liquid Interactive to provide a promotional video with short deadline for completion.

The Deputy Director helped to lead a celebration of Berks IDA's 50th Anniversary at Building Berks awards.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Berks IDA continued its financial support of "What's So Cool About Manufacturing" (WSCAM) which is the leading program in the State for the encouragement of careers in manufacturing.

The Executive Director provides leadership and technical assistance to the community by serving on the Workforce Development Board's Executive Committee, Finance Committee and is Chair of Committee on Employment of Individuals with Disabilities. He also chairs the Berks County Planning Commission and is a member of the Reading Area Transportation Study; Ben Franklin Advisory Board; Pennsylvania Economy League Advisory Board; and Senator Argall's Business Advisory Board.

The Executive Director participates in national professional organizations as member of Urban Land Institute, Pennsylvania Economic Development Association, International Economic Development Council, American Planning Association and Commercial & Industrial Real Estate Council. He annually completes course work and training to maintain professional credentials in both planning and economic development as an AICP certified planner and CECD certified economic developer.

Both the Executive Director and Deputy Director conduct meetings held with workforce, economic development and planning professionals on regular basis.

Administration

During 2019 the Berks IDA negotiated a new lease with County for office space including office for new Deputy Director until 2024.

Regular meetings of the Board were held with frequent Board communication. Reporting and minutes were memorialized as records of the Berks IDA's activities.

Marketing IDA financing Tools and Expertise

Presentations were made on TIF and other Berks IDA financing tools to municipal officials and developers throughout the year.

Real Estate Finance Education

The Berks IDA partnered with the Center for Excellence in Local Government (CELG), the Greater Reading Chamber Alliance and the Reading City Planning Department to conduct two days of training for municipal officials in real estate finance.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Authority's basic consolidated financial statements include the consolidated statements of net position, consolidated statements of revenues, expenses and changes in net position, the consolidated statements of cash flows and notes to consolidated financial statements. This report also includes other supplementary information in addition to the basic consolidated financial statements.

The Authority's consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Consolidated statements of net position. The consolidated statements of net position present the financial position of the Authority. It presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Consolidated statements of revenues, expenses and changes in net position. The consolidated statements of revenues, expenses and changes in net position present information showing how the Authority's net position changed during the respective year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future periods.

Consolidated statements of cash flows. The consolidated statements of cash flows present information on the changes in assets and liabilities and the effect this change has on cash during the course of the year.

Notes to consolidated financial statements. The notes to consolidated financial statements provide additional information that is essential to a full understanding of the data provided in the Authority's consolidated financial statements. The notes to consolidated financial statements can be found on Pages 19-35 of this report.

Other information. In addition to the basic consolidated financial statements and accompanying notes, this report also presents certain supplementary information, which includes a consolidated combining statement of net position, by sub-fund; consolidated combining statement of revenues, expenses and changes in net position, by sub-fund; consolidated schedules of operating expenses; consolidated combining schedule of operating expenses, by sub-fund; five-year consolidated comparative financial statistics and the balances on bonds and mortgages outstanding on Authority-approved projects.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, Total assets exceeded total liabilities by \$ 16,980,556, \$ 15,549,483, and \$ 15,962,294 at December 31, 2019, 2018 and 2017, respectively.

A condensed summary of the Authority's consolidated statements of net position at December 31, 2019, 2018 and 2017 is presented below:

Consolidated Statements of Net Position

	2019	2018	2017
Assets:			
Cash, unrestricted	\$ 203,072	\$ 72,356	\$ 74,975
Accounts receivable	-	-	25,062
Grant receivable	9,757	6,578	-
Prepaid expenses	3,309	3,009	763
Due from Exeter TIF, current portion	<u>512,663</u>	<u>511,431</u>	<u>511,804</u>
 Total Current Assets	 728,801	 593,674	 612,604
 Cash, restricted	 303,128	 297,126	 -
Investments, unrestricted	10,318,578	9,582,583	9,865,481
Investments, restricted	541,808	529,905	518,574
Due from Exeter TIF, net of current portion	2,256,081	2,610,458	2,949,302
Due from BTMA	454,500	475,500	475,500
Furniture and Fixtures, net of accumulated depreciation	11,418	-	-
Land held for development	8,730,542	7,233,240	7,870,420
Land	<u>65,000</u>	<u>100,000</u>	<u>-</u>
 Total Noncurrent Assets	 <u>22,681,055</u>	 <u>20,828,812</u>	 <u>21,679,277</u>
 TOTAL ASSETS	 <u>\$ 23,409,856</u>	 <u>\$ 21,422,486</u>	 <u>\$ 22,291,881</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Statements of Net Position (continued)

	2019	2018	2017
Liabilities:			
Accounts payable	\$ 164,619	\$ 165,169	\$ 88,665
Accrued interest	48,529	53,961	59,067
Accrued vacation pay	35,228	15,608	16,171
Line of credit	1,093,078	-	-
Current portion of long-term debt	<u>585,000</u>	<u>559,000</u>	<u>536,000</u>
 Total Current Liabilities	 1,926,454	 793,738	 699,903
 Long-term debt, net	 <u>4,502,846</u>	 <u>5,079,265</u>	 <u>5,629,684</u>
 Total Liabilities	 6,429,300	 5,873,003	 6,329,587
Net Position:			
Net investment in capital assets	11,418	-	-
Restricted net position	303,128	297,126	-
Unrestricted net position	<u>16,666,010</u>	<u>15,252,357</u>	<u>15,962,294</u>
 Total Net Position	 <u>16,980,556</u>	 <u>15,549,483</u>	 <u>15,962,294</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 23,409,856</u>	 <u>\$ 21,422,486</u>	 <u>\$ 22,291,881</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Statements of Revenues, Expenses and Changes in Net Position

Changes in Net Position. A condensed summary of the Authority's statements of revenues, expenses and changes in net position for the years ended December 31, 2019, 2018 and 2017 is presented below:

	2019	2018	2017
Operating revenues:			
administrative fees and rent	\$ 30,020	\$ 15,250	\$ 74,922
Operating expenses	<u>625,064</u>	<u>369,360</u>	<u>360,710</u>
Operating (loss)	(595,044)	(354,110)	(360,710)
Non-operating income (expense):			
Grant revenue	141,250	144,649	837,196
Grant to Redevelopment Authority of Berks County	-	-	(671,081)
Gain on sale of real estate	-	644,255	-
Loss on land	(35,000)	(212,818)	-
Investment earnings (losses)	1,919,867	(634,787)	(1,529,800)
Interest expense	<u>-</u>	<u>-</u>	<u>(5,091)</u>
Total non-operating income (expense)	<u>2,026,117</u>	<u>(58,701)</u>	<u>1,690,824</u>
Increase(Decrease) in net position	<u>\$ 1,431,073</u>	<u>\$ (412,811)</u>	<u>\$ 1,405,036</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Consolidated Statement of Changes in Net Position
Year Ended December 31, 2019**

	Beginning Balance	Increase / (Decrease)	Ending Balance
Net investment in capital assets	\$ -	\$ 11,418	\$ 11,418
Restricted net position			
HUD Loan Repayment	297,126	6,002	303,128
Unrestricted net position	<u>15,252,357</u>	<u>1,413,653</u>	<u>16,666,010</u>
Total net position	<u>\$ 15,549,483</u>	<u>\$ 1,431,073</u>	<u>\$ 16,980,556</u>

**Consolidated Statement of Changes in Net Position
Year Ended December 31, 2018**

	Beginning Balance	Increase	Ending Balance
Restricted net position			
HUD Loan Repayment	\$ -	\$ 297,126	\$ 297,126
Unrestricted net position	<u>15,962,294</u>	<u>(709,937)</u>	<u>15,252,357</u>
Total net position	<u>\$ 15,962,294</u>	<u>\$ (412,811)</u>	<u>\$ 15,549,483</u>

**Statement of Changes in Net Position
Year Ended December 31, 2017**

	Beginning Balance	Increase	Ending Balance
Unrestricted net position	<u>\$ 14,557,258</u>	<u>\$ 1,405,036</u>	<u>\$ 15,962,294</u>
Total net position	<u>\$ 14,557,258</u>	<u>\$ 1,405,036</u>	<u>\$ 15,962,294</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

The Authority has an \$ 6,000,000 line of credit with a financial institution to be used for development costs at Berks Park 183. The balance outstanding at December 31, 2019 and 2018 was \$1,093,078 and \$ -0- respectively.

At December 31, 2019, the Authority had total long-term debt outstanding of \$5,154,000 of which \$1,763,000 is guaranteed by the U. S. Department of Housing and Urban Development under its Section 108 Loan Guarantee Program. The remaining \$3,391,000 will be repaid from real estate taxes from the Tax Incremental District for the Exeter Project. The Authority had total debt outstanding, excluding debt issuance costs, of \$5,154,000, \$5,713,000, and \$6,249,000 at December 31, 2019, 2018 and 2017, respectively.

In 2013, the Authority entered into an agreement with the County of Berks to provide Community Development Block Grant funds in the amount of \$ 2,071,065 through 2027 to assist with debt service payments on a \$ 3,500,000 note. The Authority received \$ 138,071 and \$ 138,071 for the years ended December 31, 2019 and 2018, for a total of \$ 966,497 through December 31, 2019.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED STATEMENTS OF NET POSITION

December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash, unrestricted	\$ 203,072	\$ 72,356
Grant receivable	9,757	6,578
Prepaid expenses	3,309	3,309
Due from Exeter Tax Incremental Financing, current portion	<u>512,663</u>	<u>511,431</u>
Total Current Assets	728,801	593,674
NONCURRENT ASSETS		
Cash, restricted	303,128	297,126
Investments, unrestricted	10,318,578	9,582,583
Investments, restricted	541,808	529,905
Due from Exeter Tax Incremental Financing, net of current portion	2,256,081	2,610,458
Due from Bethel Township Municipal Authority	454,500	475,500
Furniture and Fixtures net of accumulated depreciation of \$88,090 and \$89,083	11,418	-
Land held for development	8,730,542	7,233,240
Land	<u>65,000</u>	<u>100,000</u>
Total Noncurrent Assets	<u>22,681,055</u>	<u>20,828,812</u>
TOTAL ASSETS	<u>\$ 23,409,856</u>	<u>\$ 21,422,486</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

**CONSOLIDATED STATEMENTS OF NET POSITION
December 31, 2019 and 2018**

LIABILITIES AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 164,619	\$ 165,169
Accrued interest	48,529	53,961
Accrued salaries and vacation pay	35,228	15,608
Line of credit	1,093,078	-
Current portion of long-term debt	<u>585,000</u>	<u>559,000</u>
Total Current Liabilities	1,926,454	793,738
LONG-TERM LIABILITIES		
Long term debt, net	<u>4,502,846</u>	<u>5,079,265</u>
Total Long-Term Liabilities	4,502,846	5,079,265
TOTAL LIABILITIES	6,429,300	5,873,003
NET POSITION		
Net investment in capital assets	11,418	-
Restricted net position	303,128	297,126
Unrestricted net position	<u>16,666,010</u>	<u>15,252,357</u>
Total Net Position	<u>16,980,556</u>	<u>15,549,483</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,409,856</u>	<u>\$ 21,422,486</u>

See accompanying notes to the consolidated financial statements.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues, administrative fees and rent	\$ 30,020	\$ 15,250
Operating expenses	<u>625,064</u>	<u>369,360</u>
Operating (loss)	(595,044)	(354,110)
Non-operating income (expense):		
Grant revenue	141,250	144,649
Gain on sale of real estate	-	644,255
Loss on land	(35,000)	(212,818)
Investment earnings (losses)	<u>1,919,867</u>	<u>(634,787)</u>
Total non-operating income (expense)	<u>2,026,117</u>	<u>(58,701)</u>
Increase (Decrease) in net position	1,431,073	(412,811)
NET POSITION, BEGINNING	<u>15,549,483</u>	<u>15,962,294</u>
NET POSITION, ENDING	<u>\$ 16,980,556</u>	<u>\$ 15,549,483</u>

See accompanying notes to the consolidated financial statements.

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BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 30,020	\$ 40,312
Cash (payments) to suppliers for goods and services	(245,075)	(160,372)
Cash (payments) to employees for services	<u>(350,121)</u>	<u>(201,917)</u>
Net cash (used in) operating activities	(565,176)	(321,977)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants received	<u>138,071</u>	<u>138,071</u>
Net cash provided by noncapital financing activities	138,071	138,071
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Advance on line of credit	1,093,078	-
Purchase of equipment	(13,510)	-
(Payment) of capitalized interest	(111,237)	(122,050)
(Repayment) of long-term debt	(550,419)	(536,000)
(Cost) of land held for development	(1,399,539)	(1,039,420)
Proceeds from sale of land held for development	-	2,320,000
Payment of settlement expenses	-	(119,515)
Decrease in due from Bethel Township Municipal Authority	<u>21,000</u>	<u>-</u>
Net cash (used in) provided by capital and related activities	(960,627)	503,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of investments, net	659,636	(1,263,713)
Investment income received	512,333	900,493
Decrease in Due from Exeter Tax Incremental Financing	511,391	511,578
(Payment) of interest on Exeter Tax Incremental Financing	<u>(158,910)</u>	<u>(172,960)</u>
Net cash provided by (used in) investing activities	<u>1,524,450</u>	<u>(24,602)</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
NET INCREASE IN CASH	136,718	294,507
CASH, BEGINNING OF YEAR	<u>369,482</u>	<u>74,975</u>
CASH, END OF YEAR	<u>\$ 506,200</u>	<u>\$ 369,482</u>
 RECONCILIATION OF OPERATING LOSS TO CASH (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (595,044)	\$ (354,110)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	2,092	-
Interest expense	8,581	8,581
Decrease (increase) in accounts receivable	-	25,062
Decrease (Increase) in prepaid expenses	-	(2,546)
(Decrease) Increase in accounts payable for operating expenses	(425)	1,599
(Decrease) Increase in accrued salaries/vacation pay	<u>19,620</u>	<u>(563)</u>
 NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ (565,176)</u>	<u>\$ (321,977)</u>
 NON CASH INVESTING ACTIVITIES		
Loss on land	<u>\$ (35,000)</u>	<u>\$ (212,818)</u>

See accompanying notes to the consolidated financial statements.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activity and Summary of Significant Accounting Policies

Nature of Activity

The Berks County Industrial Development Authority (the "Authority") was created May 7, 1969 by the County of Berks under the Pennsylvania Industrial Development Authority Law of August 23, 1967. Since its formation, there were several amendments to the Articles of Incorporation (Articles) under the provisions of the Economic Development Financing Law of the Commonwealth of Pennsylvania extending the term of existence. In May 2012, the Articles were again amended to extend the term of existence of the Authority to May 1, 2062.

Its purpose is to promote and develop commercial, industrial and manufacturing enterprises and to encourage employment within the County of Berks.

The Authority is authorized to issue industrial development bonds and mortgage notes, which lower the cost of borrowing to project developers. These obligations do not constitute indebtedness of the Authority and are secured by revenues received from the developer of the project (borrower) on whose behalf the obligations are issued.

The Board of Directors of the Authority is appointed by the Berks County Board of County Commissioners.

Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to government units, prescribed by the Government Accounting Standards Board ("GASB").

The Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activity and Summary of Significant Accounting Policies (continued)

Component Unit

The Berks County Industrial Development Foundation (the "Foundation"), a related party under common control, was created in order to allow the Authority to invest beyond the limitations that Pennsylvania statutes impose upon governmental agencies.

The primary investment goal of the Foundation is to generate sufficient investment return to cover the annual operating expenses of the Authority. By doing so, the Authority can become a more sustainable and self-sufficient economic development organization that is less dependent on outside governmental support. The governance of the Foundation is provided by the Board of the Authority.

As a result of the purpose and the control of the Foundation, it is considered a component unit of the Authority and is presented in the Authority's consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Authority and the Foundation, collectively (the "Authority"). All significant transactions and balances between the Authority and the Foundation have been eliminated in the consolidation.

Estimates

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The consolidated financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed to the extent these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has elected to follow subsequent private-sector guidance, subject to the same limitation.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activity and Summary of Significant Accounting Policies (continued)

Operating revenues and expenses are distinguished from non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges generated from rents and administrative fees. Operating expenses include administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal non-operating revenue of the Authority is investment and grant revenue. The principal non-operating expenses of the Authority are grant expenses.

The Authority uses the following sub-funds to account for its activities:

- Industrial Development Authority Fund - is used to account for the operations of the Authority.
- Berks Park 78 Fund - is used to account for the development of the I-78 Industrial Park at Bethel.
- Berks Park 183 Fund - is used to account for the development of an industrial park at the Reading Regional Airport.
- Exeter Fund - is used to account for loan proceeds, grants and real estate taxes under the Tax Incremental Financing District and expenditures related to a retail development in Exeter Township, Berks County.
- Foundation – is used to invest the Authority's excess funds as a not-for-profit organization without the restrictions imposed upon the Authority as a governmental unit

Restricted Cash and Investments

The Authority considers all cash and investment accounts that have externally imposed withdrawal restrictions to be restricted cash and investments.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activity and Summary of Significant Accounting Policies (continued)

Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types.

Investments are stated at fair value.

Authorized types of investments include:

- U. S. Treasury Bills.
- Short-term obligations of the U. S. Government and federal agencies.
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- Shares of mutual funds whose investments are restricted to the above categories.

When making investments, the Board can combine funds from more than one sub-fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

The Foundation is not limited in its investment types because it is a 501(c)3 organization.

Capital assets

Capital assets are recorded at cost if the per unit cost is \$ 1,000 or more. Depreciation is computed using the straight-line method over the useful lives of the assets.

Maintenance and repairs of capital assets are expensed when incurred.

Loan Origination Fees

Fees incurred in connection with obtaining financing are netted against long-term debt and interest expense is recognized over the life of the debt.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (continued)

Income Taxes

The Foundation is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying consolidated financial statements. There was no unrelated business income for the years ended December 31, 2019 and 2018. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation was organized under the Pennsylvania Non-Profit Law of 1988 and, as such, is exempt from state income taxes.

Net Position

The Authority follows the guidelines of the GASB Statement No. 63 (GASB 63), *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This statement requires the classification of net position into the three components shown below, which are defined as follows:

Net Investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net assets of the Authority, which are not restricted for any project or other purpose.

Advertising

The Authority expenses advertising costs as incurred. For years ended December 31, 2019 and 2018, advertising costs amounted to \$41,950 and \$4,398, respectively.

Note 2. Budget Matters

The Authority is not required by Government Accounting Standards Board (GASB) to adopt a budget. The Authority does adopt a budget as a best practice which is monitored by staff and the Board of Directors.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Stewardship, Compliance and Accountability

Compliance with finance-related legal and contractual provisions

The Authority had no material violations of finance-related legal and contractual provisions.

Note 4. Deposits and Investments

The Authority's available cash is invested in demand deposit accounts, savings accounts, money market accounts, obligations of the U.S. Government, and U.S. Treasury Notes and Bills in accordance with Pennsylvania statute restrictions described in Note 1.

In 2018 the Authority sold land at Berks Parks 183 it purchased from the proceeds of a loan guaranteed by the U.S. Department of Housing and Urban Development. Those funds are required to remain in a loan repayment account until the balance of the loan is repaid. The balance of cash restricted for this purpose was \$303,128 and \$297,126 as of December 31, 2019 and 2018, respectively.

The Authority's investments consisted of a U.S. Treasury Money Market account with a fair value of \$541,808 and \$529,905 as of December 31, 2019 and 2018, respectively.

The Foundation's investments, which are not subject to the same investment limitations as the Authority, consists of fixed income and equity funds with a fair value of \$10,318,578 and \$9,582,583 as of December 31, 2019 and 2018, respectively.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Deposits and Investments (continued)

The total carrying amounts of cash and investments at December 31, 2019 and 2018 consist of the following:

	2019	2018
<u>Authority:</u>		
Cash	\$ 506,200	\$ 369,482
Investments	<u>541,808</u>	<u>529,905</u>
 Total	 <u>1,048,008</u>	 <u>899,387</u>
 <u>Foundation:</u>		
Investments	<u>10,318,578</u>	<u>9,582,583</u>
 Total Cash and Investments	 <u>\$ 11,366,586</u>	 <u>\$ 10,481,970</u>

Reconciliation to the statements of net position

	2019	2018
Cash, unrestricted	\$ 203,072	\$ 72,356
Cash, restricted	<u>303,128</u>	<u>297,126</u>
 Total Cash	 <u>506,200</u>	 <u>369,482</u>
 Investments, unrestricted, noncurrent	 10,318,578	 9,582,583
Investments, restricted	<u>541,808</u>	<u>529,905</u>
 Total Investments	 <u>10,860,386</u>	 <u>10,112,488</u>
 Total Cash and Investments	 <u>\$ 11,366,586</u>	 <u>\$ 10,481,970</u>

Custodial credit risk - deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. At December 31, 2019 and 2018, the carrying amounts of the Authority's bank deposits were \$506,200 and \$369,482, respectively, and the corresponding bank balances at December 31, 2019 and 2018 were \$ 544,144 and \$ 382,356 respectively. Bank deposits are covered up to \$ 250,000 by the Federal Deposit Insurance Corporation.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Deposits and Investments (continued)

Investments

Investment income for the year ended December 31, 2019 and 2018 is as follows:

	2019	2018
Interest and dividends	\$ 512,333	\$ 900,493
Realized gains	32,589	152,424
Change in unrealized gains/(losses)	<u>1,374,945</u>	<u>(1,687,704)</u>
Net investment income/(losses)	<u>\$ 1,919,867</u>	<u>\$ (634,787)</u>

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2019 and 2018:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>Fair Value</u>			
December 31, 2019			
Investments	<u>\$ 10,860,386</u>	<u>\$ 10,860,386</u>	<u>\$ -</u>
December 31, 2018			
Investments	<u>\$ 10,112,488</u>	<u>\$ 10,112,488</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Deposits and Investments (continued)

The fair value of the Authority's and Foundation's investments at December 31, 2019 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain / (Loss)</u>
<i>Authority</i>			
U.S. Treasury Money			
Market Fund	\$ 541,808	\$ 541,808	\$ -
<i>Foundation</i>			
Equities	6,470,054	6,849,415	379,361
Fixed income	<u>3,535,712</u>	<u>3,469,163</u>	<u>(66,549)</u>
Total	10,005,766	10,318,578	312,812
	<u>\$ 10,547,574</u>	<u>\$ 10,860,386</u>	<u>\$ 312,812</u>

The fair value of the Authority's and Foundation's investments at December 31, 2018 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain / (Loss)</u>
<i>Authority</i>			
U.S. Treasury Money			
Market Fund	\$ 529,905	\$ 529,905	\$ -
<i>Foundation</i>			
Equities	6,937,317	6,123,519	(813,798)
Fixed income	<u>3,707,399</u>	<u>3,459,064</u>	<u>(248,335)</u>
Total	10,644,716	9,582,583	(1,062,133)
	<u>\$ 11,174,621</u>	<u>\$ 10,112,488</u>	<u>\$ (1,062,133)</u>

Investment interest rate risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Deposits and Investments (continued)

Custodial credit risk - investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019 and 2018, \$10,318,578 and \$9,582,583 respectively, is held by the investments' counterparty, not in the name of the Authority.

Note 5. Grant Receivable

In 2018, the Authority was awarded a grant with the Commonwealth of Pennsylvania, acting through the Department of Community and Economic Development to conduct environmental assessments and remediation at Berks Park 183. The total grant of \$ 16,657 is to reimburse project costs incurred between June 25, 2018 and June 30, 2020, at a rate of 75%. At December 31, 2019 and 2018, the Grant Receivable of this program amounted to \$9,757 and \$6,578, respectively.

Note 6. Due from Exeter Tax Incremental Financing (TIF)

The Authority has entered into agreements with the County of Berks, Exeter Township and the Exeter Township School District (municipalities) related to financing for transportation improvements for a retail development in Exeter Township, Berks County. The Authority borrowed \$ 6,299,000 for the project and incurred interest expense of \$ 158,246 and \$ 172,360 for the years ended December 31, 2019 and 2018, respectively.

The municipalities have created a "tax incremental district" under which the incremental real estate tax revenues from the project will be provided to the Authority to be used for debt service. Real estate tax revenues received by the Authority for the years ended December 31, 2019 and 2018 were \$ 511,391 and \$ 511,576, respectively.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	2019			
	Balance			Balance
	<u>Jan. 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31</u>
Capital assets, furniture and equipment	\$ 89,083	\$ 13,510	\$ 3,085	\$ 99,508
Less accumulated depreciation for furniture and equipment	<u>89,083</u>	<u>2,092</u>	<u>3,085</u>	<u>88,090</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ -</u>	<u>\$ 11,418</u>

	2018			
	Balance			Balance
	<u>Jan. 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31</u>
Capital assets, furniture and equipment	\$ 89,083	\$ -	\$ -	\$ 89,083
Less accumulated depreciation for furniture and equipment	<u>89,083</u>	<u>-</u>	<u>-</u>	<u>89,083</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8. Land Held for Development and Land

The Authority purchased 323 acres of land in Bethel Township, Berks County, Pennsylvania to be used in the Berks Park 78. The purchase price was funded by proceeds of a \$ 10,000,000 note payable with a bank that was paid in full in August 2012. Lots 1 and 2 of Berks Park were sold in 2012 for a total price of \$ 22,190,000. The Authority incurred \$ 18,305,029 in costs to develop these lots and \$ 1,190,700 in settlement fees, resulting in a net gain of \$ 2,694,271. Lot 3 was sold in 2013 for a total price of \$ 7,500,000. The Authority incurred \$ 6,570,867 in costs to develop this lot and \$ 300,500 in settlement fees, resulting in a net gain of \$ 628,633. Lots 5 and 7 were sold in 2018 for a total price of \$ 2,010,000. The Authority incurred \$ 1,217,881 in costs to develop those lots and \$ 104,015 in settlement fees, resulting in a net gain of \$ 688,104. As of December 31, 2018, all of the lots have been sold at Berks Park 78.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Land Held for Development and Land (continued)

In order to obtain a highway occupancy permit from the Pennsylvania Department of Transportation (PennDOT) to make Berks Park 78 a realty, the Authority purchased two adjacent lots for \$ 312,818. The Authority has a real estate listing agreement to sell this land. The Authority has estimated the value of this land to be \$65,000 and \$100,000 at December 31, 2019 and 2018.

In 2011, the Authority purchased land from Reading Regional Airport, to be developed as Berks Park 183. In 2018 the Authority sold Lot E for a total price of \$ 310,000. The Authority incurred \$ 338,349 in costs to develop this unit and incurred \$ 15,500 in settlement fees, resulting in a net loss of \$ 43,849. In 2019, the Authority signed an agreement with the Reading Regional Airport that calls for the Authority to construct at its cost sewer lines that will, 18 months after completion, be given to the Reading Regional Airport who will accept the connections to their plant with no additional cost to the Authority. The total cost of the land held for development and capitalized interest included in the cost at December 31, 2019 and 2018 is as follows:

December 31, 2019

	<u>Berks Park 183</u>	<u>IDA* Fund</u>	<u>Total</u>
Cost	\$ <u>8,730,542</u>	\$ <u>65,000</u>	\$ <u>8,795,542</u>
Capitalized interest included in above	\$ <u>1,598,487</u>	\$ <u>-</u>	\$ <u>1,598,487</u>

December 31, 2018

	<u>Berks Park 183</u>	<u>IDA* Fund</u>	<u>Total</u>
Cost	\$ <u>7,233,240</u>	\$ <u>100,000</u>	\$ <u>7,546,058</u>
Capitalized interest included in above	\$ <u>1,492,019</u>	\$ <u>-</u>	\$ <u>1,492,019</u>

*Land

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Compensated absences

The Authority follows the provisions of GASB Statement No. 16, *"Accounting for Compensated Absences."* Calculation of the liability amount is determined by the appropriate vacation payments which would be available to employees if they would leave or retire from the Authority.

The Authority accrues accumulated unpaid vacation when earned by the employee in the financial statements.

All accumulated vacation is recorded as an expense and a liability in the proprietary fund types at the time the liability is accrued.

Note 10. Future Lease Rentals Receivable and Related Debt

The Authority is authorized to issue industrial development bonds and mortgage notes that offer tax-free treatment of interest on the obligation to the lender, which results in a lower cost of borrowing to the developer of the project (borrower). The Authority enters into a capital lease agreement with the developer of the project (borrower) where the Authority is the lessor of the project. The obligation of the lender is secured by the lease agreement and rental payments. These obligations do not constitute indebtedness of the Authority, nor is the Authority liable for the default of the developer of the project (borrower). See Consolidated Schedules of Bonds Outstanding.

The following is a summary of future lease rental receivables and related debt under obligations outstanding, which have been authorized by the Berks County Industrial Development Authority.

	2019	2018
Future lease rental receivables applicable to retirement of debt	<u>\$ 712,521,014</u>	<u>\$ 717,691,025</u>
Related debt		
Bonds	<u>\$ 712,521,014</u>	<u>\$ 717,691,025</u>

Note 11. Line of Credit

The Authority has a \$ 6,000,000 line of credit with a financial institution to be used for development costs at Berks Park 183. Interest is paid at variable rate – LIBOR plus .97% multiplied by .70. The interest rate as of December 31, 2019 and December 31, 2018 was 1.93 and 2.44%, respectively. The Foundation has guaranteed this line of credit and agreed to the assignment of their entire investment portfolio as collateral.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Line of Credit (continued)

By agreement, the available funds on the line of credit will be equal to the lesser of \$ 6,000,000 or 75% of the market value of the investment account of the Foundation, subject to monitoring by the financial institution. The balance outstanding at December 31, 2019 and 2018 was \$1,093,078 and \$ -0-, respectively. The Authority paid interest expense of \$ 16,155 and \$-0- for the years ended December 31, 2019 and 2018, respectively.

Note 12. Long-Term Debt

The Authority entered into a \$ 1,500,000 note payable with a financial institution on April 29, 2019. The Authority simultaneously initiated a loan and security agreement in same amount with Reading City Investments, LLC. to be used for the funding of the property at 733 Lancaster Avenue and 141 Hancock Boulevard, Reading, PA 19607. The full amount of the loan was paid off during 2019 by Reading City Investments, LLC. The Authority paid \$ 29,833 of interest expense and closing costs of \$16,072. Reading City Investments, LLC. reimbursed the Authority for these expenses paid during 2019 in the amount of \$ 68,280 resulting in income of \$22,375.

The Authority entered into a \$ 3,500,000 note payable with a financial institution to be used for the funding of the Berks Park 183 project. The loan has scheduled rates of interest that slowly increase from 4.99% to 5.77%. The note is guaranteed by the U. S. Department of Housing and Urban Development under its Section 108 Loan Guarantee Program. The Authority has entered into an agreement with the County of Berks to provide Community Development Block Grant funds in the amount of \$ 2,071,065 through 2027 to assist with debt service payments on the note, of which \$ 828,426 was recorded through December 31, 2018. Grant funds distributed are contingent upon the availability of appropriated federal funds. A sole first priority lien in the name of the U.S. Department of Housing and Urban Development is made on the real property and is established through an appropriate and properly recorded mortgage.

The Authority has a \$6,299,000 note payable at 4.25% with a financial institution for a Tax Incremental Financing Revenue Note for the Exeter Fund. Debt repayment will be made through receipt of future real estate revenues of the project, subject to a prepayment penalty. This note is guaranteed by Exeter Township.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Long-Term Debt (continued)

For the years ended December 31, 2019 and 2018, changes in long-term debt consisted of the following:

	2019			
	Balance Outstanding Jan. 1	Additions	Payments	Balance Outstanding Dec. 31
\$ 3,500,000				
Section 108 loan	\$ 1,973,000	\$ -	\$ (210,000)	\$ 1,763,000
\$ 6,299,000				
Exeter TIF note	<u>3,740,000</u>	<u>-</u>	<u>(349,000)</u>	<u>3,391,000</u>
	5,713,000	<u>\$ -</u>	<u>\$ (559,000)</u>	5,154,000
Less: current portion	<u>(559,000)</u>			<u>(585,000)</u>
Long-term debt	5,154,000			4,569,000
Adjust for debt				
Issuance costs	<u>(74,735)</u>			<u>(66,154)</u>
Long-term debt, net	<u>\$ 5,079,265</u>			<u>\$ 4,502,846</u>

	2018			
	Balance Outstanding Jan. 1	Additions	Payments	Balance Outstanding Dec. 31
\$ 3,500,000				
Section 108 loan	\$ 2,174,000	\$ -	\$ (201,000)	\$ 1,973,000
\$ 6,299,000				
Exeter TIF note	<u>4,075,000</u>	<u>-</u>	<u>(335,000)</u>	<u>3,740,000</u>
	6,249,000	<u>\$ -</u>	<u>\$ (536,000)</u>	5,713,000
Less: current portion	<u>(536,000)</u>			<u>(559,000)</u>
Long-term debt	5,713,000			5,154,000
Adjust for debt				
Issuance costs	<u>(83,316)</u>			<u>(74,735)</u>
Long-term debt, net	<u>\$ 5,629,684</u>			<u>\$ 5,079,265</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Long-Term Debt (continued)

Debt service requirements required on the long-term debt at December 31, 2019 are as follows:

Years Ending	Principal	Interest	Total Debt Service
2020	585,000	252,490	837,490
2021	610,000	224,855	834,855
2022	637,000	195,894	832,894
2023	665,000	165,534	830,534
2024	694,000	133,732	827,732
2025 – 2027	<u>1,963,000</u>	<u>191,602</u>	<u>2,154,602</u>
	<u>\$ 5,154,000</u>	<u>\$ 1,164,107</u>	<u>\$ 6,318,107</u>

Note 13. Pension Plan

The Authority has a defined contribution Simplified Employee Pension Plan covering employees who have attained age 25, have one year of service and total compensation in excess of \$ 200 per year. Contributions to the plan are discretionary and are determined annually by the Board of Directors. Contributions charged to operations for the years ended December 31, 2019 and 2018 amounted to \$23,288 and \$15,186, respectively.

Note 14. Commitments

Operating Lease

The Authority has entered into an operating lease with the County of Berks for the rental of office space. Effective March 1, 2019, the lease has been extended until October 31, 2024, at a minimum monthly rental payment rate of \$ 1,231 per month. This amount increased from \$ 583 per month because the square feet included in the lease increased substantially.

Rental expense charged to operations under the terms of the lease amounted to \$14,127 and \$ 7,000 for 2019 and 2018, respectively.

Construction Management Services Contract

The Authority has an existing agreement with Blue Rock Construction, Inc. to provide site management for the Berks Park 183 project. Fees incurred for the years ended December 31, 2019 and 2018 were \$ 191,614 and \$ 273,744, respectively.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Commitments (continued)

Bethel Township Municipal Authority Agreement

The Authority has entered into an agreement with the Bethel Township Municipal Authority (BTMA) in order to assist BTMA in meeting its debt service requirements for the construction of sewage facilities to certain property owned by the Authority. The agreement calls for a financial contribution from the Authority of \$ 15,000 a month for 40 months beginning January 2, 2012. The BTMA will pay the Authority \$ 3,000 from each tapping fee when collected, until the total amount of \$ 600,000 has been reimbursed to the Authority. The Authority recognized revenue for tapping fees of \$ 21,000 and \$ -0- as of December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the amount due from Bethel Township Municipal Authority amounted to \$454,500 and \$475,500 respectively.

Industrial Sites Environmental Assessment Fund Grant Contract

The Authority was awarded a grant in the amount of \$ 32,107 for eligible project costs incurred between October 13, 2016 and June 30, 2019 for site characterization activities located at Route 183 and Aviation Road in Bern Township. As of December 31, 2019, no monies have been received by the Authority.

Brownfield Site Capital Project

In 2012, the Authority entered in to grant agreement with the Commonwealth of Pennsylvania in the amount of \$ 500,000 to be used solely to further the activities of the Project. In 2016, the Authority was awarded Redevelopment Assistance Capital Program funding for Phase 2 of the Project in the amount of \$ 2,500,000.

In January 2019 the Authority approved an electric line extension agreement with Met-Ed to bring additional capacity to Berks Park 183 at a cost of \$ 1,093,000. The Authority borrowed funds from the Line of Credit (Note 11) for this infrastructure improvement during calendar year 2019.

In 2018, the Authority was informed it would receive \$ 700,000 as part of the Pennsylvania Department of Transportation 2017 Multimodal Transportation Fund to help fund this development. As of December 31, 2019, no monies have been recognized associated with this grant.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Commitments (continued)

Redevelopment Assistance Capital Program ("RACP")

In November of 2019 the Authority executed an agreement with the Berks County Investments, LLC. (Developer) owner of the former American Bank and Trust Building, located at Sixth and Washington Streets in the City of Reading with \$1,500,000 financing authorized by the Commonwealth of Pennsylvania from the Redevelopment Assistance Capital Program ("RACP"). In December of 2019 the Authority executed an agreement with the County of Berks to authorize the Authority to manage this project.

Note 15. Subsequent Events

Brownfield Site Capital Project

The Authority advertised on March 2, 2020 and will award bids for development at Berks Park 183 and Aviation Road at the April 13, 2020 board meeting.

Redevelopment Assistance Capital Program ("RACP")

In 2019 the Authority executed an agreement with Berks Community Health Center to assist with financing \$ 500,000 through the Redevelopment Assistance Capital Program ("RACP") for the construction of an additional health center. The Authority approved at their February 10, 2020 board meeting to extend the grant from April 30, 2020 to April 30, 2021.

The Authority has evaluated subsequent events through March 9, 2020, which is the date the financial statements were available to issue.

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SUPPLEMENTARY INFORMATION

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED COMBINING STATEMENT OF NET POSITION, BY SUB-FUND

December 31, 2019

ASSETS		
	<u>Total</u>	<u>Industrial Development Authority Fund</u>
CURRENT ASSETS		
Cash, unrestricted	\$ 203,072	\$ 201,550
Grant receivable	9,757	-
Prepaid expenses	3,309	3,009
Due from Exeter Tax Incremental Financing current portion	<u>512,663</u>	<u>-</u>
Total Current Assets	728,801	204,559
NONCURRENT ASSETS		
Cash, restricted	303,128	-
Investments, unrestricted	10,318,578	-
Investments, restricted	541,808	-
Due from Exeter Tax Incremental Financing net of current portion	2,256,081	-
Due from Bethel Township Municipal Authority	454,500	-
Furniture and Fixtures net of accumulated depreciation of \$88,090 and \$89,083	11,418	11,418
Land held for development	8,730,542	-
Land	<u>65,000</u>	<u>65,000</u>
Total Noncurrent Assets	<u>22,681,055</u>	<u>76,418</u>
TOTAL ASSETS	<u>\$ 23,409,856</u>	<u>\$ 280,977</u>

See independent auditor's report.

<u>Berks Park 78 Fund</u>	<u>Berks Park 183 Fund</u>	<u>Exeter Fund</u>	<u>Foundation</u>
\$ -	\$ -	\$ -	\$ 1,522
-	9,757	-	-
-	-	-	300
-	-	512,663	-
-	9,757	512,663	1,822
-	303,128	-	-
-	-	-	10,318,578
-	-	541,808	-
-	-	2,256,081	-
454,500	-	-	-
-	-	-	-
-	8,730,542	-	-
-	-	-	-
454,500	9,033,670	2,797,889	10,318,578
<u>\$ 454,500</u>	<u>\$ 9,043,427</u>	<u>\$ 3,310,552</u>	<u>10,320,400</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED COMBINING STATEMENT OF NET POSITION, BY SUB-FUND

December 31, 2019

LIABILITIES AND NET POSITION

	<u>Total</u>	<u>Industrial Development Authority Fund</u>
CURRENT LIABILITIES		
Accounts payable	\$ 164,619	\$ 1,174
Accrued interest	48,529	-
Accrued salaries and vacation pay	35,228	35,228
Line of credit	1,093,078	-
Current portion of long-term debt	<u>585,000</u>	<u>-</u>
Total Current Liabilities	1,926,454	36,402
LONG-TERM LIABILITIES		
Long-term debt, net	<u>4,502,846</u>	<u>-</u>
Total Long-Term Liabilities	<u>4,502,846</u>	<u>-</u>
TOTAL LIABILITIES	6,429,300	36,402
NET POSITION		
Net investment in capital assets	11,418	11,418
Restricted net position	303,128	-
Unrestricted net position	<u>16,666,010</u>	<u>233,157</u>
Total Net Position	<u>16,980,556</u>	<u>244,575</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 23,409,856</u></u>	<u><u>\$ 280,977</u></u>

See independent auditor's report.

<u>Berks Park 78 Fund</u>	<u>Berks Park 183 Fund</u>	<u>Exeter Fund</u>	<u>Foundation</u>
\$ 150,000	\$ 13,445	\$ -	\$ -
-	41,580	6,949	-
-	-	-	-
-	1,093,078	-	-
-	220,000	365,000	-
150,000	1,368,103	371,949	-
-	1,536,933	2,965,913	-
-	1,536,933	2,965,913	-
150,000	2,905,036	3,337,862	-
-	-	-	-
-	303,128	-	-
304,500	5,835,263	(27,310)	10,320,400
304,500	6,138,391	(27,310)	10,320,400
<u>\$ 454,500</u>	<u>\$ 9,043,427</u>	<u>\$ 3,310,552</u>	<u>\$ 10,320,400</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

**CONSOLIDATED COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION, BY SUB-FUND**

Years Ended December 31, 2019

	<u>Total</u>	<u>Industrial Development Authority Fund</u>
Operating revenues, administrative fees and rent	\$ 30,020	\$ 30,020
Operating expenses	<u>625,064</u>	<u>578,635</u>
Operating (loss) income	(595,044)	(548,615)
Non-operating income (expense):		
Grant revenue	141,250	-
Loss on land	(35,000)	(35,000)
Investment earnings (losses)	<u>1,919,867</u>	<u>67</u>
Total non-operating income (expense)	2,026,117	(34,933)
Other financing sources and (uses) transfers in (out)	<u>-</u>	<u>671,190</u>
Change in net position	1,431,073	87,642
NET POSITION, BEGINNING	<u>15,549,483</u>	<u>156,933</u>
NET POSITION, ENDING	<u><u>\$ 16,980,556</u></u>	<u><u>\$ 244,575</u></u>

See independent auditor's report.

<u>Berks Park 78 Fund</u>	<u>Berks Park 183 Fund</u>	<u>Exeter Fund</u>	<u>Foundation</u>
\$ -	\$ -	\$ -	\$ -
-	910	11,152	34,367
-	(910)	(11,152)	(34,367)
-	141,250	-	-
-	-	-	-
-	6,002	11,903	1,901,895
-	147,252	11,903	1,901,895
(21,000)	481,046	-	(1,131,236)
(21,000)	627,388	751	736,292
325,500	5,511,003	(28,061)	9,584,108
<u>\$ 304,500</u>	<u>\$ 6,138,391</u>	<u>\$ (27,310)</u>	<u>\$ 10,320,400</u>

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BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED COMBINING SCHEDULE OF OPERATING EXPENSES
Years Ended December 31, 2019 and 2018

	12/31/2019	12/31/2018
Salaries and wages	350,121	201,917
Employee benefits	56,008	39,405
Payroll taxes	24,700	15,168
Pension	23,288	15,186
Advertising	41,950	4,398
Administrative fees	29,661	29,240
Closing and settlement fees	1,000	-
Interest expense	8,581	8,581
Depreciation fees	2,092	-
Dues and subscriptions	2,605	1,913
Insurance	5,000	2,576
Legal and professional	29,535	27,797
Office	12,983	6,968
Parking and tolls	2,696	1,642
Rent	14,127	7,000
Telephone	1,166	693
Travel and meetings	19,551	6,876
	<u>625,064</u>	<u>369,360</u>

See independent auditor's report.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED COMBINING SCHEDULE OF OPERATING EXPENSES, BY SUB-FUND

Years Ended December 31, 2019

	<u>Total</u>	<u>Industrial Development Authority Fund</u>
Salaries and wages	\$ 350,121	\$ 350,121
Employee benefits	56,008	56,008
Payroll taxes	24,700	24,700
Pension	23,288	23,288
Advertising	41,950	41,950
Administrative fees	29,661	(3,481)
Closing and settlement fees	1,000	1,000
Interest expense	8,581	-
Depreciation fees	2,092	2,092
Dues and subscriptions	2,605	2,605
Insurance	5,000	4,269
Legal and professional	29,535	25,560
Office	12,983	12,983
Parking and tolls	2,696	2,696
Rent	14,127	14,127
Telephone	1,166	1,166
Travel and meetings	19,551	19,551
	<u>\$ 625,064</u>	<u>\$ 578,635</u>

See independent auditor's report.

Berks Park 78 Fund	Berks Park 183 Fund	Exeter Fund	Foundation
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,481	29,661
-	910	7,671	-
-	-	-	-
-	-	-	731
-	-	-	3,975
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 910</u>	<u>\$ 11,152</u>	<u>\$ 34,367</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED COMPARATIVE FINANCIAL STATISTICS

	2019	2018	2017
Projects Financed:			
Commitments (projects settled):			
Bonds	<u>-</u>	<u>-</u>	<u>646,650,000</u>
Total to date	1,811,830,240	1,811,830,240	1,811,830,240
Debt outstanding	712,521,014	717,691,025	723,380,203
Revenues and Expenses:			
Operating revenues, administrative fees and rent	30,020	15,250	74,922
Operating expenses	<u>625,064</u>	<u>369,360</u>	<u>360,710</u>
Operating (loss)	(595,044)	(354,110)	(285,788)
Non-operating income (expense):			
Grant revenue	141,250	144,649	837,196
Grant to Redevelopment Authority of Berks County	-	-	(671,081)
Grant to Cabela's Retail Inc.	-	-	-
Grant to Hamburg Municipal Authority	-	-	-
Gain on sale of real estate	-	644,255	-
Loss on land	(35,000)	(212,818)	-
Investment (losses) earnings	1,919,867	(634,787)	1,529,800
Interest expense	<u>-</u>	<u>-</u>	<u>(5,091)</u>
Total non-operating income (expense)	<u>2,026,117</u>	<u>(58,701)</u>	<u>1,690,824</u>
Increase (decrease) in net position	<u>1,431,073</u>	<u>(412,811)</u>	<u>1,405,036</u>

See independent auditor's report.

2016	2015	2014	2013
<u>-</u>	<u>72,470,000</u>	<u>8,010,000</u>	<u>12,400,000</u>
1,165,180,240	1,165,180,240	1,092,710,240	1,084,700,240
165,541,271	180,546,658	124,786,773	153,816,028
54,419	73,003	62,233	80,959
<u>372,930</u>	<u>360,265</u>	<u>334,408</u>	<u>357,431</u>
(318,511)	(287,262)	(272,175)	(276,472)
1,864,548	1,877,047	2,352,047	1,939,547
(796,476)	(796,476)	(796,476)	(796,476)
(800,000)	(800,000)	(800,000)	(800,000)
(130,000)	(130,000)	(130,000)	(130,000)
-	-	12,989	628,633
-	-	-	-
734,676	(183,500)	446,526	(52)
<u>(5,714)</u>	<u>(4,917)</u>	<u>(2,942)</u>	<u>(4,182)</u>
<u>867,034</u>	<u>(37,846)</u>	<u>1,082,144</u>	<u>837,470</u>
<u>548,523</u>	<u>(325,108)</u>	<u>809,969</u>	<u>560,998</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

CONSOLIDATED SCHEDULES OF BONDS OUTSTANDING

December 31, 2019 and 2018

	2019	<u>2018</u>
Series of 2003:		
Variable rates due August 31, 2023 (Cabela's Retail, Inc.)	20,590,000	20,590,000
Series of 2005:		
Variable rates due May 15, 2025 (Fleetwood Industries Business Trust)	1,900,000	2,175,000
Series of 2008:		
Variable rates due December 4, 2029 (Goodwill Keystone Area)	1,901,326	2,074,729
Series of 2010:		
3.325% rate change as of October 31, 2019 and 3.85% due April 1, 2027 (F.M. Brown's Sons, Inc.)	5,322,559	5,890,401
Series of 2012:		
70% LIBOR + 150 due December 1, 2022 (Kutztown University Foundation, Inc.) Kutztown University Foundation, Inc. and Kutztown University)		
Refunding of Series 2000 and 2002	22,250,000	24,150,000
2.80% due October 11, 2019 (Unique Pretzel Bakery, Inc.)	-	4,889,260
3.95% due October 11, 2029 (Unique Pretzel Bakery, Inc.)	4,718,149	-
2.65% due November 1, 2031 (Service Access and Management, Inc.)	1,642,000	1,753,000
Series of 2013:		
Variable rates due February 15, 2034 (JFM Holdings, LLC)	3,488,400	3,662,200

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY AND COMPONENT UNIT

**CONSOLIDATED SCHEDULES OF BONDS OUTSTANDING
December 31, 2019 and 2018**

	2019	<u>2018</u>
Series of 2014:		
2.94% fixed for 7 years; variable rates thereafter, due December 1, 2034 (Hospital Central Services Cooperative, Inc.)	1,280,580	1,341,735
Variable rates due December 1, 2029 (Hospital Central Services Cooperative, Inc.)	4,913,000	5,329,700
Series of 2017:		
Variable rates due November 1, 2050 (Reading Health/Tower Health)	590,500,000	590,500,000
5.00% due May 15, 2047 (The Highlands at Wyomissing)	41,595,000	41,595,000
Variable rates due May 15, 2027 (The Highlands at Wyomissing)	<u>12,420,000</u>	<u>13,740,000</u>
	<u>\$ 712,521,014</u>	<u>\$ 717,691,025</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
and Management of Berks County Industrial Development Authority and Component Unit

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Berks County Industrial Development Authority (the "Authority") and Component Unit as of and for the years ended December 31, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise the Authority's basic consolidated financial statements as listed in the table of contents, and have issued our report thereon dated March 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements of the Berks County Industrial Development Authority (the Authority) and component unit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiency in the Authority's internal control to be a material weakness:

The Berks County Industrial Development Authority does not have an adequate segregation of duties as the staff is not large enough to permit such segregation. The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered. We recommend that management review the staff responsibilities to find out where segregation of duties can be further effectively implemented. (Finding 2019-001)

Compliance and Other Matters

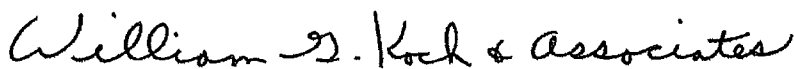
As part of obtaining reasonable assurance about whether the Authority's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Berks County Industrial Development Authority and Component Unit's Response to Finding

The Authority agrees with the finding as described above and will review the staff responsibilities to find out where segregation of duties can be further effectively implemented.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William G. Koch & Associates
March 9, 2020

