



***BERKS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY***

FINANCIAL AND COMPLIANCE REPORT

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Berks County Industrial Development Authority
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Berks County Industrial Development Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Berks County Industrial Development Authority's basic financial statements as listed in the table of contents. The financial statements of the Berks County Industrial Development Authority as of and for the year ended December 31, 2019 were audited by other auditors whose report dated March 9, 2020 expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Berks County Industrial Development Authority as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Effective January 1, 2020, the Authority adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The implementation of these standards resulted in a restatement of net position at January 1, 2020. See Note 13 to the financial statements. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berks County Industrial Development Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the Berks County Industrial Development Authority'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'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's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
March 8, 2021**

**BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the Berks County Industrial Development Authority’s (the “Authority” or “BerksIDA”) activities and financial performance provides an introduction and overview to the Authority's basic financial statements for the years ended December 31, 2020 and 2019. Please read it in conjunction with the Authority's basic financial statements.

OVERALL FINANCIAL CONDITION

In a truly historic year, BerksIDA ended 2020 on solid footing, largely preserving Foundation capital, experiencing success in its bridge financing program, and finally getting Berks Park 183 into a shovel-ready position.

In March 2020, the world began this current period of unprecedented market volatility caused by the Covid-19 pandemic. This extreme uncertainty prompted BerksIDA board and staff members to change the funding plan for the year; rather than draw from the Foundation fund as necessary, leaving it as untouched as possible for the next two years became the fund preservation strategy. When appropriate, debt was taken on to fund programs. Bridge loans were made available through a line of credit established with the Community First Fund. Berks Park 183 infrastructure debt was re-collateralized using the land and grant guarantees to reduce Foundation obligations. The Industrial Development Foundation was only used when necessary, such as to fund general operations.

These actions proved beneficial to BerksIDA’s financial condition. By leaving much of the Foundation’s capital untouched during 2020, BerksIDA realized little of the Q2 losses, with Q3 and Q4 wiping away the remainder of unrealized losses experienced earlier in the year.

BerksIDA’s bridge financing program is proving a successful and valuable program. While providing a modest return to offset some administrative costs, the true benefit is to the County. In 2020, the bridge program was utilized for preserving an ongoing project at 801 N 9th street and, while not ultimately used, helped spur the financing used for the 4th and Elm Grocery project.

Berks Park 183 marks the largest and most noteworthy accomplishment for 2020. After nearly ten years of work, the industrial park now has all the infrastructure needed to attract and retain businesses within Berks County. BerksIDA’s brave decision to continue with construction in spite of the pandemic and the loss of the spring construction season was almost instantly rewarded with significant interest in the site and ultimately a Purchase and Sale Agreement (PSA) for three of the lots.

Ultimately, the steps BerksIDA took during this pandemic year demonstrated benefit to the people of Berks County and to the organization. We hope to grow this momentum into 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's 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).

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

- Statement of Net Position - The statement of net position presents the financial position of the Authority. It presents information on the Authority's assets and liabilities and deferred inflows/outflows of resources, with the difference 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.
- Statement of Revenues, Expenses, and Changes in Net Position - The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the 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 this statement for some items that will result in cash flows in future periods.
- Statement of Cash Flows - The statement of cash flows presents information on the effects that changes in assets, liabilities, and deferred outflows/inflows of resources have on cash during the year.
- Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.
- Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which includes combining statements of net position and revenues, expenses, and changes in net position.

The Authority has two funds - a proprietary fund which accounts for all the operations of the Authority and a fiduciary fund which accounts for assets held for beneficiaries.

FINANCIAL ANALYSIS

A summary of the Authority's net position and changes in net position is presented below:

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and investments	\$ 10,179,849	\$ 10,521,650
Grants & other receivables	3,235,452	9,757
Prepaid expenses	1,631	3,309
Current portion of noncurrent assets	<u>1,068,605</u>	<u>512,663</u>
Total Current Assets	14,485,537	11,047,379
Noncurrent Assets		
Restricted cash and investments	850,136	844,936
Tax increment financing receivable	1,890,014	2,256,081
Notes receivable	442,500	454,500
Property held for development	16,538,196	8,795,542
Capital assets being depreciated, net	<u>8,937</u>	<u>11,418</u>
Total Noncurrent Assets	19,729,783	12,362,477
TOTAL ASSETS	<u>34,215,320</u>	<u>23,409,856</u>
LIABILITIES		
Current Liabilities		
Accounts payable	952,307	164,619
Accrued payroll and withholdings	173,155	35,228
Accrued interest	41,888	48,529
Line of credit	-	1,093,078
Current portion of noncurrent liabilities	<u>3,411,685</u>	<u>585,000</u>
Total Current Liabilities	4,579,035	1,926,454
Noncurrent Liabilities		
Notes payable	<u>8,709,724</u>	<u>4,569,000</u>
Total Noncurrent Liabilities	8,709,724	4,569,000
TOTAL LIABILITIES	<u>13,288,759</u>	<u>6,495,454</u>
NET POSITION	<u>\$ 20,926,561</u>	<u>\$ 16,914,402</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2020	2019
OPERATING REVENUES	\$ 50,178	\$ 30,020
OPERATING EXPENSES		
Program expenses	22,184	36,000
Salaries, benefits and payroll	592,857	454,117
Other	105,850	161,366
TOTAL OPERATING EXPENSES	720,891	651,483
OPERATING INCOME	(670,713)	(621,463)
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	3,469,804	141,250
TIF revenue	142,486	158,246
Interest income	1,157,032	1,919,867
Interest expense	(151,450)	(158,246)
Other income (expense)	65,000	-
TOTAL NONOPERATING REVENUES (EXPENSES)	4,682,872	2,061,117
CHANGE IN NET POSITION	4,012,159	1,439,654
NET POSITION - BEGINNING OF YEAR - RESTATED	16,914,402	15,474,748
NET POSITION - END OF YEAR	\$ 20,926,561	\$ 16,914,402

*Beginning net position was restated for the implementation of new accounting standards. See Note 13 for further details.

Significant changes to BerksIDA's financial condition occurred in 2020, most notably in the development of Berks Park 183, creation of a bridge loan program, and retirement of the Executive Director. Even with these additional costs, the IDA's net position increased year-over-year roughly \$4 million.

While preparing for the construction of Berks Park 183, it became apparent Covid-19's market impact required a new financial structure to make the project feasible. For this reason, the Foundation-secured the \$6M line of credit with First National Bank of Pennsylvania was reduced to \$2M and roughly \$6.9M in two new credit lines were secured by the lots at Berks Park 183 and the multi-modal fund (MTF) and Redevelopment Assistance Capital Program grants. At its peak, roughly \$7M of the \$8.9M available was utilized. While debt imposes risk on any institution, BerksIDA was encouraged by the fact \$3.7M of this debt will be repaid through grants awarded and the purchase and sale agreement executed shortly after announcing construction. Combined with another purchase and sale agreement transacted shortly after the new year, these three revenue sources are sufficient to eliminate the debt associated with Berks Park 183.

In addition to the debt incurred by Berks Park 183, BerksIDA decided to fund its bridge loan program through a loan with Community First Fund (CFF). Mid-year we established a \$1.5M unrestricted line of credit to lend on a short-term basis (<3 years) to projects within Berks County in need of financing that had some portion of funding from CFF. This structure had a threefold benefit: 1) the BerksIDA left Foundation funds untouched during this period of market volatility; 2) CFF underwriting expertise was applied to any project considered by BerksIDA and 3) partnering with CFF reduced default loss risk for the IDA. As a non-banking entity, bridge loans' biggest risk to the IDA is one of poor underwriting. By learning underwriting standards from CFF and pooling risk in lending, BerksIDA saw an opportunity to bridge a financing gap at the local level without undue risk imposed on public funds.

Finally, BerksIDA saw an operational change to its financial condition. Tom McKeon, Executive Director of BerksIDA for fifteen years, announced his retirement effective December 31, 2020. Berks Park 78, Cabela's, Exeter Commons, and Berks Park 183 would not be what they are without Tom's service. With this change, BerksIDA will return to its typical staffing of two, with Vicki Bentz promoted to Fiscal Officer and Jeremy Zaborowski to Executive Director.

CAPITAL ASSETS AND PROPERTY HELD FOR DEVELOPMENT

The Authority's capital assets consist of furniture and equipment. Capital acquisitions are reported at cost and depreciated over their useful lives. Capital asset balances, net of depreciation, were \$8,937 and \$11,418 at December 31, 2020 and 2019, respectively. See notes to the financial statements for more information on capital assets.

The Authority's property held for development consists of land purchased for development, as well as the related development costs to date. No depreciation is reported for property held for development. When the property is sold, a related gain or loss is recognized in operating revenue or expense. Property held for development consisted of \$16,538,196 and \$8,795,542 at December 31, 2020 and 2019, respectively. At December 31, 2020, all property held for development relates to the Berks Park 183 project.

DEBT ADMINISTRATION

The Authority issues debt in various forms for projects: bank note payables and Section 108 loans. Some agreements have tax incremental financing (TIF) revenue pledged, whereby the Authority does not repay the debt until they receive revenue from the project. Others are collateralized with properties owned by the Authority or the investment portfolio of the Berks County Industrial Development Foundation (a blended component unit). Outstanding debt was \$12,121,409 and \$5,087,846 at December 31, 2020 and 2019, respectively. See notes to the financial statements for more information on debt transactions.

FUTURE OPPORTUNITIES

In the near-term, BerksIDA sees little market appetite for bond and tax-exempt financing. However, land development, tax increment financing (TIF), bridge loans, and grant administration continue to show demand for the organization.

As an Authority for Berks County, BerksIDA has the ability to qualify bonds and loans as tax exempt. While there is additional administrative cost to this structure, the debt issuer gets an advantage of tax-free earnings that can be passed onto the borrower, typically equivalent to ~30% of the market rate interest. In prior years, with market interest rates of 8%, tax exempt rates of 5.6% was not uncommon. However, with market rates sometimes less than 3%, 100 basis points is insufficient to make this product attractive.

With the success of Berks Park 78 and with Berks Park 183 reaching the marketing phase, BerksIDA will continue to look for land development opportunities within the county that are unfit for market development.

Tax increment financing (TIF) demonstrates strong market interest. BerksIDA is actively working with one project that, if successful, may open up as many as 500 acres to industrial development within the county.

To date, BerksIDA financed two bridge loans and nearly financed a third. As we continue to learn about this product and improve structure and marketing, we expect this to be a valuable addition to the development toolset within the County.

Berks IDA also is finding RACP grant administrative support to be a valuable service. Oftentimes grant applicants reach out to elected officials to apply for the grant without understanding the program parameters or the requirement for an entity like BerksIDA to serve as Applicant on their behalf. BerksIDA worked with elected officials this year to serve as a resource for these prospective grant applicants, ultimately informing them about the program to make them better candidates, and providing a grant administration conduit for the IDA.

In addition to current offerings and activities, BerksIDA continues to seek ways to leverage its funds through partnerships, grants, and new collaborative opportunities within the County. Staff met with multiple organizations and municipalities in 2020 to consider partnerships and will continue to do so into 2021.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and taxpayers with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's Executive Director at the Berks County Industrial Development Authority, 633 Court Street, 14th Floor, Reading, Pennsylvania 19601.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION - PROPRIETARY FUND

December 31

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 10,179,849	\$ 10,521,650
Grants receivable	3,209,798	9,757
Other receivables	25,654	-
Prepaid expenses	1,631	3,309
Current portion of tax incremental financing receivable	508,605	512,663
Current portion of notes receivable	560,000	-
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TOTAL CURRENT ASSETS	14,485,537	11,047,379
NONCURRENT ASSETS		
Restricted cash and investments	850,136	844,936
Tax incremental financing receivable	1,890,014	2,256,081
Notes receivable	442,500	454,500
Property held for development	16,538,196	8,795,542
Capital assets being depreciated, net	8,937	11,418
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TOTAL NONCURRENT ASSETS	19,729,783	12,362,477
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TOTAL ASSETS	34,215,320	23,409,856
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	952,307	164,619
Accrued payroll and withholdings	173,155	35,228
Accrued interest	41,888	48,529
Line of credit	-	1,093,078
Current portion of noncurrent liabilities	3,411,685	585,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	4,579,035	1,926,454
NONCURRENT LIABILITIES		
Notes payable	8,709,724	4,569,000
	<hr/>	<hr/>
TOTAL LIABILITIES	13,288,759	6,495,454
NET POSITION		
Investment in capital assets	8,937	11,418
Restricted	306,820	303,128
Unrestricted	20,610,804	16,599,856
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TOTAL NET POSITION	\$ 20,926,561	\$ 16,914,402
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See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

	Year Ended December 31	
	2020	2019
OPERATING REVENUES	\$ 50,178	\$ 30,020
OPERATING EXPENSES		
Program expenses:		
Acquisition, disposition, and development projects	22,184	36,000
Accounting	9,527	9,098
Depreciation	2,481	2,092
Dues and subscriptions	3,132	2,605
Insurance	6,998	5,000
Legal and professional fees	47,644	50,098
Miscellaneous operating expenses	1,227	2,525
Office supplies and expenses	9,407	10,459
Printing/advertising	2,122	41,950
Rent	14,827	14,127
Salaries, benefits and payroll taxes	592,857	454,117
Telecommunications	1,532	1,166
Travel and meetings	6,953	22,246
	<u>720,891</u>	<u>651,483</u>
TOTAL OPERATING EXPENSES		
	(670,713)	(621,463)
OPERATING LOSS		
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	3,469,804	141,250
Proceeds from tax incremental financing	142,486	158,246
Interest and dividend income	1,157,032	1,919,867
Other income	65,000	-
Interest expense	(151,450)	(158,246)
	<u>4,682,872</u>	<u>2,061,117</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
	4,012,159	1,439,654
CHANGE IN NET POSITION		
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>16,914,402</u>	<u>15,474,748</u>
	<u>\$ 20,926,561</u>	<u>\$ 16,914,402</u>
NET POSITION - END OF YEAR		

See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 88,184	\$ 51,020
Payments to suppliers for goods and services	(110,535)	(245,075)
Payments to employees for services	(454,930)	(350,121)
Issuance of note receivable	(560,000)	-
Acquisition and construction of property held for development	<u>(6,833,075)</u>	<u>(1,399,539)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(7,870,356)	(1,943,715)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of grants	269,763	138,071
Receipt of tax incremental financing	512,611	511,391
Advance on line of credit	-	1,093,078
Proceeds from issuance of notes payable	6,581,266	-
Payment of interest on tax incremental financing note	(158,091)	(158,910)
Repayment of notes payable	(706,935)	(550,419)
Payment of interest on notes payable	<u>(121,891)</u>	<u>(111,237)</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	6,376,723	921,974
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(13,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of investments, net	791,339	671,539
Receipts of interest and dividends	<u>1,157,032</u>	<u>512,333</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,948,371	1,183,872
NET INCREASE IN CASH	454,738	148,621
CASH - BEGINNING OF YEAR	<u>1,048,008</u>	<u>899,387</u>
CASH - END OF YEAR	<u><u>\$ 1,502,746</u></u>	<u><u>\$ 1,048,008</u></u>
CASH AT END OF YEAR CONSISTS OF THE FOLLOWING:		
Cash	\$ 652,610	\$ 203,072
Restricted cash	<u>850,136</u>	<u>844,936</u>
	<u><u>\$ 1,502,746</u></u>	<u><u>\$ 1,048,008</u></u>

See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED

	Year Ended December 31	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (670,713)	\$ (621,463)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,481	2,092
Disposition of property held for development	65,000	35,000
Changes in:		
Other receivables	(25,654)	-
Notes receivable	(548,000)	21,000
Prepaid expenses	1,678	-
Property held for development	(6,833,075)	(1,399,539)
Accounts payable	-	(425)
Accrued payroll and withholdings	137,927	19,620
	<u>137,927</u>	<u>19,620</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (7,870,356)</u></u>	<u><u>\$ (1,943,715)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Refinancing of line of credit	\$ 1,093,078	\$ -

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION - FIDUCIARY FUND - CUSTODIAL FUND

	December 31	
	2020	2019
ASSETS		
Cash and investments	<u>\$ 456,540</u>	<u>\$ 12,591</u>
NET POSITION		
Held for beneficiaries	<u>\$ 456,540</u>	<u>\$ 12,591</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND - CUSTODIAL FUND

	Year Ended December 31	
	2020	2019
ADDITIONS		
Tax incremental financing revenue	\$ 1,015,847	\$ 154,927
Investment income	<u>143</u>	<u>1,190</u>
TOTAL ADDITIONS	1,015,990	156,117
DEDUCTIONS		
Fees	7,543	7,543
Payments on behalf of beneficiaries	<u>564,498</u>	<u>708,172</u>
TOTAL DEDUCTIONS	<u>572,041</u>	<u>715,715</u>
CHANGE IN NET POSITION	443,949	(559,598)
NET POSITION HELD FOR BENEFICIARIES - BEGINNING OF YEAR	<u>12,591</u>	<u>572,189</u>
NET POSITION HELD FOR BENEFICIARIES - END OF YEAR	<u><u>\$ 456,540</u></u>	<u><u>\$ 12,591</u></u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

The Berks County Industrial Development Authority (the "Authority") was created on May 7, 1969, by the County of Berks under the provisions of the Pennsylvania Industrial Development Authority Law of August 23, 1967 (Act 102 of 1967, P.L. 251, formerly the Industrial and Commercial Development Authority Law), for the purpose of promoting and developing commercial, industrial and manufacturing enterprises and encouraging employment within the County of Berks. The five-member Board of Directors of the Authority is appointed by the Berks County Board of Commissioners. The Authority's original term has been extended to May 2062.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berks County Industrial Development Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Authority (the primary government) and its component units.

The Authority used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which the Authority is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the Authority's financial statements are provided in the following paragraphs.

1. Blended Component Units

Some component units, despite being legally separate from the primary government (Authority), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the Berks County Industrial Development Foundation (the "Foundation").

Berks County Industrial Development Foundation - The Foundation was created on October 29, 2007, in the Commonwealth of Pennsylvania as a non-profit corporation to promote effective economic growth of Berks County. 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. The Board of Directors of the Foundation is the same as the Board of Directors of the Authority.

The Authority was created by the County of Berks and its board members are appointed by the County. However, the County does not consider the Authority a component unit.

B. Basis of Presentation

Proprietary Fund - All activities of the Authority are accounted for within a single proprietary (enterprise) fund and are classified as a business-type activity. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - continued

The Authority distinguishes operating revenues and expenses from nonoperating items. 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 fees for grant or project administration and interest on notes receivable. Operating expenses include the cost of operations, professional fees for development activities, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund - The focus of the fiduciary fund measurement is to account for assets held in a trustee capacity. The Authority's fiduciary fund is a custodial fund. The fund was established to account for monies received and paid to beneficiaries on behalf of a private company as part of a tax incremental financing agreement.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's proprietary and fiduciary activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted, and unrestricted elements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Budgetary Information

The Authority is not required to adopt a budget; however, an operating budget is prepared as a tool to measure operations. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds for charges and grants incurred or received for operation, maintenance, certain interest and general functions, and other charges for the year.

Management submits a proposed budget to the Authority's board of directors prior to the December board meeting. A budget is adopted by the board prior to January 1. All unexpended and unencumbered appropriations in the operating budget lapse at the end of the year.

E. Financial Position

1. Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts which are not subject to withdrawal restrictions or penalties and all highly-liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

2. Investments

The Authority is permitted to invest in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities back by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

2. Investments - continued

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

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

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

3. Receivables

Accounts receivable, which include grants and other receivables, are shown net of an allowance for uncollectible accounts, as applicable. Accounts receivable are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Additionally, the Authority reports noncurrent receivables in the following categories:

Tax Incremental Financing ("TIF")

Cooperative agreements using Tax Incremental Financing ("TIF") were entered into for various TIF districts. Cooperative agreements are evaluated for collectability and an allowance is established as deemed necessary based on the best information available and in an amount that management believes is adequate. See Note 4.

Notes Receivable

The Authority has executed certain note receivables to provide financing for development projects. These notes have varying repayment terms and maturities. See Note 5.

Noncurrent receivables are stated at the amount of unpaid principal, reduced by allowances for possible note losses. The allowances for possible note losses are established through a provision for possible losses charged to expenses. Notes are charged against the allowances when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to cover possible losses on existing notes that may become uncollectible, based on evaluations of collectability. The evaluations take into consideration such factors as overall portfolio quality, review of specific problem notes and current economic conditions that may affect the borrower's ability to pay.

4. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The costs of prepaid items are recorded as expense when consumed rather than when purchased.

5. Property Held for Development

The Authority acquires land and properties throughout the County of Berks that are held for development. These properties are recorded at the lower of cost or market value. These assets are not depreciated.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

6. Capital Assets and Depreciation

The Authority's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the financial statements. Cost includes engineering fees and other expenses incurred during the period of construction, as required by generally accepted accounting principles. Construction in progress is stated at cost and consists of ongoing projects not yet placed in service. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated fair value at the date of its donation.

The Authority capitalizes assets with a cost of \$1,000 or more. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in nonoperating revenues (expenses).

Estimated useful lives for depreciable assets are as follows:

Furniture and Equipment	5 - 7 years
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7. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Authority periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Authority's long-lived assets were considered to be impaired as of December 31, 2020.

8. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has legal claim to the resources, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

9. Employee Benefits

The Authority calculates the costs of accumulated carryover of personal time off, as defined in the employee handbook, and reports the expense in the period earned rather than the period paid.

The Authority has a defined contribution Simplified Employee Pension (SEP) 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.

10. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed at the time the debt is issued.

11. Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources and is classified into three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, and related debt.
- Restricted net position is an amount that has externally imposed restrictions on how the funds can be spent.
- Unrestricted net position is an amount that does not meet the definitions of “net investment in capital assets” or “restricted” and is available for Authority operations.

12. Net Position Flow Assumptions

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority’s policy to consider restricted resources to have been depleted before unrestricted resources are applied.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Revenues and Expenditures/Expenses

1. Income Taxes

Authority - The Authority is a government entity and, as such, is not subject to nor required to file federal and state income tax returns.

Foundation - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns, as required.

G. Reclassifications

Certain items on the 2019 financial statements have been reclassified to conform with the current year presentation.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

I. Subsequent Events

The World Health Organization recognized COVID-19 as a global pandemic in 2020, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Overall, the risk related to the outlook uncertainty and long-term economic impact of COVID-19 is unknown and these financial statements do not reflect any adjustments due to this uncertainty.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 - CASH AND INVESTMENTS

The carrying amount of cash, restricted cash and investments as presented on the financial statements consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Deposits	\$ 1,959,286	\$ 1,060,599
Investments	<u>9,527,239</u>	<u>10,318,578</u>
	<u>\$ 11,486,525</u>	<u>\$ 11,379,177</u>
Classification per the statement of net position:		
Proprietary Fund:		
Cash and investments	\$ 10,179,849	\$ 10,521,650
Restricted cash and investments	850,136	844,936
Fiduciary Fund:		
Cash and investments	<u>456,540</u>	<u>12,591</u>
	<u>\$ 11,486,525</u>	<u>\$ 11,379,177</u>

Restricted deposits consist of funds required to remain in a loan repayment account until the balance of the loan for Berks Park 183 is repaid, as well as funds to be used for the repayment of debt related to tax increment financing districts.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2020 and 2019, the carrying amount of the Authority's deposits was \$1,959,286 and \$1,060,599, respectively, and the bank balance was \$2,117,360 and \$1,098,543, respectively. For the years ended December 31, 2020 and 2019, \$869,759 and \$523,854 respectively, of the bank balance was covered by federal depository insurance and the remainder was exposed to custodial credit risk, but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2020, the Authority had the following investments:

<u>Investment Type</u>	<u>Yield</u>	<u>Fair Market Value</u>	<u>Fair Value Level</u>
Domestic equities	0.77% - 1.74%	\$ 4,336,116	1
Fixed income	1.24% - 5.98%	3,238,879	1
International equities	1.48% - 1.77%	<u>1,952,244</u>	1
Total investments		<u>\$ 9,527,239</u>	

As of December 31, 2019, the Authority had the following investments:

<u>Investment Type</u>	<u>Yield</u>	<u>Fair Market Value</u>	<u>Fair Value Level</u>
Domestic equities	0.77% - 1.74%	\$ 4,792,768	1
Fixed income	1.24% - 5.98%	3,469,163	1
International equities	1.48% - 1.77%	<u>2,056,647</u>	1
Total investments		<u>\$ 10,318,578</u>	

Interest Rate Risk

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

Credit Risk

The Authority does not have an investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

Custodial Credit Risk

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 security that are in the possession of an outside party. The Authority's investments are in open-ended mutual funds which are not subject to custodial credit risk.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Redevelopment Assistance Grant (RACP)	\$ 2,627,445	\$ -
Multimodal Transportation Fund Grant	578,065	-
Industrial Sites Environmental Assessment Fund Grant	<u>4,288</u>	<u>9,757</u>
	<u>\$ 3,209,798</u>	<u>\$ 9,757</u>

NOTE 4 - TAX INCREMENTAL FINANCING (TIF) RECEIVABLES

Pursuant to the Pennsylvania Tax Increment Finance Act, as amended (TIF Act), the Authority participates in two TIF districts. As required by the TIF Act, a TIF Plan was developed by the Authority and approved for each participating government. Each year, the receivable is increased for interest payments on the related project debt and reduced by payments received from the various parties. The agreements in place are as follows:

Tilden Township TIF District

In September 2003 the Authority executed cooperative agreements with the Township of Tilden, the Hamburg Area School District, and the County of Berks to create a tax increment district related to the Authority's economic development project. Under the agreement, 64% of the tax increment collected by each taxing district shall be paid over to the Authority for deposit in the tax increment fund. The Authority issued Federally-Taxable Tax Incremental Financing Revenue Bonds, Series A of 2003 in the amount of \$5,500,000 and Series B of 2003 in the amount of \$15,500,000. The debt was immediately purchased by a private company. The Authority's only remaining involvement in this agreement is to bill for the TIF revenue on an annual basis. The payments are made directly into a bank account in the Authority's name, from which the payments to the beneficiary is made. This activity is accounted for within a custodial fund, which is shown as a fiduciary fund on the Authority's financial statements.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 - TAX INCREMENTAL FINANCING (TIF) RECEIVABLES - CONTINUED

Exeter TIF District

In February 2008 the Authority executed cooperative agreements with the Township of Exeter, the Exeter Township School District, and the County of Berks to create a tax increment district related to the Authority's Exeter Township transportation and infrastructure improvement project. Under the agreement, the Authority is entitled to 100% of the incremental tax revenue for the district generated by the County and Township and an amount equal to the lesser of 75% of the incremental tax revenue generated by the school district or the percentage of the incremental tax revenue generated by the school district in an amount that will be sufficient, together with the incremental tax collected by the Township and the County, to enable the Authority to pay debt service on the notes for such fiscal year, including all costs and expenses incurred by the Authority with respect to the administration of the tax increment district until the earlier of November 30, 2027, or the date at which tax incremental revenues received equal all debt service on the payment of the \$6,299,000 note payable related to the project, including all administrative expenses related to the debt. See Note 9 for outstanding notes payable balance.

Receivables under the Exeter TIF agreement are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Gross TIF receivable	\$ 2,398,619	\$ 2,768,744
Less: current portion	<u>(508,605)</u>	<u>(512,663)</u>
Long-term TIF receivable	<u>\$ 1,890,014</u>	<u>\$ 2,256,081</u>

Activity related to the TIF District receivables for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Ending Balance</u>
Exeter TIF District	<u>\$ 2,768,744</u>	<u>\$ 142,486</u>	<u>\$ 512,611</u>	<u>\$ 2,398,619</u>

Activity related to the TIF District receivables for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Ending Balance</u>
Exeter TIF District	<u>\$ 3,121,889</u>	<u>\$ 158,246</u>	<u>\$ 511,391</u>	<u>\$ 2,768,744</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 - NOTES RECEIVABLE

The Authority has the following notes receivable at December 31:

	<u>2020</u>	<u>2019</u>
<i><u>Bethel Township Municipal Authority</u></i>		
On November 18, 2011, the Authority entered into an agreement with Bethel Township Municipal Authority (BTMA) to assist the BTMA in meeting its debt service requirements for the construction of sanitary sewage facilities to provide sewer service to certain property owned by the BTMA. From 2012 through 2015 the Authority contributed \$600,000 to BTMA. BTMA repays the Authority \$3,000 per tapping fee with respect to the Bethel Treatment Plan until the \$600,000 has been paid in full. The note does not bear interest. Due to the uncertainty of timing of receipts, the Authority has elected to present the entire balance as a noncurrent receivable.	\$ 442,500	\$ 454,000
<i><u>Interim Financing</u></i>		
On August 14, 2020, the Authority issued a \$560,000 note to a Company to provide interim financing for a development project. The note is to be repaid with one balloon payment on August 1, 2021 and bears interest at 7% per annum, paid monthly.	<u>560,000</u>	<u>-</u>
Total notes receivable	1,002,500	454,000
Less: current portion	<u>(560,000)</u>	<u>-</u>
Noncurrent notes receivable	<u>\$ 442,500</u>	<u>\$ 454,000</u>

Interest receivable related to the above notes totaled \$3,617 and \$0, respectively, at December 31, 2020 and 2019 and is included with other receivables on the statement of net position.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - PROPERTY HELD FOR DEVELOPMENT

Activity related to property held for development during the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property Held for Development	<u>\$ 8,795,542</u>	<u>\$ 7,807,654</u>	<u>\$ (65,000)</u>	<u>\$ 16,538,196</u>

Activity related to property held for development during the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property Held for Development	<u>\$ 7,333,240</u>	<u>\$ 1,497,302</u>	<u>\$ (35,000)</u>	<u>\$ 8,795,542</u>

The sale of property held for development resulted in a loss of \$13,340 and \$35,000, respectively, for the years ended December 31, 2020 and 2019. This loss is reported in operating expenses on the statement of revenues, expenses, and changes in net position.

As part of the property held for development related to the Berks Park 183 project, the Authority has signed an agreement with the Reading Regional Airport Authority 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.

During 2020, the Authority has authorized an agreement for sale of certain parcels of land upon project completion, which is anticipated to take place in 2021.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended December 31, 2020:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 99,508	\$ -	\$ -	\$ 99,508
Less accumulated depreciation for:				
Furniture and equipment	<u>88,090</u>	<u>2,481</u>	<u>-</u>	<u>90,571</u>
Total capital assets being depreciated, net	<u>\$ 11,418</u>	<u>\$ (2,481)</u>	<u>\$ -</u>	<u>\$ 8,937</u>

The following is a summary of changes in capital assets during the year ended December 31, 2019:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Capital assets being depreciated:				
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 being depreciated, net	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ -</u>	<u>\$ 11,418</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 8 - LINE OF CREDIT

The Authority had 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 a variable rate of LIBOR plus 0.97% multiplied by .70. The interest rate as of December 31, 2019 was 1.93%. During 2020, the line of credit was refinanced with the Berks Park 183 revolving credit note. The Foundation guaranteed the line of credit and agreed to the assignment of their entire investment portfolio as collateral.

The balance on the line of credit and activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Line of credit	<u>\$ 1,093,078</u>	<u>\$ -</u>	<u>\$ (1,093,078)</u>	<u>\$ -</u>

The balance on the line of credit and activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Line of credit	<u>\$ -</u>	<u>\$ 1,093,078</u>	<u>\$ -</u>	<u>\$ 1,093,078</u>

Interest paid related to the line of credit balance was \$9,166 and \$16,155 for the years ended December 31, 2020 and 2019, respectively.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - NOTES PAYABLE

The Authority has the following notes payable from direct borrowings at December 31:

	<u>2020</u>	<u>2019</u>
<u><i>Financing Credit Line</i></u>		
On August 10, 2020, the Authority entered into an agreement for a bank note payable up to \$1,500,000, funds of which are drawn as needed to provide interim financing to projects that are not able to obtain a traditional bank loan. The note bears interest at an annual rate of 4.75%. Interest on the outstanding balance is paid monthly. Principal payment is due in August 2021, with the option to renew or extend the agreement. The credit line is unsecured.	\$ 560,000	\$ -
<u><i>Berks Park 183 Construction Note Payable 1</i></u>		
On June 30, 2020, the Authority entered into an agreement for a note payable up to \$3,700,000, funds of which are drawn to pay expenses related to the Berks Park 183 project. The note bears interest at the LIBOR rate plus 0.97% multiplied by 0.79 (1.615% at December 31, 2020). Interest payments are due monthly. Principal is due in full on June 30, 2021. The loan is collateralized by the assets of the Berks Park 183 project.	2,241,685	-
<u><i>Berks Park 183 Construction Note Payable 2</i></u>		
On June 30, 2020, the Authority entered into an agreement for a note payable up to \$3,168,000, funds of which are drawn to pay expenses related to the Berks Park 183 project. The note bears interest at the LIBOR rate plus 0.97% multiplied by 0.79 (1.615% at December 31, 2020). Interest payments are due monthly. Principal is due in monthly installments over 240 months beginning August 1, 2022. The loan is collateralized by the assets of the Berks Park 183 project.	3,168,000	-
<u><i>Berks Park 183 Revolving Credit Note</i></u>		
On June 30, 2020, the Authority entered into an agreement for a note payable up to \$2,000,000, funds of which are drawn to pay expenses related to the Berks Park 183 project. The note bears interest at the LIBOR rate plus 0.97% multiplied by 0.79 (1.615% at December 31, 2020). Interest payments are due monthly. Principal is due in full on June 30, 2022. The loan is collateralized by the assets of the Berks Park 183 project and an assignment of the Foundation's investment portfolio.	1,582,724	-

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - NOTES PAYABLE - CONTINUED

	<u>2020</u>	<u>2019</u>
<i><u>Berks Park 183 Bank Note Payable</u></i>		
In 2006, 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%. Interest is payable semi-annually. Annual principal payments are due through maturity in August 2026. 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 \$138,071 was received for each of the years ended December 31, 2020 and 2019. Grant funds distributed are contingent upon the availability of appropriated federal funds, as such no receivable is recorded. 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.	1,543,000	1,763,000
<i><u>Exeter Tax Incremental Financing Revenue Note</u></i>		
The Authority has a \$6,299,000 note payable with a financial institution bearing interest at a rate of 4.25%. Funds were used for the Exeter Tax Incremental Financing project. Interest payments are made semi-annually and principal payments are due annually through maturity on November 29, 2027. Debt repayment will be made through receipt of future real estate revenues of the project and is subject to a prepayment penalty. The note is guaranteed by Exeter Township.	3,026,000	3,391,000
Total notes payable	12,121,409	5,154,000
Less: current portion	<u>(3,411,685)</u>	<u>(585,000)</u>
Noncurrent notes payable	<u>\$ 8,709,724</u>	<u>\$ 4,569,000</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - NOTES PAYABLE - CONTINUED

Activity on direct borrowings were as follows for the year ended December 31, 2020:

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12/31/2020</u>
Direct borrowings:				
Notes payable	<u>\$ 5,154,000</u>	<u>\$ 7,674,344</u>	<u>\$ (706,935)</u>	<u>\$ 12,121,409</u>

Activity on direct borrowings were as follows for the year ended December 31, 2019:

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12/31/2019</u>
Direct borrowings:				
Notes payable	<u>\$ 5,713,000</u>	<u>\$ -</u>	<u>\$ (559,000)</u>	<u>\$ 5,154,000</u>

The Authority's direct borrowings contain a provision that in the event of default, all unpaid principal and interest is due and payable immediately. Additionally, the Berks Park 183 Construction Note Payable 1 and 2 and Revolving Credit Line contain a clause that in the event of default, the rate of interest payable shall automatically increase by 3.0%. The lender shall impose a charge of 5% of any payment of principal and/or interest not received by the due date.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - NOTES PAYABLE - CONTINUED

Maturities on direct borrowings for the years ended December 31 are as follows:

	Financing Credit Line	Berks Park 183		
		Construction Note 1	Construction Note 2	Revolving Credit Note
2021	\$ 1,500,000	\$ 3,700,000	\$ -	\$ -
2022	-	-	56,106	2,000,000
2023	-	-	136,205	-
2024	-	-	138,422	-
2025	-	-	140,674	-
2026 - 2030	-	-	738,467	-
2031 - 2035	-	-	800,544	-
2036 - 2040	-	-	867,840	-
2041 - 2042	-	-	289,742	-
Less: amount not drawn	(940,000)	(1,458,315)	-	(417,276)
	<u>\$ 560,000</u>	<u>\$ 2,241,685</u>	<u>\$ 3,168,000</u>	<u>\$ 1,582,724</u>
	Berks Park 183 Bank Note	Exeter TIF Revenue Note	Total Principal	Total Interest*
2021	\$ 230,000	\$ 380,000	\$ 5,810,000	\$ 382,124
2022	240,000	397,000	2,693,106	254,493
2023	251,000	414,000	801,205	206,217
2024	262,000	432,000	832,422	172,199
2025	274,000	451,000	865,674	136,652
2026 - 2030	286,000	952,000	1,976,467	265,375
2031 - 2035	-	-	800,544	126,801
2036 - 2040	-	-	867,840	59,505
2041 - 2042	-	-	289,742	3,915
Less: amount not drawn	-	-	(2,815,591)	-
	<u>\$ 1,543,000</u>	<u>\$ 3,026,000</u>	<u>\$ 12,121,409</u>	<u>\$ 1,607,281</u>

*Interest was calculated assuming full draw down of the loan. For variable rate debt, the interest rate at December 31, 2020 of 1.6154% was used.

Total interest paid related to notes payable for the years ended December 31, 2020 and 2019, was \$279,982 and \$270,147, respectively. Interest capitalized for property held for development totaled \$122,607 and \$124,380 for the years ended December 31, 2020 and 2019, respectively.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - CONDUIT DEBT

The Authority is involved in conduit debt transactions for which the Authority issued debt but retained no obligation for the repayment of the debt. The responsibility for repayment belongs to the private borrowers. Activity on conduit debt for the year ended December 31, 2020, was as follows:

Issuance	On Behalf Of	Balance at January 1, 2020	Additions	Repayments	Balance at December 31, 2020
Revenue Note, Series of 2005	Fleetwood Industries Business Trust	\$ 1,900,000	\$ -	\$ (1,900,000)	\$ -
Revenue Note, Series of 2008	Goodwill Keystone Area	1,901,326	-	(118,563)	1,782,763
Revenue Note, Series of 2010	F.M. Brown's Sons, Inc.	5,322,559	-	(640,498)	4,682,061
Revenue Note, Series of 2012	Kutztown University and Kutztown University Foundation, Inc.	22,250,000	-	(1,985,000)	20,265,000
Revenue Note, Series of 2012	Unique Pretzel Bakery, Inc.	6,197,667	-	(253,128)	5,944,539
Revenue Note, Series of 2012	Service Access and Management, Inc.	1,642,000	-	(113,000)	1,529,000
Revenue Note, Series of 2013	JFM Holdings, LLC	3,488,400	-	(181,200)	3,307,200
Revenue Note, Series of 2014	Hospital Central Services Cooperative, Inc.	1,280,580	-	(62,897)	1,217,683
Revenue Note, Series of 2014	Hospital Central Services Cooperative, Inc.	4,946,300	-	(395,400)	4,550,900
Revenue Note, Series of 2017	Reading Health/Tower Health	590,500,000	-	-	590,500,000

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - CONDUIT DEBT - CONTINUED

Issuance	On Behalf Of	Balance at January 1, 2020	Additions	Repayments	Balance at December 31, 2020
Revenue Note, Series A of 2017	The Highlands at Wyomissing	24,510,000	-	-	24,510,000
Revenue Note, Series B of 2017	The Highlands at Wyomissing	12,420,000	-	(1,365,000)	11,055,000
Revenue Note, Series C of 2017	The Highlands at Wyomissing	17,085,000	-	-	17,085,000
Revenue Note, Series of 2020	The Highlands at Wyomissing	-	2,005,846	-	2,005,846
		<u>\$ 693,443,832</u>	<u>\$ 2,005,846</u>	<u>\$ (7,014,686)</u>	<u>\$ 688,434,992</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - CONDUIT DEBT - CONTINUED

Activity on conduit debt for the year ended December 31, 2019, was as follows:

Issuance	On Behalf Of	Balance at January 1, 2019	Additions	Repayments	Balance at December 31, 2019
Revenue Note, Series of 2005	Fleetwood Industries Business Trust	\$ 2,175,000	\$ -	\$ (275,000)	\$ 1,900,000
Revenue Note, Series of 2008	Goodwill Keystone Area	2,074,729	-	(173,403)	1,901,326
Revenue Note, Series of 2010	F.M. Brown's Sons, Inc.	5,890,401	-	(567,842)	5,322,559
Revenue Note, Series of 2012	Kutztown University and Kutztown University Foundation, Inc.	24,150,000	-	(1,900,000)	22,250,000
Revenue Note, Series of 2012	Unique Pretzel Bakery, Inc.	4,889,260	-	(4,889,260)	-
Revenue Note, Series of 2012	Unique Pretzel Bakery, Inc.	-	6,197,667	-	6,197,667
Revenue Note, Series of 2012	Service Access and Management, Inc.	1,753,000	-	(111,000)	1,642,000
Revenue Note, Series of 2013	JFM Holdings, LLC	3,662,200	-	(173,800)	3,488,400
Revenue Note, Series of 2014	Hospital Central Services Cooperative, Inc.	1,341,735	-	(61,155)	1,280,580
Revenue Note, Series of 2014	Hospital Central Services Cooperative, Inc.	5,363,000	-	(416,700)	4,946,300

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - CONDUIT DEBT - CONTINUED

Issuance	On Behalf Of	Balance at January 1, 2019	Additions	Repayments	Balance at December 31, 2019
Revenue Note, Series of 2017	Reading Health/Tower Health	590,500,000	-	-	590,500,000
Revenue Note, Series A of 2017	The Highlands at Wyomissing	24,510,000	-	-	24,510,000
Revenue Note, Series B of 2017	The Highlands at Wyomissing	13,740,000	-	(1,320,000)	12,420,000
Revenue Note, Series C of 2017	The Highlands at Wyomissing	17,085,000	-	-	17,085,000
		<u>\$ 697,134,325</u>	<u>\$ 6,197,667</u>	<u>\$ (9,888,160)</u>	<u>\$ 693,443,832</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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 was extended until October 31, 2024 at a minimum monthly rental payment of \$1,231 per month. Rental expense charged to operations under the terms of the lease amounted to \$14,827 and \$14,127 for the years ended December 31, 2020 and 2019, respectively.

Future lease payments under this agreement are a minimum of \$14,775 per year through October 31, 2024. On November 1 of each year under the lease, the least rental amount will increase by the 12 month all item, all urban consumers price index (CPI-U) as compiled by the United States Department of Labor, Bureau of Labor Statistics, D.C. or its successor. In the event of a decrease in CPI-U, the lease rental amount will remain the same as the immediately prior year.

The Authority receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examination are recognized in the year in which the results of such examinations become known. Authority management does not expect any significant adjustments as a result of these examinations.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas which the Authority retains risk of loss. There were no reductions in insurance coverage for the current year or the three prior years.

NOTE 13 - RESTATEMENT OF BEGINNING NET POSITION

Effective January 1, 2020 the Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The adoption of Statement No. 65 was to correct an accounting error in the prior period financial statements. Net position was restated at January 1, 2019 for the implementation of these standards as follows:

	Proprietary Fund	Fiduciary Fund
Net position per December 31, 2018 audited financial statements	\$ 15,549,483	\$ -
Expensing of loan origination fees	(74,735)	-
Inclusion of custodial account for tax incremental financing	-	572,189
Net effect of restatements	(74,735)	572,189
Restated Net Position - January 1, 2019	<u>\$ 15,474,748</u>	<u>\$ 572,189</u>

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Authority's fiscal year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the Authority's fiscal year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations* - This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial report of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This statement is effective for the Authority's fiscal year ending December 31, 2022.
- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the Authority's fiscal year ending December 31, 2023.

The Authority has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

SUPPLEMENTARY INFORMATION

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
COMBINING SCHEDULES OF NET POSITION - PROPRIETARY FUND

December 31, 2020

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
ASSETS						
CURRENT ASSETS						
Cash and investments	\$ 651,329	\$ -	\$ -	\$ -	\$ 9,528,520	\$ 10,179,849
Grants receivable	-	-	3,209,798	-	-	3,209,798
Other receivables	25,654	-	-	-	-	25,654
Prepaid expenses	1,331	-	-	-	300	1,631
Current portion of tax incremental financing receivable	-	-	-	508,605	-	508,605
Current portion of notes receivable	560,000	-	-	-	-	560,000
TOTAL CURRENT ASSETS	1,238,314	-	3,209,798	508,605	9,528,820	14,485,537
NONCURRENT ASSETS						
Restricted cash and investments	-	-	306,820	543,316	-	850,136
Tax incremental financing receivable	-	-	-	1,890,014	-	1,890,014
Notes receivable	-	442,500	-	-	-	442,500
Property held for development	-	-	16,538,196	-	-	16,538,196
Capital assets being depreciated, net	8,937	-	-	-	-	8,937
TOTAL NONCURRENT ASSETS	8,937	442,500	16,845,016	2,433,330	-	19,729,783
TOTAL ASSETS	1,247,251	442,500	20,054,814	2,941,935	9,528,820	34,215,320

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF NET POSITION - PROPRIETARY FUND - CONTINUED

December 31, 2020

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	2,018	-	950,289	-	-	952,307
Accrued payroll and withholdings	173,155	-	-	-	-	173,155
Accrued interest	-	-	36,529	5,359	-	41,888
Current portion of noncurrent liabilities	560,000	-	2,471,685	380,000	-	3,411,685
TOTAL CURRENT LIABILITIES	735,173	-	3,458,503	385,359	-	4,579,035
NONCURRENT LIABILITIES						
Notes payable	-	-	6,063,724	2,646,000	-	8,709,724
TOTAL LIABILITIES	735,173	-	9,522,227	3,031,359	-	13,288,759
NET POSITION						
Investment in capital assets	8,937	-	-	-	-	8,937
Restricted	-	-	306,820	-	-	306,820
Unrestricted	503,141	442,500	10,225,767	(89,424)	9,528,820	20,610,804
TOTAL NET POSITION (DEFICIT)	\$ 512,078	\$ 442,500	\$ 10,532,587	\$ (89,424)	\$ 9,528,820	\$ 20,926,561

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
COMBINING SCHEDULES OF NET POSITION - PROPRIETARY FUND

December 31, 2019

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
ASSETS						
CURRENT ASSETS						
Cash and investments	\$ 201,550	\$ -	\$ -	\$ -	\$ 10,320,100	\$ 10,521,650
Grants receivable	-	-	9,757	-	-	9,757
Prepaid expenses	3,009	-	-	-	300	3,309
Current portion of tax incremental financing receivable	-	-	-	512,663	-	512,663
TOTAL CURRENT ASSETS	204,559	-	9,757	512,663	10,320,400	11,047,379
NONCURRENT ASSETS						
Restricted cash and investments	-	-	303,128	541,808	-	844,936
Tax incremental financing receivable	-	-	-	2,256,081	-	2,256,081
Notes receivable	-	454,500	-	-	-	454,500
Property held for development	65,000	-	8,730,542	-	-	8,795,542
Capital assets being depreciated, net	11,418	-	-	-	-	11,418
TOTAL NONCURRENT ASSETS	76,418	454,500	9,033,670	2,797,889	-	12,362,477
TOTAL ASSETS	280,977	454,500	9,043,427	3,310,552	10,320,400	23,409,856

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF NET POSITION - PROPRIETARY FUND - CONTINUED

December 31, 2019

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	1,174	150,000	13,445	-	-	164,619
Accrued payroll and withholdings	35,228	-	-	-	-	35,228
Accrued interest	-	-	41,580	6,949	-	48,529
Line of credit	-	-	1,093,078	-	-	1,093,078
Current portion of noncurrent liabilities	-	-	220,000	365,000	-	585,000
TOTAL CURRENT LIABILITIES	36,402	150,000	1,368,103	371,949	-	1,926,454
NONCURRENT LIABILITIES						
Notes payable	-	-	1,543,000	3,026,000	-	4,569,000
TOTAL NONCURRENT LIABILITIES	-	-	1,543,000	3,026,000	-	4,569,000
TOTAL LIABILITIES	36,402	150,000	2,911,103	3,397,949	-	6,495,454
NET POSITION						
Investment in capital assets	11,418	-	-	-	-	11,418
Restricted	-	-	303,128	-	-	303,128
Unrestricted	233,157	304,500	5,829,196	(87,397)	10,320,400	16,599,856
TOTAL NET POSITION (DEFICIT)	\$ 244,575	\$ 304,500	\$ 6,132,324	\$ (87,397)	\$ 10,320,400	\$ 16,914,402

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year Ended December 31, 2020

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
OPERATING REVENUES	\$ 50,178	\$ -	\$ -	\$ -	\$ -	\$ 50,178
OPERATING EXPENSES						
Program expenses:						
Acquisition, disposition, and development projects	22,184	-	-	-	-	22,184
Accounting	9,527	-	-	-	-	9,527
Depreciation	2,481	-	-	-	-	2,481
Dues and subscriptions	3,132	-	-	-	-	3,132
Insurance	6,256	-	-	-	742	6,998
Legal and professional fees	11,236	-	-	3,537	32,871	47,644
Miscellaneous operating expenses	1,227	-	-	-	-	1,227
Office supplies and expenses	9,407	-	-	-	-	9,407
Printing/advertising	2,122	-	-	-	-	2,122
Rent	14,827	-	-	-	-	14,827
Salaries, benefits and payroll taxes	592,857	-	-	-	-	592,857
Telecommunications	1,532	-	-	-	-	1,532
Travel and meetings	6,953	-	-	-	-	6,953
TOTAL OPERATING EXPENSES	683,741	-	-	3,537	33,613	720,891
OPERATING INCOME (LOSS)	(633,563)	-	-	(3,537)	(33,613)	(670,713)

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND - CONTINUED

Year Ended December 31, 2020

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
OPERATING INCOME (LOSS) - from previous page	(633,563)	-	-	(3,537)	(33,613)	(670,713)
NONOPERATING REVENUES (EXPENSES)						
Grant income	-	-	3,469,804	-	-	3,469,804
Proceeds from tax incremental financing	-	-	-	142,486	-	142,486
Interest income	304	-	3,693	1,510	1,151,525	1,157,032
Other income	-	65,000	-	-	-	65,000
Interest expense	(8,964)	-	-	(142,486)	-	(151,450)
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,660)	65,000	3,473,497	1,510	1,151,525	4,682,872
INCOME (LOSS) BEFORE TRANSFERS	(642,223)	65,000	3,473,497	(2,027)	1,117,912	4,012,159
TRANSFERS IN (OUT)	909,726	73,000	926,766	-	(1,909,492)	-
CHANGE IN NET POSITION	267,503	138,000	4,400,263	(2,027)	(791,580)	4,012,159
NET POSITION (DEFICIT) - BEGINNING OF YEAR	244,575	304,500	6,132,324	(87,397)	10,320,400	16,914,402
NET POSITION (DEFICIT) - END OF YEAR	\$ 512,078	\$ 442,500	\$ 10,532,587	\$ (89,424)	\$ 9,528,820	\$ 20,926,561

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year Ended December 31, 2019

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
OPERATING REVENUES	\$ 30,020	\$ -	\$ -	\$ -	\$ -	\$ 30,020
OPERATING EXPENSES						
Program expenses:						
Acquisition, disposition, and development projects	36,000	-	-	-	-	36,000
Accounting	9,098	-	-	-	-	9,098
Depreciation	2,092	-	-	-	-	2,092
Dues and subscriptions	2,605	-	-	-	-	2,605
Insurance	4,269	-	-	-	731	5,000
Legal and professional fees	12,981	-	-	3,481	33,636	50,098
Miscellaneous operating expenses	2,525	-	-	-	-	2,525
Office supplies and expenses	10,459	-	-	-	-	10,459
Printing/advertising	41,950	-	-	-	-	41,950
Rent	14,127	-	-	-	-	14,127
Salaries, benefits and payroll taxes	454,117	-	-	-	-	454,117
Telecommunications	1,166	-	-	-	-	1,166
Travel and meetings	22,246	-	-	-	-	22,246
TOTAL OPERATING EXPENSES	613,635	-	-	3,481	34,367	651,483
OPERATING INCOME (LOSS)	(583,615)	-	-	(3,481)	(34,367)	(621,463)

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND - CONTINUED

Year Ended December 31, 2019

	Industrial Development Authority	Berks Park 78 Project	Berks Park 183 Project	Exeter TIF Project	Industrial Development Foundation	Total
OPERATING INCOME (LOSS) - from previous page	(583,615)	-	-	(3,481)	(34,367)	(621,463)
NONOPERATING REVENUES (EXPENSES)						
Grant revenue	-	-	141,250	-	-	141,250
Proceeds from tax incremental financing	-	-	-	158,246	-	158,246
Interest income	67	-	6,002	11,903	1,901,895	1,919,867
Interest expense	-	-	-	(158,246)	-	(158,246)
TOTAL NONOPERATING REVENUES (EXPENSES)	67	-	147,252	11,903	1,901,895	2,061,117
INCOME (LOSS) BEFORE TRANSFERS	(583,548)	-	147,252	8,422	1,867,528	1,439,654
TRANSFERS IN (OUT)	671,190	(21,000)	481,046	-	(1,131,236)	-
CHANGE IN NET POSITION	87,642	(21,000)	628,298	8,422	736,292	1,439,654
NET POSITION (DEFICIT) - BEGINNING OF YEAR - RESTATED	156,933	325,500	5,504,026	(95,819)	9,584,108	15,474,748
NET POSITION (DEFICIT) - END OF YEAR	\$ 244,575	\$ 304,500	\$ 6,132,324	\$ (87,397)	\$ 10,320,400	\$ 16,914,402



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**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
Berks County Industrial Development Authority
Reading, Pennsylvania**

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 financial statements of the business-type activities and the aggregate remaining fund information of the Berks County Industrial Development Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Berks County Industrial Development Authority's basic financial statements and have issued our report thereon dated March 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Berks County Industrial Development 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berks County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berks County Industrial Development 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berks County Industrial Development Authority's financial statements are free of 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 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*.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
March 8, 2021