



***BERKS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY***

FINANCIAL AND COMPLIANCE REPORT

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 years ended December 31, 2021 and 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.

In our opinion, the financial statements referred to above 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, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Berks County Industrial Development Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berks County Industrial Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Berks County Industrial Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berks County Industrial Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, effective January 1, 2021, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

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 is the responsibility of management and, 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 proprietary fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 proprietary fund 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 14, 2022, 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 14, 2022

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, 2021 and 2020. Please read it in conjunction with the Authority's basic financial statements.

OVERALL FINANCIAL CONDITION

2021 ended very strong for BerksIDA. Berks Park 183 closed the year with Phase 1 complete and a sale of three of the seven lots. Financing activity remained strong with bridge financing and Tax Increment Financing (TIF) products in demand. Grant administration has also grown.

The completion of Berks Park 183 and subsequent sale of Lots B, C and D marshalled the biggest wins for BerksIDA in 2021. With a strong local industrial real estate market, the timing of Phase 1 completion in early 2021 was just in time. It enabled the sale of Lots B, C and D later in the year. Grant monies received from Phase 1 completion along with the sale put BerksIDA on very strong financial footing. BerksIDA eliminated roughly \$8 million in debt while adding \$1.16 million in unrestricted cash and investments. More importantly to our mission, the sale of Lots B, C and D means roughly 200 additional jobs, an additional \$1 million in annual property taxes, and a brand new ~250,000 square foot last-mile distribution center for Berks County.

BerksIDA’s bridge financing program continues to meaningfully serve Berks County. To meet the pressing timeline of the Berks County Redevelopment Authority’s construction of a new district judge’s office, the BerksIDA was able to provide short term financing that kept the project on track. Additionally, a 2020 bridge loan on 801 N 9th street preserved it for the potential of a new Reading School district school building in an essential part of the City, a potential that was realized in 2021. The school district closed on the acquisition and plans have begun for this new site to be developed into a state-of-the-art facility for the City. Without BerksIDA financing, this city block likely would have been lost to this opportunity.

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 schedules 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>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and investments | \$ 11,341,102 | \$ 10,179,849 |
| Grants & other receivables | 77,196 | 3,235,452 |
| Prepaid expenses | 5,732 | 1,631 |
| Current portion of noncurrent assets | <u>1,109,455</u> | <u>1,068,605</u> |
| Total Current Assets | 12,533,485 | 14,485,537 |
| Noncurrent Assets | | |
| Restricted cash and investments | 543,400 | 850,136 |
| Tax increment financing receivable | 1,504,923 | 1,890,014 |
| Notes receivable | 223,500 | 442,500 |
| Property held for development | 5,719,024 | 16,538,196 |
| Capital assets being depreciated, net | <u>5,761</u> | <u>8,937</u> |
| Total Noncurrent Assets | 7,996,608 | 19,729,783 |
| TOTAL ASSETS | <u>20,530,093</u> | <u>34,215,320</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 1,713 | 952,307 |
| Accrued payroll and withholdings | 10,252 | 173,155 |
| Accrued interest | 4,686 | 41,888 |
| Current portion of noncurrent liabilities | <u>1,979,724</u> | <u>3,411,685</u> |
| Total Current Liabilities | 1,996,375 | 4,579,035 |
| Noncurrent Liabilities | | |
| Notes payable | <u>2,249,000</u> | <u>8,709,724</u> |
| Total Noncurrent Liabilities | 2,249,000 | 8,709,724 |
| TOTAL LIABILITIES | <u>4,245,375</u> | <u>13,288,759</u> |
| NET POSITION | <u>\$ 16,284,718</u> | <u>\$ 20,926,561</u> |

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

| | 2021 | 2020 |
|---|---------------|---------------|
| OPERATING REVENUES | \$ 6,423 | \$ 50,178 |
| OPERATING EXPENSES | | |
| Program expenses | 6,079,457 | 22,184 |
| Salaries, benefits and payroll | 323,431 | 592,857 |
| Other | 151,215 | 105,850 |
| TOTAL OPERATING EXPENSES | 6,554,103 | 720,891 |
| OPERATING LOSS | (6,547,680) | (670,713) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Grant revenue | 776,975 | 3,469,804 |
| TIF revenue | 127,803 | 142,486 |
| Interest income | 1,318,282 | 1,157,032 |
| Interest expense | (316,181) | (151,450) |
| Other income (expense) | - | 65,000 |
| Loss on disposal of capital assets | (1,042) | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 1,905,837 | 4,682,872 |
| CHANGE IN NET POSITION | (4,641,843) | 4,012,159 |
| NET POSITION - BEGINNING OF YEAR | 20,926,561 | 16,914,402 |
| NET POSITION - END OF YEAR | \$ 16,284,718 | \$ 20,926,561 |

Significant changes to BerksIDA's financial condition occurred in 2021, most notably related to the completion of Phase 1 of Berks Park 183 and sale of certain lots, which led to a reduction in property held for development and notes payable. While total net position was reduced by \$4.6 million, unrestricted cash and investments increased by \$1.16 million and notes payable were reduced by \$7.9 million. Program expenses reflect the sale of lots of Berks Park 183 as well as an adjustment to market value. The Authority ended the year with net position of \$16.28 million.

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 \$5,761 and \$8,937 at December 31, 2021 and 2020, 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 \$5,719,024 and \$16,538,196 at December 31, 2021 and 2020, respectively. At December 31, 2021, 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 \$4,228,724 and \$12,121,409 at December 31, 2021 and 2020, respectively. See notes to the financial statements for more information on debt transactions.

FUTURE OPPORTUNITIES

Tax Increment Financing (TIF) continues to show demand in the County. Amity Township continues work on a TIF that is likely to close in late 2022/early 2023. West Reading also took the preliminary steps in 2021 to implement a TIF for redevelopment of an entire Borough block. Likewise, other taxing bodies in the county have begun initial due diligence to consider TIFs for their utility and infrastructure gaps.

BerksIDA continued to serve an integral function in Berks County in its grant administration activities. American Trust Building in downtown Reading is nearing complete rehabilitation, in part using the \$1.5 million RACP grant BerksIDA administers on its behalf. Additionally, the IDA initiated administration of the Medical Arts Building and Trexler/Elks Lodge Mansion rehabilitation for RACP compliance. All three projects will continue into 2022 and 2023. Once complete, they will transform long-vacant or underutilized buildings into vibrant parts of downtown Reading.

Ultimately, BerksIDA had a very successful year in its mission, and continues to increase its strong financial footing for even greater activity in 2022.

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

| | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and investments | \$ 11,341,102 | \$ 10,179,849 |
| Grants receivable | 75,000 | 3,209,798 |
| Other receivables | 2,196 | 25,654 |
| Prepaid expenses | 5,732 | 1,631 |
| Current portion of tax incremental financing receivable | 509,455 | 508,605 |
| Current portion of notes receivable | 600,000 | 560,000 |
| | <hr/> | <hr/> |
| TOTAL CURRENT ASSETS | 12,533,485 | 14,485,537 |
| NONCURRENT ASSETS | | |
| Restricted cash and investments | 543,400 | 850,136 |
| Tax incremental financing receivable | 1,504,923 | 1,890,014 |
| Notes receivable | 223,500 | 442,500 |
| Property held for development | 5,719,024 | 16,538,196 |
| Capital assets being depreciated, net | 5,761 | 8,937 |
| | <hr/> | <hr/> |
| TOTAL NONCURRENT ASSETS | 7,996,608 | 19,729,783 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | 20,530,093 | 34,215,320 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 1,713 | 952,307 |
| Accrued payroll and withholdings | 10,252 | 173,155 |
| Accrued interest | 4,686 | 41,888 |
| Current portion of noncurrent liabilities | 1,979,724 | 3,411,685 |
| | <hr/> | <hr/> |
| TOTAL CURRENT LIABILITIES | 1,996,375 | 4,579,035 |
| NONCURRENT LIABILITIES | | |
| Notes payable | 2,249,000 | 8,709,724 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 4,245,375 | 13,288,759 |
| NET POSITION | | |
| Investment in capital assets | 5,761 | 8,937 |
| Restricted | - | 306,820 |
| Unrestricted | 16,278,957 | 20,610,804 |
| | <hr/> | <hr/> |
| TOTAL NET POSITION | \$ 16,284,718 | \$ 20,926,561 |
| | <hr/> | <hr/> |

See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

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

| | Year Ended December 31 | |
|--|------------------------|----------------------|
| | 2021 | 2020 |
| OPERATING REVENUES | \$ 6,423 | \$ 50,178 |
| OPERATING EXPENSES | | |
| Program expenses: | | |
| Acquisition, disposition, and development projects | 6,079,457 | 22,184 |
| Accounting | 7,645 | 9,527 |
| Depreciation | 2,134 | 2,481 |
| Dues and subscriptions | 1,180 | 3,132 |
| Insurance | 5,593 | 6,998 |
| Legal and professional fees | 58,663 | 47,644 |
| Miscellaneous operating expenses | 1,973 | 1,227 |
| Office supplies and expenses | 10,091 | 9,407 |
| Printing/advertising | 36,872 | 2,122 |
| Rent | 15,384 | 14,827 |
| Salaries, benefits, and payroll taxes | 323,431 | 592,857 |
| Telecommunications | 960 | 1,532 |
| Travel and meetings | 10,720 | 6,953 |
| | <u>6,554,103</u> | <u>720,891</u> |
| TOTAL OPERATING EXPENSES | <u>6,554,103</u> | <u>720,891</u> |
| | (6,547,680) | (670,713) |
| OPERATING LOSS | (6,547,680) | (670,713) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Grant revenue | 776,975 | 3,469,804 |
| Proceeds from tax incremental financing | 127,802 | 142,486 |
| Interest and dividend income | 1,318,282 | 1,157,032 |
| Other income | - | 65,000 |
| Interest expense | (316,180) | (151,450) |
| Loss on disposal of capital assets | (1,042) | - |
| | <u>1,905,837</u> | <u>4,682,872</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>1,905,837</u> | <u>4,682,872</u> |
| | (4,641,843) | 4,012,159 |
| CHANGE IN NET POSITION | (4,641,843) | 4,012,159 |
| NET POSITION - BEGINNING OF YEAR | <u>20,926,561</u> | <u>16,914,402</u> |
| | \$ 16,284,718 | \$ 20,926,561 |
| NET POSITION - END OF YEAR | <u>\$ 16,284,718</u> | <u>\$ 20,926,561</u> |

See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

| | Year Ended December 31 | |
|--|----------------------------|----------------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 29,881 | \$ 88,184 |
| Payments to suppliers for goods and services | (429,735) | (110,535) |
| Payments to employees for services | (486,334) | (454,930) |
| Issuance of note receivable | (600,000) | (560,000) |
| Proceeds from repayment of notes receivable | 779,000 | - |
| Proceeds from sale of property held for development | 5,500,000 | - |
| Acquisition and construction of property held for development | <u>(1,434,326)</u> | <u>(6,833,075)</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | 3,358,486 | (7,870,356) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Receipt of grants | 3,911,773 | 269,763 |
| Receipt of tax incremental financing | 512,043 | 512,611 |
| Proceeds from issuance of notes payable | 931,668 | 6,581,266 |
| Payment of interest on tax incremental financing note | (128,476) | (158,091) |
| Repayment of notes payable | (8,824,353) | (706,935) |
| Payment of interest on notes payable | <u>(224,907)</u> | <u>(121,891)</u> |
| NET CASH (USED FOR) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | (3,822,252) | 6,376,723 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sales (purchases) of investments, net | (965,442) | 791,339 |
| Receipts of interest and dividends | <u>1,318,282</u> | <u>1,157,032</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 352,840 | 1,948,371 |
| NET (DECREASE) INCREASE IN CASH | (110,926) | 454,738 |
| CASH - BEGINNING OF YEAR | <u>1,502,746</u> | <u>1,048,008</u> |
| CASH - END OF YEAR | <u><u>\$ 1,391,820</u></u> | <u><u>\$ 1,502,746</u></u> |
| CASH AT END OF YEAR CONSISTS OF THE FOLLOWING: | | |
| Cash | \$ 848,420 | \$ 652,610 |
| Restricted cash | <u>543,400</u> | <u>850,136</u> |
| | <u><u>\$ 1,391,820</u></u> | <u><u>\$ 1,502,746</u></u> |

See accompanying notes.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED

| | Year Ended December 31 | |
|--|------------------------|-----------------------|
| | 2021 | 2020 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| Operating loss | \$ (6,547,680) | \$ (670,713) |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities: | | |
| Depreciation | 2,134 | 2,481 |
| Disposition of property held for development | 5,803,207 | 65,000 |
| Changes in: | | |
| Other receivables | 23,458 | (25,654) |
| Notes receivable | 179,000 | (548,000) |
| Prepaid expenses | (4,101) | 1,678 |
| Property held for development | 4,065,674 | (6,833,075) |
| Accounts payable | (303) | - |
| Accrued payroll and withholdings | (162,903) | 137,927 |
| | <u>\$ 3,358,486</u> | <u>\$ (7,870,356)</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| 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 | |
|------------------------|------------------|-------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and investments | <u>\$ 12,543</u> | <u>\$ 456,540</u> |
| NET POSITION | | |
| Held for beneficiaries | <u>\$ 12,543</u> | <u>\$ 456,540</u> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

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

| | Year Ended December 31 | |
|--|--------------------------------|---------------------------------|
| | 2021 | 2020 |
| ADDITIONS | | |
| Tax incremental financing revenue | \$ 1,419,967 | \$ 1,015,847 |
| Investment income | <u>3</u> | <u>143</u> |
| TOTAL ADDITIONS | 1,419,970 | 1,015,990 |
| DEDUCTIONS | | |
| Fees | 7,543 | 7,543 |
| Payments on behalf of beneficiaries | <u>1,856,424</u> | <u>564,498</u> |
| TOTAL DEDUCTIONS | <u>1,863,967</u> | <u>572,041</u> |
| CHANGE IN NET POSITION | (443,997) | 443,949 |
| NET POSITION HELD FOR BENEFICIARIES - BEGINNING OF YEAR | <u>456,540</u> | <u>12,591</u> |
| NET POSITION HELD FOR BENEFICIARIES - END OF YEAR | <u><u>\$ 12,543</u></u> | <u><u>\$ 456,540</u></u> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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 net position.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

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. There are no allowances reported on accounts receivable at December 31, 2021 or 2020.

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 notes receivable 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, 2021 and 2020

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 |
|-------------------------|-------------|

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, 2021.

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, 2021 and 2020

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, 2021 and 2020

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

G. 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.

H. Adoption of Accounting Standard

Effective January 1, 2021 the Authority adopted new accounting standard guidance GASB Statement No. 89 related to accounting requirements for interest expenses incurred before the end of a construction period. Under this statement, interest expenses incurred before the end of a construction period must be recognized as an expense in the period in which the expenses are incurred for financial statements prepared using the economic resources measurement focus. The adoption of this standard resulted in no restatement to beginning net position.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

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>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Deposits | \$ 1,404,363 | \$ 1,959,286 |
| Investments | <u>10,492,682</u> | <u>9,527,239</u> |
| | <u>\$ 11,897,045</u> | <u>\$ 11,486,525</u> |
| Classification per the statement of net position: | | |
| Proprietary Fund: | | |
| Cash and investments | \$ 11,341,102 | \$ 10,179,849 |
| Restricted cash and investments | 543,400 | 850,136 |
| Fiduciary Fund: | | |
| Cash and investments | <u>12,543</u> | <u>456,540</u> |
| | <u>\$ 11,897,045</u> | <u>\$ 11,486,525</u> |

Restricted deposits consist of funds to be used for the repayment of debt related to tax increment financing districts. In 2020, restricted deposits include funds required to remain in a loan repayment account until the balance of the loan for Berks Park 183 was repaid.

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, 2021 and 2020, the carrying amount of the Authority's deposits was \$1,404,363 and \$1,959,286, respectively, and the bank balance was \$1,502,548 and \$2,117,360, respectively. For the years ended December 31, 2021 and 2020, \$513,770 and \$869,759, 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, 2021 and 2020

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2021, the Authority had the following investments:

| Investment Type | Yield | Fair Market Value | Fair Value Level |
|------------------------|---------------|----------------------|------------------------|
| Domestic equities | 0.65% - 1.47% | \$ 4,719,560 | 1 |
| Fixed income | 1.04% - 5.77% | 3,673,051 | 1 |
| International equities | 1.45% - 1.68% | <u>2,100,071</u> | 1 |
| Total investments | | <u>\$ 10,492,682</u> | |

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

| Investment Type | Yield | Fair Market Value | Fair Value Level |
|------------------------|---------------|----------------------|------------------------|
| 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> | |

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, 2021 and 2020

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|---------------------|
| Redevelopment Assistance Grant (RACP) | \$ 75,000 | \$ 2,627,445 |
| Multimodal Transportation Fund Grant | - | 578,065 |
| Industrial Sites Environmental Assessment Fund Grant | - | <u>4,288</u> |
| | <u>\$ 75,000</u> | <u>\$ 3,209,798</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, 2021 and 2020

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>2021</u> | <u>2020</u> |
|--------------------------|---------------------|---------------------|
| Gross TIF receivable | \$ 2,014,378 | \$ 2,398,619 |
| Less: current portion | <u>(509,455)</u> | <u>(508,605)</u> |
| Long-term TIF receivable | <u>\$ 1,504,923</u> | <u>\$ 1,890,014</u> |

Activity related to the TIF District receivables for the year ended December 31, 2021, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments Received</u> | <u>Ending Balance</u> |
|---------------------|------------------------------|-------------------|------------------------------|---------------------------|
| Exeter TIF District | <u>\$ 2,398,619</u> | <u>\$ 127,802</u> | <u>\$ 512,043</u> | <u>\$ 2,014,378</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> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5 - NOTES RECEIVABLE

The Authority has the following notes receivable at December 31:

| | <u>2021</u> | <u>2020</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. | \$ 223,500 | \$ 442,500 |
| <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. | - | 560,000 |
| On August 3, 2021, the Authority issued a \$600,000 note to a Corporation to provide interim financing for a development project. Interest accrues at a fixed rate of 4.25% and is payable monthly beginning September 1, 2021. Management anticipates repayment of the note within a year and has classified the receivable as current; however the outstanding principal is due no later than August 1, 2023. | <u>600,000</u> | <u>-</u> |
| Total notes receivable | 823,500 | 1,002,500 |
| Less: current portion | <u>(600,000)</u> | <u>(560,000)</u> |
| Noncurrent notes receivable | <u>\$ 223,500</u> | <u>\$ 442,500</u> |

Interest receivable related to the above notes totaled \$2,196 and \$3,617, respectively, at December 31, 2021 and 2020 and is included with other receivables on the statement of net position.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6 - PROPERTY HELD FOR DEVELOPMENT

Activity related to property held for development during the year ended December 31, 2021 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|-------------------|------------------------|---------------------------|
| Property Held for Development | <u>\$ 16,538,196</u> | <u>\$ 484,035</u> | <u>\$ (11,303,207)</u> | <u>\$ 5,719,024</u> |

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>Deductions</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> |

The sale of property held for development resulted in a loss of \$3,558,399 and \$13,340, respectively, for the years ended December 31, 2021 and 2020. This loss is reported in operating expenses on the statement of revenues, expenses, and changes in net position. The market value of property held for development was determined to be lower than the carrying amount as of December 31, 2021. Accordingly, the Authority reduced the value of the related property and recorded a corresponding market adjustment of \$2,521,058 as a program expense.

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 2021, the Authority has authorized an agreement for sale of an additional parcel of land, which is anticipated to take place in 2022.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended December 31, 2021:

| | Balance January 1, 2021 | Additions | Deletions | Balance December 31, 2021 |
|---|-------------------------------|-------------------|-------------------|---------------------------------|
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 99,508 | \$ - | \$ (1,737) | \$ 97,771 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | <u>90,571</u> | <u>2,134</u> | <u>(695)</u> | <u>92,010</u> |
| Total capital assets being depreciated, net | <u>\$ 8,937</u> | <u>\$ (2,134)</u> | <u>\$ (1,042)</u> | <u>\$ 5,761</u> |

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

| | Balance January 1, 2020 | Additions | Deletions | Balance December 31, 2020 |
|---|-------------------------------|-------------------|-------------|---------------------------------|
| 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> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

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. 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 outstanding balance was satisfied during the year ended December 31, 2020.

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> |

Interest paid related to the line of credit balance was \$9,166 for the year ended December 31, 2020.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 - NOTES PAYABLE

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

| | <u>2021</u> | <u>2020</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, 2021). 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 | 1,582,724 |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 - NOTES PAYABLE - CONTINUED

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| <u><i>Berks Park 183 Bank Note Payable</i></u> | | |
| 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 |
| <u><i>Exeter Tax Incremental Financing Revenue Note</i></u> | | |
| 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. | <u>2,646,000</u> | <u>3,026,000</u> |
| Total notes payable | 4,228,724 | 12,121,409 |
| Less: current portion | <u>(1,979,724)</u> | <u>(3,411,685)</u> |
| Noncurrent notes payable | <u>\$ 2,249,000</u> | <u>\$ 8,709,724</u> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 - NOTES PAYABLE - CONTINUED

Activity on direct borrowings were as follows for the year ended December 31, 2021:

| | <u>Balance 1/1/2021</u> | <u>Additions</u> | <u>Repayments</u> | <u>Balance 12/31/2021</u> |
|--------------------|-----------------------------|------------------|-------------------|-------------------------------|
| Direct borrowings: | | | | |
| Notes payable | \$ 12,121,409 | \$ 931,668 | \$ (8,824,353) | \$ 4,228,724 |

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 | \$ 5,154,000 | \$ 7,674,344 | \$ (706,935) | \$ 12,121,409 |

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.

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

| | <u>Berks Park 183 Revolving Credit Note</u> | <u>Exeter TIF Revenue Note</u> | <u>Total Principal</u> | <u>Total Interest*</u> |
|------------------------|---|------------------------------------|----------------------------|----------------------------|
| 2022 | \$ 2,000,000 | \$ 397,000 | \$ 2,397,000 | \$ 128,609 |
| 2023 | - | 414,000 | 414,000 | 95,583 |
| 2024 | - | 432,000 | 432,000 | 77,988 |
| 2025 | - | 451,000 | 451,000 | 59,628 |
| 2026 | - | 471,000 | 471,000 | 40,460 |
| 2027 | - | 481,000 | 481,000 | 19,534 |
| Less: amount not drawn | <u>(417,276)</u> | <u>-</u> | <u>(417,276)</u> | <u>-</u> |
| | <u>\$ 1,582,724</u> | <u>\$ 2,646,000</u> | <u>\$ 4,228,724</u> | <u>\$ 421,802</u> |

* Interest was calculated assuming full draw down of the loan. For variable rate debt, the interest rate at December 31, 2021 of 1.6154% was used.

Total interest paid related to notes payable for the years ended December 31, 2021 and 2020, was \$353,801 and \$279,982, respectively. Interest capitalized for property held for development totaled \$122,607 for the year ended December 31, 2020. With the adoption of Governmental Accounting Standards Board Statement No. 89, as of January 1, 2021, interest costs are no longer capitalized within projects in process.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021, was as follows:

| <u>Issuance</u> | <u>On Behalf Of</u> | <u>Balance at January 1, 2021</u> | <u>Additions</u> | <u>Repayments</u> | <u>Balance at December 31, 2021</u> |
|-----------------------------------|---|---|---------------------|-----------------------|---|
| Revenue Note, Series of 2008 | Goodwill Keystone Area | \$ 1,782,763 | \$ - | \$ (182,930) | \$ 1,599,833 |
| Revenue Note, Series of 2010 | F.M. Brown's Sons, Inc. | 4,682,061 | - | (666,045) | 4,016,016 |
| Revenue Note, Series of 2012 | Kutztown University and Kutztown University Foundation, Inc. | 20,265,000 | - | (2,096,595) | 18,168,405 |
| Revenue Note, Series of 2012 | Unique Pretzel Bakery, Inc. | 5,944,539 | - | (264,173) | 5,680,366 |
| Revenue Note, Series of 2012 | Service Access and Management, Inc. | 1,529,000 | - | (117,000) | 1,412,000 |
| Revenue Note, Series of 2013 | JFM Holdings, LLC | 3,307,200 | - | (189,400) | 3,117,800 |
| Revenue Note, Series of 2014 | Hospital Central Services Cooperative, Inc. | 1,217,683 | - | (64,904) | 1,152,779 |
| Revenue Note, Series of 2014 | Hospital Central Services Cooperative, Inc. | 4,550,900 | - | (407,400) | 4,143,500 |
| 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 | 11,055,000 | - | (1,410,000) | 9,645,000 |
| 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 | 2,187,933 | - | 4,193,779 |
| | | <u>\$ 688,434,992</u> | <u>\$ 2,187,933</u> | <u>\$ (5,398,447)</u> | <u>\$ 685,224,478</u> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 10 - CONDUIT DEBT - CONTINUED

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 |
| 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, 2021 and 2020

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 \$15,384 and \$14,827 for the years ended December 31, 2021 and 2020, 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 lease 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.

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.

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 13 - 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. 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, 2021

| | Industrial Development Authority | Berks Park 78 Project | Berks Park 183 Project | Exeter TIF Project | Industrial Development Foundation | Total |
|---|--|--------------------------|---------------------------|-----------------------|---|---------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and investments | \$ 847,194 | \$ - | \$ - | \$ - | \$ 10,493,908 | \$ 11,341,102 |
| Grants receivable | - | - | 75,000 | - | - | 75,000 |
| Other receivables | 2,196 | - | - | - | - | 2,196 |
| Prepaid expenses | 5,430 | - | - | - | 302 | 5,732 |
| Current portion of tax incremental financing receivable | - | - | - | 509,455 | - | 509,455 |
| Current portion of notes receivable | 600,000 | - | - | - | - | 600,000 |
| TOTAL CURRENT ASSETS | 1,454,820 | - | 75,000 | 509,455 | 10,494,210 | 12,533,485 |
| NONCURRENT ASSETS | | | | | | |
| Restricted cash and investments | - | - | - | 543,400 | - | 543,400 |
| Tax incremental financing receivable | - | - | - | 1,504,923 | - | 1,504,923 |
| Notes receivable | - | 223,500 | - | - | - | 223,500 |
| Property held for development | - | - | 5,719,024 | - | - | 5,719,024 |
| Capital assets being depreciated, net | 5,761 | - | - | - | - | 5,761 |
| TOTAL NONCURRENT ASSETS | 5,761 | 223,500 | 5,719,024 | 2,048,323 | - | 7,996,608 |
| TOTAL ASSETS | 1,460,581 | 223,500 | 5,794,024 | 2,557,778 | 10,494,210 | 20,530,093 |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

COMBINING SCHEDULES OF NET POSITION - PROPRIETARY FUND - CONTINUED

December 31, 2021

| | Industrial Development Authority | Berks Park 78 Project | Berks Park 183 Project | Exeter TIF Project | Industrial Development Foundation | Total |
|---|--|--------------------------|---------------------------|-----------------------|---|----------------------|
| LIABILITIES | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | 1,511 | - | 202 | - | - | 1,713 |
| Accrued payroll and withholdings | 10,252 | - | - | - | - | 10,252 |
| Accrued interest | - | - | - | 4,686 | - | 4,686 |
| Current portion of noncurrent liabilities | - | - | 1,582,724 | 397,000 | - | 1,979,724 |
| TOTAL CURRENT LIABILITIES | 11,763 | - | 1,582,926 | 401,686 | - | 1,996,375 |
| NONCURRENT LIABILITIES | | | | | | |
| Notes payable | - | - | - | 2,249,000 | - | 2,249,000 |
| TOTAL LIABILITIES | 11,763 | - | 1,582,926 | 2,650,686 | - | 4,245,375 |
| NET POSITION | | | | | | |
| Investment in capital assets | 5,761 | - | - | - | - | 5,761 |
| Unrestricted | 1,443,057 | 223,500 | 4,211,098 | (92,908) | 10,494,210 | 16,278,957 |
| TOTAL NET POSITION (DEFICIT) | \$ 1,448,818 | \$ 223,500 | \$ 4,211,098 | \$ (92,908) | \$ 10,494,210 | \$ 16,284,718 |

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) | <u>\$ 512,078</u> | <u>\$ 442,500</u> | <u>\$ 10,532,587</u> | <u>\$ (89,424)</u> | <u>\$ 9,528,820</u> | <u>\$ 20,926,561</u> |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

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

Year Ended December 31, 2021

| | Industrial Development Authority | Berks Park 78 Project | Berks Park 183 Project | Exeter TIF Project | Industrial Development Foundation | Total |
|--|--|--------------------------|---------------------------|-----------------------|---|--------------------|
| OPERATING REVENUES | \$ 6,423 | \$ - | \$ - | \$ - | \$ - | \$ 6,423 |
| OPERATING EXPENSES | | | | | | |
| Program expenses: | | | | | | |
| Acquisition, disposition, and development projects | - | - | 6,079,457 | - | - | 6,079,457 |
| Accounting | 7,645 | - | - | - | - | 7,645 |
| Depreciation | 2,134 | - | - | - | - | 2,134 |
| Dues and subscriptions | 1,180 | - | - | - | - | 1,180 |
| Insurance | 3,987 | - | - | - | 1,606 | 5,593 |
| Legal and professional fees | 15,666 | - | - | 3,648 | 39,349 | 58,663 |
| Miscellaneous operating expenses | 1,973 | - | - | - | - | 1,973 |
| Office supplies and expenses | 10,091 | - | - | - | - | 10,091 |
| Printing/advertising | 36,872 | - | - | - | - | 36,872 |
| Rent | 15,384 | - | - | - | - | 15,384 |
| Salaries, benefits and payroll taxes | 323,431 | - | - | - | - | 323,431 |
| Telecommunications | 960 | - | - | - | - | 960 |
| Travel and meetings | 10,720 | - | - | - | - | 10,720 |
| TOTAL OPERATING EXPENSES | 430,043 | - | 6,079,457 | 3,648 | 40,955 | 6,554,103 |
| OPERATING LOSS | (423,620) | - | (6,079,457) | (3,648) | (40,955) | (6,547,680) |

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

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

Year Ended December 31, 2021

| | Industrial Development Authority | Berks Park 78 Project | Berks Park 183 Project | Exeter TIF Project | Industrial Development Foundation | Total |
|---|--|--------------------------|---------------------------|-----------------------|---|----------------------|
| OPERATING LOSS - from previous page | (423,620) | - | (6,079,457) | (3,648) | (40,955) | (6,547,680) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Grant income | - | - | 776,975 | - | - | 776,975 |
| Proceeds from tax incremental financing | - | - | - | 127,802 | - | 127,802 |
| Interest and dividend income | 37,057 | - | 996 | 164 | 1,280,065 | 1,318,282 |
| Interest expense | (15,377) | - | (173,001) | (127,802) | - | (316,180) |
| Loss on disposal of capital assets | (1,042) | - | - | - | - | (1,042) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 20,638 | - | 604,970 | 164 | 1,280,065 | 1,905,837 |
| INCOME (LOSS) BEFORE TRANSFERS | (402,982) | - | (5,474,487) | (3,484) | 1,239,110 | (4,641,843) |
| TRANSFERS IN (OUT) | 1,339,722 | (219,000) | (847,002) | - | (273,720) | - |
| CHANGE IN NET POSITION | 936,740 | (219,000) | (6,321,489) | (3,484) | 965,390 | (4,641,843) |
| NET POSITION (DEFICIT) - BEGINNING OF YEAR | 512,078 | 442,500 | 10,532,587 | (89,424) | 9,528,820 | 20,926,561 |
| NET POSITION (DEFICIT) - END OF YEAR | \$ 1,448,818 | \$ 223,500 | \$ 4,211,098 | \$ (92,908) | \$ 10,494,210 | \$ 16,284,718 |

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 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 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 and dividend 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 |
| (LOSS) INCOME 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 |

**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, 2021, 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 14, 2022.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 14, 2022