



Township of Cumru

**December 31, 2020
Audit Review**

- Introduction
- Review of Auditor's Report for the year ended December 31, 2020
- 2020 Financial Highlights and Trends
- Required Communications

This presentation is intended solely for the information and use of the management and elected officials of the Township of Cumru and is not intended to be and should not be used by anyone other than these specified parties.

- Our audit is conducted under Generally Accepted Auditing Standards
- Our Responsibility: *To opine on whether the financial statements prepared are fairly presented, in all material respects, in conformity with the modified cash basis of accounting (in compliance with Pennsylvania Department of Community and Economic Development requirements)*

- Generally Accepted Auditing Standards - *Unmodified Opinion*
- An *unmodified opinion* is a clean audit opinion from an independent auditor

General Fund - Budget/Actual

General Fund Highlights:

Final budget reflects the revised COVID-19 budget approved in June 2020.

- Revenue was over budget (3.6%):
 - Real Estate, EIT, and other taxes were not significantly impacted by COVID (original budget reduced by \$706k)
 - Other relates to health insurance reimbursements whose revenues of \$151k are presented net of the expense
- Expenditures were under budget (6.1%):
 - Police - savings relate to wages and benefits
 - Highways and streets - savings primarily relates to wages and benefits as well as street lighting and highway engineering costs
- Transfer under budget due to transferring less to capital reserves

	Final Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 3,947,025	\$4,063,663	\$ 116,638
Earned income taxes	2,295,000	2,494,530	199,530
Other taxes	575,560	688,201	112,641
Licenses, permits, and fines	197,800	204,438	6,638
Interest and rent	161,779	156,474	(5,305)
Intergovernmental	378,381	341,070	(37,311)
Charges for services	690,432	733,367	42,935
Other	158,072	28,097	(129,975)
TOTAL REVENUES	8,404,049	8,709,840	305,791
EXPENDITURES			
Current:			
General government	1,149,355	1,129,439	19,916
Public safety:			
Police	4,629,128	4,378,642	250,486
Fire, ambulance, and rescue	16,414	13,592	2,822
Other (planning, zoning, etc.)	84,836	94,677	(9,841)
Public works - highways and streets	2,149,149	1,831,164	317,985
Culture and recreation	104,751	87,934	16,817
Employer paid benefits and other	978,965	1,024,471	(45,506)
TOTAL EXPENDITURES	9,112,598	8,559,919	552,679
Sale of capital assets	6,000	-	(6,000)
Transfers out	(706,757)	(399,649)	307,108
NET CHANGE IN FUND BALANCE	<u>\$ (1,409,306)</u>	<u>(249,728)</u>	<u>\$ 1,159,578</u>
FUND BALANCE - BEGINNING OF YEAR		<u>5,207,937</u>	
FUND BALANCE - END OF YEAR		<u><u>\$4,958,209</u></u>	

Other Major Funds Highlights

	Fire Protection	Capital Projects
REVENUES		
Real estate taxes	\$ 1,075,339	\$ -
Interest and rent	7,980	3,055
Intergovernmental	108,533	-
Charges for services	6,255	-
Other	1,253	-
TOTAL REVENUES	1,199,360	3,055
EXPENDITURES		
Current:		
General government	-	290,347
Public safety:		
Police	-	172,092
Fire, ambulance, and rescue	1,232,861	-
Public works - highways and streets	-	174,871
Debt service - interest, agent fees	-	352,554
TOTAL EXPENDITURES	1,232,861	989,864
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,501)	(986,809)
OTHER FINANCING SOURCES (USES)		
Issuance of bonds	-	15,475,000
Issuance of notes	-	34,000
Bond premium	-	946,168
Current refunding of debt service - principal	-	(1,354,000)
Transfers in	-	399,649
Transfers out	-	(330,106)
TOTAL OTHER FINANCING SOURCES (USES)	-	15,170,711
NET CHANGE IN FUND BALANCES	(33,501)	14,183,902
FUND BALANCES - BEGINNING OF YEAR	1,974,422	298,062
FUND BALANCES - END OF YEAR	\$ 1,940,921	\$ 14,481,964

- Fire Fund
 - Budgeted fund balance use of \$439k
- Capital Projects
 - Net proceeds from bond issuance held in cash at year end was \$14,420,714 with an additional \$330,106 held in the debt service sinking fund
 - Included in debt service interest and fees is \$347k in debt issuance costs
 - Capital expenditures came in \$108k under budget primarily due to mix shed project not occurring

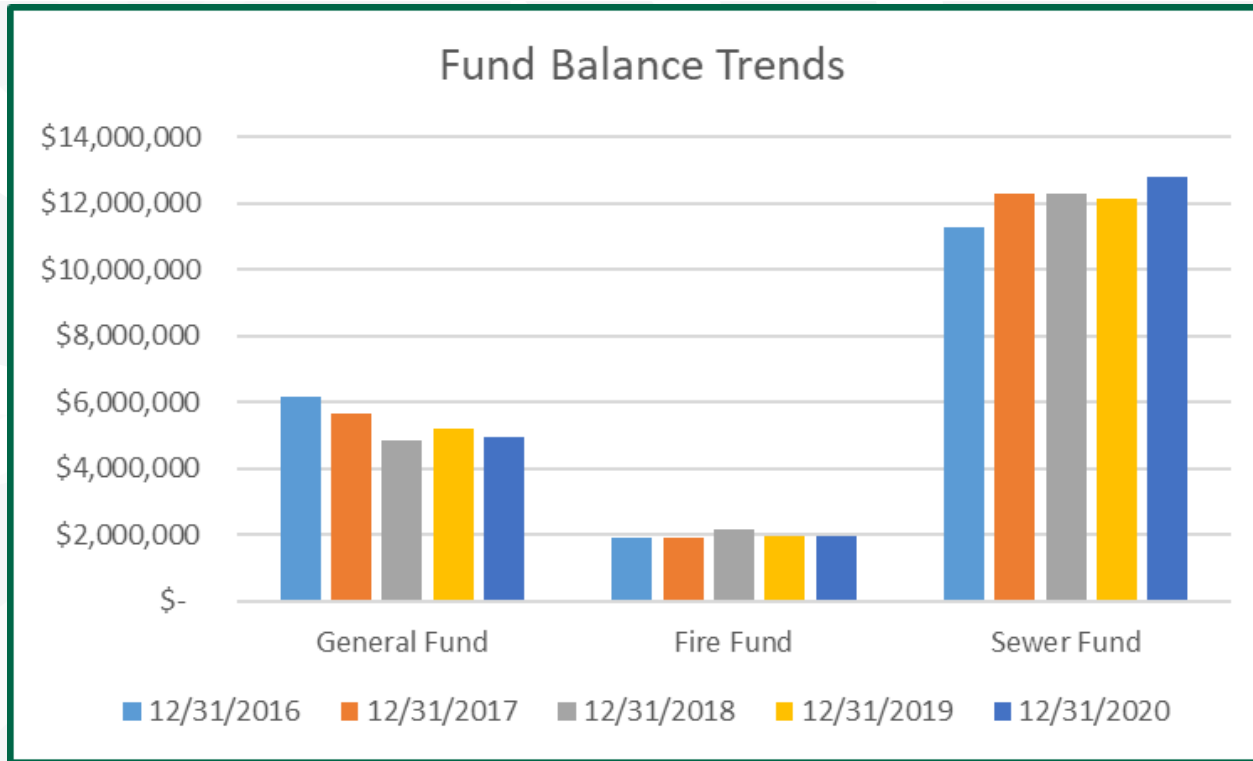
Sewer Fund Highlights

Sewer Fund Highlights:

- Change in cash for 2020 was an increase of \$198,763
- Operating expenses includes depreciation of \$266,976 (non-cash)
- Ending Net Position is \$12,807,815
 - Investment in capital assets - \$4,437,365
 - Board designated (COR contract) - \$2,897,253
 - Unrestricted - \$5,473,197

	12/31/2020
Charges for Services	\$ 4,857,181
Interest Earnings	24,976
Other	34,004
Total Revenue	4,916,161
Operating Expenses	4,240,071
Current Year Surplus	\$ 676,090

Ending Fund Balance Trends



The Township Commissioners and Administration have actively managed the activities of the Township over the past five years to ensure an adequate reserve is available in the general fund. The current level of fund balance within the general fund enables the Township to be more proactive with planning for future capital equipment needs as well as roadwork/bridgework that will need to be completed.

We recommend no less than 20% - 30% of operating expenses as a reserve in the general fund. Currently, the Township reserve is 50% of the next year's budgeted operating expenses.

Statement of Activities

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 1,419,786	\$ 344,449	\$ 34,995	\$ (1,040,342)	\$ -	\$ (1,040,342)
Public safety:						
Police	4,550,734	88,517	33,562	(4,428,655)	-	(4,428,655)
Fire, ambulance, and rescue	1,459,737	6,255	108,533	(1,344,949)	-	(1,344,949)
Other (planning, zoning, etc.)	148,329	229,340	-	81,011	-	81,011
Public works - sanitation	1,168,466	1,103,654	1,526	(63,286)	-	(63,286)
Public works - highways and streets	2,520,566	17,075	525,341	(1,978,150)	-	(1,978,150)
Culture and recreation	87,934	80	-	(87,854)	-	(87,854)
Debt - interest, agent fees	385,839	-	-	(385,839)	-	(385,839)
Employer paid benefits and other	1,024,471	-	278,689	(745,782)	-	(745,782)
Total Governmental Activities	12,765,862	1,789,370	982,646	(9,993,846)	-	(9,993,846)
Business-Type Activities:						
Wastewater/sewage treatment and collection	4,240,071	4,857,181	33,983	-	651,093	651,093
Total Primary Government	\$ 17,005,933	\$ 6,646,551	\$ 1,016,629	(9,993,846)	651,093	(9,342,753)
General Revenues						
Taxes:						
Property taxes				5,667,791	-	5,667,791
Earned income taxes				2,494,530	-	2,494,530
Real estate transfer and other taxes				688,201	-	688,201
Host municipality benefit fee				500,866	-	500,866
Investment earnings				31,033	24,976	56,009
Bond premium				946,168	-	946,168
Miscellaneous income				23,881	21	23,902
Total General Revenues				10,352,470	24,997	10,377,467
Change in Net Position				358,624	676,090	1,034,714
Net Position - Beginning of Year				6,556,781	12,131,725	18,688,506
Net Position - End of Year				\$ 6,915,405	\$ 12,807,815	\$ 19,723,220

This statement shows the total expenses for all governmental and business-type activities and how much of those expenses are covered by direct program revenues, i.e. permit charges vs. related inspection costs.

Pension Plans

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (In Accordance with Act 205)				
(UNAUDITED)				
SCHEDULES OF FUNDING PROGRESS*				
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
POLICE PENSION PLAN				
01/01/19	\$ 12,394,554	\$ 16,277,220	\$ 3,882,666	76.1%
01/01/17	11,098,005	14,611,949	3,513,944	76.0%
01/01/15	10,868,161	13,366,992	2,498,831	81.3%
NONUNIFORMED PENSION PLAN				
01/01/19	\$ 1,682,612	\$ 2,478,907	\$ 796,295	67.9%
01/01/17	1,828,283	2,413,085	584,802	75.8%
01/01/15	2,079,987	2,327,788	247,801	89.4%

SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS (In Accordance with GASB 68)				
(UNAUDITED)				
Measurement Date	Plan Fiduciary Net Position (a)	Total Pension Liability (TPL)(b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)
POLICE PENSION PLAN				
12/31/20	\$ 17,381,945	\$ 17,520,367	\$ 138,422	99.2%
12/31/19	15,211,549	16,660,022	1,448,473	91.3%
12/31/18	12,394,554	16,381,843	3,987,289	75.7%
12/31/17	12,944,772	15,457,940	2,513,168	83.7%
12/31/16	11,098,005	14,490,664	3,392,659	76.6%
12/31/15	10,491,138	13,662,163	3,171,025	76.8%
NONUNIFORMED PENSION PLAN				
12/31/20	\$ 2,064,847	\$ 2,514,009	\$ 449,162	82.1%
12/31/19	1,922,200	2,512,166	589,966	76.5%
12/31/18	1,682,612	2,457,978	775,366	68.5%
12/31/17	1,958,506	2,439,804	481,298	80.3%
12/31/16	1,828,283	2,372,135	543,852	77.1%
12/31/15	1,886,199	2,349,424	463,225	80.3%

The above schedules show the funded status of the Township's pension plans under actuarial valuations performed in accordance with Act 205 and GASB 68.

Communications

- Management Letter Discussion Points
 - American Rescue Plan Act
- Required Communications
 - No difficulties in performing the audit
 - No new accounting standards impact
 - Proposed adjustments were minimal
 - No other reportable matters

- On March 11, 2021, the American Rescue Plan Act was signed into law providing \$1.9 trillion in federal coronavirus relief funds with \$360 billion allocated for state and local governments through the Coronavirus State and Local Fiscal Recovery Funds.
- Nonentitlement communities (under 50,000 population) will receive one half of the distribution in June 2021 and the remaining half in June 2022. These distributions will be from the Commonwealth.
- Municipalities have until December 31, 2024 to spend these funds.
- Further regulations were issued by U.S. Treasury Department the week of May 10 with FAQs issued May 21.

Funds are eligible to be used for the following categories:

- Responding to the COVID-19 emergency or addressing its negative economic impacts
 - Necessary investments in water, sewer, and broadband infrastructure (including storm water)
 - Lost revenue replacement for the provision of government services during the COVID-19 emergency
 - Premium pay for essential workers
-
- Funds cannot be used to for pension obligations.
 - Expenses must be prospectively from March 2021 with the exception of premium pay and net economic impacts.

Responding to the COVID-19 emergency or addressing its negative economic impacts include:

- Costs for responding to the COVID-19 emergency
 - Office alterations (including HVAC)
 - Video equipment for virtual meetings
 - Additional technology purchases
- Addressing negative economic impact by providing assistance to:
 - Small businesses
 - Nonprofit organizations (including volunteer fire and ambulance)
 - Households
 - Impacted industries such as hospitality & travel

Assistance provided to others must still fit into one of the buckets previously mentioned

A Little About Us



Strong Roots to Nurture Your Success

Founded in 1972, Herbein is diligent about helping people and companies with their financial needs. New ideas, open communication, consistency of teams, and an overall focus on our clients provide the foundation for all we do.



Independent Member of Allinial Global

The independently-owned public accounting firms that make-up Allinial Global understand the current competitive business climate and provide access to critical resources that address their clients' needs, both locally and globally.



Annual Projects

Audits	380+
Reviews	145+
Compilations	115+
EBP Audits	80+
Corporate Tax Clients	2,000+
Individual Tax Clients	5,000+
M&A Deals	25-30



Team

200+ member regional firm

Partners	27
Sr. Managers	21
Managers	11
Sr. Consultants	4



Offices

- Allentown, PA
- Allison Park, PA
- Greensburg, PA
- Marlton, NJ
- Pittsburgh, PA
- Pottstown, PA
- Reading, PA (HQ)
- Spring House, PA



Quality Control

Earned clean peer review reports signifying the highest level of quality since our first review in 1982.

Registered with the Public Company Accounting Oversight Board which demonstrates Herbein's commitment to provide the highest levels of client service.



Firm Recognition

- 2020 Top Accounting Firms - Philadelphia Business Journal
- 2020 Top Accounting Firms - Pittsburgh Business Times
- 2020 Top Accounting Firms - Lehigh Valley Business Journal
- 2020 Greater Reading Top Business Awards- Greater Reading Chamber Alliance
- 2020 Top U.S. Accounting Firms - Accounting Today
- 2020 Best in Accounting Client Service - Clearly Rated
- 2020 Best Places to Work in PA - Team PA

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