

**UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)**

FINANCIAL STATEMENTS

Year Ended December 31, 2019



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)

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YEAR ENDED DECEMBER 31, 2019

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Upper Merion General Authority
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of the Upper Merion General Authority (a component unit of Upper Merion Township), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Upper Merion General Authority
King of Prussia, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Merion General Authority as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

As discussed in Note E, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Upper Merion General Authority's operational and financial performance. At this point, the Upper Merion General Authority cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion/conclusion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



Oaks, Pennsylvania
May 26, 2020

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Our discussion and analysis of the Upper Merion General Authority's (a component unit of Upper Merion Township) financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Authority's financial statements, which begin with the statement of net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Authority. The components of the report include the independent auditors' report, management's discussion and analysis, financial statements and notes to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Authority's financial position.

Management's discussion and analysis (MD&A), prepared by Authority/Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the notes to the basic financial statements.

- The *statement of net position* shows the financial condition of the Authority at the end of the fiscal period or a specific snapshot in time.
- The *statement of revenues, expenses and changes in net position* measures the results of operations of the Authority during the fiscal period.
- The *statement of cash flows* measures the resources provided during the fiscal period and the uses to which they are put.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority.

Table 1
Condensed Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 26,987	\$ 51,609
Capital assets, net of accumulated depreciation	<u>1,948,785</u>	<u>2,149,311</u>
TOTAL ASSETS	<u>1,975,772</u>	<u>2,200,920</u>
NET POSITION		
Net investment in capital assets	1,948,785	2,149,311
Unrestricted	<u>26,987</u>	<u>51,609</u>
TOTAL NET POSITION	<u>\$ 1,975,772</u>	<u>\$ 2,200,920</u>

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Investment income	\$ <u>909</u>	\$ <u>866</u>
EXPENSES		
Accounting	2,772	2,848
Depreciation	200,526	200,526
Reimbursement to Upper Merion Township	<u>22,759</u>	<u>-</u>
TOTAL EXPENSES	<u>226,057</u>	<u>203,374</u>
CHANGE IN NET POSITION	(225,148)	(202,508)
NET POSITION, BEGINNING	<u>2,200,920</u>	<u>2,403,428</u>
NET POSITION, ENDING	<u>\$ 1,975,772</u>	<u>\$ 2,200,920</u>

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

REPORTING

The Upper Merion General Authority was established in 1986 to finance and oversee the expansion of the Township Municipal Building. The Authority charges the Township an annual rental fee which is equal to the debt service for the bond issue used to construct the building. The bond issue used to construct the building was paid in full in 2015. There was no annual rental fee charged to the Township in 2019. A five-member board, appointed by the Township's Board of Supervisors, governs the General Authority. Although legally separate, the Authority is considered a component unit of the Township because the Township is financially accountable for it.

Capital assets consist of building and improvements, net of depreciation, of \$1,948,785.

ECONOMIC FACTORS

In March 2020, the World Health Organization declared the outbreak of the COVID-19 coronavirus as a pandemic. The spread of the COVID-19 coronavirus could have an impact on Upper Merion Township's operational and financial performance, which has the potential to impact the Authority because the Township is financially accountable for the Authority.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives and disburses. If you have questions about this report or need additional information, please contact the Director of Finance and Administration at 175 West Valley Forge Road, King of Prussia, PA 19406-1802.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash \$ 26,987

NONCURRENT ASSETS

Capital assets

Building and improvements 8,072,168

Accumulated depreciation (6,123,383)

TOTAL CAPITAL ASSETS 1,948,785

TOTAL ASSETS 1,975,772

NET POSITION

Net investment in capital assets 1,948,785

Unrestricted 26,987

TOTAL NET POSITION \$ 1,975,772

See accompanying notes to the basic financial statements.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

OPERATING EXPENSES	
Accounting	\$ 2,772
Depreciation	200,526
Reimbursement to Upper Merion Township	<u>22,759</u>
TOTAL OPERATING EXPENSES	<u>226,057</u>
OPERATING LOSS	(226,057)
NONOPERATING REVENUES	
Investment income	<u>909</u>
CHANGE IN NET POSITION	(225,148)
NET POSITION AT BEGINNING OF YEAR	<u>2,200,920</u>
NET POSITION AT END OF YEAR	<u>\$ 1,975,772</u>

See accompanying notes to the basic financial statements.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to suppliers for services	\$ (2,772)
Cash payments to other governments	<u>(22,759)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(25,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>909</u>
NET DECREASE IN CASH	(24,622)
CASH AT BEGINNING OF YEAR	<u>51,609</u>
CASH AT END OF YEAR	<u>\$ 26,987</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (226,057)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	<u>200,526</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (25,531)</u>

See accompanying notes to the basic financial statements.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Authority

Upper Merion General Authority (the "Authority") is a separate legal entity (incorporated June 12, 1986), which is responsible for bonds issued to finance the construction, renovation, maintenance and operation of public use facilities in the Township.

Basis of Presentation

The financial statements of the Authority include all accounts of Upper Merion Township (the "Township") which relate to the Authority. The Authority is a component unit of the Township because the Township is financially accountable for it.

Basis of Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

Net Position Flow Assumption

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 Proprietary Fund 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 net position to have been depleted before unrestricted net position is applied.

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property

Property consists of building renovations and other site improvements recorded at cost and depreciated using the straight-line method over estimated useful lives ranging from 5 to 40 years.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. As of December 31, 2019, all of the Authority's bank balance of \$26,987 was invested in state investment pools which are uninsured and uncollateralized. The funds invested in statement investment pools are deposited in the PLGIT program, which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as deposits in a State Treasurer's investment pool, cannot be assigned a credit risk category because the government does not own specific securities. These assets maintain a stable net asset value of \$1 per share. All PLGIT deposits are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Building and improvements	\$ 8,072,168	\$ -	\$ -	\$ 8,072,168
Accumulated depreciation	(5,922,857)	(200,526)	-	(6,123,383)
	<u>\$ 2,149,311</u>	<u>\$ (200,526)</u>	<u>\$ -</u>	<u>\$ 1,948,785</u>

UPPER MERION GENERAL AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE D - LEASE COMMITMENTS AND CONTINGENCY

The lease with the Township remains in place without any financial obligations between the Authority and Township. The Authority will remain in place for any future capital projects that may be deemed necessary.

NOTE E - SUBSEQUENT EVENT

The Authority evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could have an impact on daily operations. Financial impact could occur though such potential impact is unknown at this time.