

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

FINANCIAL STATEMENTS

Year Ended December 31, 2021

INTRODUCTORY SECTION

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

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YEAR ENDED DECEMBER 31, 2021

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Upper Merion Transportation Authority (a component unit of Upper Merion Township), which comprise the statement of net position as of December 31, 2021, 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, which collectively comprise Upper Merion Transportation Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Upper Merion Transportation Authority as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Upper Merion Transportation 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 opinion.

Responsibilities of Management for the Financial Statements

Upper Merion Transportation Authority's 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 Upper Merion Transportation Authority's ability to continue as a going concern for one year after the financial statement date.

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

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 opinion. 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 GAAS 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 GAAS, 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 Upper Merion Transportation 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 Upper Merion Transportation 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 8 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.

Maillie LLP

Limerick, Pennsylvania
June 15, 2022

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Our discussion and analysis of the Upper Merion Transportation 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, 2021. 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 TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ 800,702	\$ 696,518
Other assets	327,946	181,634
TOTAL ASSETS	<u>1,128,648</u>	<u>878,152</u>
LIABILITIES		
Other liabilities	691,864	474,241
Long-term liabilities	-	375,944
TOTAL LIABILITIES	<u>691,864</u>	<u>850,185</u>
NET POSITION		
Unrestricted	<u>\$ 436,784</u>	<u>\$ 27,967</u>

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Assessments	\$ 274,444	\$ -
Grants	1,838,538	269,349
Investment income	253	7,809
TOTAL REVENUES	<u>2,113,235</u>	<u>277,158</u>
EXPENSES		
Professional fees	14,591	18,050
Miscellaneous	34	-
Road construction	1,655,625	409,893
Interest on long-term debt	10,078	16,058
Reimbursement to Upper Merion Township	24,090	22,716
TOTAL EXPENSES	<u>1,704,418</u>	<u>466,717</u>
CHANGE IN NET POSITION	408,817	(189,559)
NET POSITION, BEGINNING	<u>27,967</u>	<u>217,526</u>
NET POSITION, ENDING	<u>\$ 436,784</u>	<u>\$ 27,967</u>

REPORTING

For the past 30 years, Upper Merion Township has been in a period of substantial residential, industrial and commercial development due mostly to convenient accessibility via the Pennsylvania Turnpike, the Schuylkill Expressway (I-76) to Philadelphia and Routes 202 and 422. Many of the Township's roads were experiencing heavy congestion because of development as well as regional traffic. Local roads were quickly becoming inadequate. In 1985, the Upper Merion Transportation Authority was established to allow a greater degree of control over the scheduling and funding of highway improvements. In addition, the program identifies and prioritizes current highway and intersection flow problems and establishes a starting point for future improvements. Most importantly, the program provides a mechanism and source of revenue to fund various local improvements and reduces dependence on uncertain and untimely federal and state funding. A five-member board, appointed by the Township's Board of Supervisors, governs the Transportation Authority. Although legally separate, the Authority is considered a component unit of the Township because the Township is financially accountable for it.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The Transportation Authority is funded by assessments charged to developers whose projects would impact Upper Merion Township traffic. The assessment is a one-time payment based on the estimated cost of construction for road improvements to handle peak hour traffic. Revenues from traffic assessments during the year ended December 31, 2021, were \$274,444. Historically, from its inception, the Transportation Authority has taken in revenues in the form of traffic assessment fees totaling \$14,222,329.

Cash and investments represent 71% of the Authority's total assets.

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 TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

Cash	\$	617,268
Investments		183,434
Grant receivable		<u>327,946</u>
TOTAL ASSETS		<u>1,128,648</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		289,755
Due to Upper Merion Township		24,090
Accrued interest payable		2,075
Current portion of loan payable		<u>375,944</u>
TOTAL CURRENT LIABILITIES		<u>691,864</u>

NET POSITION

Unrestricted	\$	<u>436,784</u>
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See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021**

OPERATING REVENUES	
Assessments	\$ 274,444
Grants	1,838,538
TOTAL OPERATING REVENUES	<u>2,112,982</u>
OPERATING EXPENSES	
Professional fees	14,591
Miscellaneous	34
Road construction	1,655,625
Reimbursement to Upper Merion Township	24,090
TOTAL OPERATING EXPENSES	<u>1,694,340</u>
OPERATING INCOME	<u>418,642</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	253
Interest expense	(10,078)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(9,825)</u>
CHANGE IN NET POSITION	408,817
NET POSITION AT BEGINNING OF YEAR	<u>27,967</u>
NET POSITION AT END OF YEAR	<u>\$ 436,784</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments	\$ 274,444
Cash received from grants	1,692,226
Cash payments to suppliers for services	(1,457,969)
Cash payments to other governments	(22,716)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>485,985</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on loan payable	(369,933)
Interest paid	(12,121)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(382,054)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	253
Maturities of investments, net	434,198
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>434,451</u>
NET INCREASE IN CASH	538,382
 CASH AT BEGINNING OF YEAR	 <u>78,886</u>
CASH AT END OF YEAR	 <u><u>\$ 617,268</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 418,642
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Grant receivable	(146,312)
Accounts payable	212,281
Due to Upper Merion Township	1,374
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 485,985</u></u>

See accompanying notes to the basic financial statements.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Authority

The Upper Merion Transportation Authority (the "Authority") is a separate legal entity, which was created for the purpose of acquiring, constructing, improving, maintaining and operating, owning and leasing, either in the capacity of lessor or lessee, projects of the following kind and character: highways, parkways, transportation, traffic distribution centers and other business improvements including street paving, street lighting, parking lots, parking garages and all facilities necessary or incident thereto. The Authority is authorized to set rates and impose charges for such improvements as permitted by law.

Basis of Presentation

For financial reporting purposes, the Authority is a component unit of the Township. This financial statement is the separate component unit financial report of the Authority.

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.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Assessments

Assessments are recorded as revenues in the year the assessments are levied, even if payments are made in installments. Assessments received in advance are recorded as unearned revenue.

Investments

The Authority has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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 AND INVESTMENTS

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, 2021, \$0 of the Authority's \$617,268 bank balance was insured by the FDIC and \$617,268 is in the Pennsylvania Local Government Investment Trust (PLGIT) and is uninsured and uncollateralized.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - CASH AND INVESTMENTS (Continued)

Investments

As of December 31, 2021, the Authority had the following investments in an external investment pool:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ <u>183,434</u>	\$ <u>183,434</u>

The Authority maintains investments in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer’s investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2021, is \$183,434. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor’s and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are value at amortized cost in accordance with GASB Statement No. 79.

Investment of Authority funds covered by the investment policy is limited to the following investment instruments:

1. U.S. Treasury bills.
2. Treasury bonds or notes with maturities of less than two years.
3. Fully insured or collateralized CDs with maturities of less than one year at commercial banks and savings and loans that have been approved as Authority depositories by the Investment Committee.
4. Investment pools offered by the Commonwealth of Pennsylvania or other entities, which have been approved by the Commonwealth of Pennsylvania for investment by Second Class Townships.
5. Investment instruments offered by the Pennsylvania Local Government Investment Trust (PLGIT).
6. Repurchase agreements with a term of less than five days fully collateralized (minimum 102% of principal at market value) by U.S. Treasury securities.
7. Certain short-term obligations of U.S. Government agencies as approved by the Investment Committee.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk - The Authority's investment policy limits investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates. Except where specifically indicated above, or with the approval of the Investment Committee, maturities of investment instruments will be limited to a maximum of two years.

Fair Value Measurement - 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 the 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 those that lack significant observable inputs. The Authority did not have any recurring fair value measurements as of December 31, 2021.

Safekeeping and Custody - To protect against potential fraud and embezzlement, whenever practical, the investment assets of the Authority will be secured through third-party custody and safekeeping procedures. Bearer instruments will be held only through third-party institutions.

Credit Risk - Only debt issues that meet or exceed a credit rating of A from Standard & Poor's and/or an A rating from Moody's may be purchased. As of December 31, 2021, the Authority's investment in state investment pools was rated AAAM by Standard & Poor's.

Although not registered with the Securities and Exchange Commission and not subject to formal regulatory oversight, the state investment pool is subject to an independent annual audit. The fair value in the external investment pool is equivalent to the value of the pool shares.

NOTE C - GRANT RECEIVABLE

As part of the ongoing participation in the Federal Aid Highway Program for the Route 23 and Route 422 Transportation Studies, the Authority is reimbursed by federal, state and local governments (see Note E). As of December 31, 2021, the Authority was due \$327,946.

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PA Infrastructure Bank Loan	\$ <u>745,877</u>	\$ <u>-</u>	\$ <u>(369,933)</u>	\$ <u>375,944</u>	\$ <u>375,944</u>

The Authority entered into a bank loan agreement with Pennsylvania Infrastructure Bank dated July 12, 2012, borrowing \$3,500,000 payable over ten years with interest at 1.625%. The proceeds are to be used by the Authority to widen a portion of South Henderson Road. The first payment of principal and interest was due to Pennsylvania Infrastructure Bank on August 29, 2013.

The annual requirement to amortize the loan payable as of December 31, 2021, including interest payments, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ <u>375,944</u>	\$ <u>6,109</u>	\$ <u>382,053</u>

UPPER MERION TRANSPORTATION AUTHORITY
(A Component Unit of Upper Merion Township)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE E - COMMITMENT

Authority Agreement

The Authority has entered into an agreement to participate in a Federal Highway Aid Program for various transportation studies. Under the terms of the reimbursement agreement, the Authority is responsible for a share of the costs. The estimated project costs and estimated maximum reimbursement from federal funds are as follows:

	Totals
TRANSPORTATION STUDY	
S.R. 3051 Section C22 Multi-Use Trail Bridge over the Schuylkill River Project 164046-B	\$ 11,961,000
S.R. Section 2NG North Gulph Road Project 164228	1,250,000
East Church Road Bridge over SEPTA Project 064129-H	906,000
East Church Road Bridge over SEPTA Project R20060008	3,859,600

The total federal costs of the projects incurred through December 31, 2021, were \$8,156,175.

		Share of Costs			
Federal		State		Local	
\$ 11,961,000	100%	\$ -	0%	\$ -	0%
1,000,000	80%	250,000	20%	-	0%
724,800	80%	135,900	15%	45,300	*
3,678,400	95%	135,900	4%	45,300	1%

* Note -- The local share for the East Church Road Bridge over SEPTA Project 064129-H is shared as 2.0% Authority and 3.0% Montgomery County.