

**AUDIT NOTICE**

**BOROUGH OF WYOMISSING  
BERKS COUNTY, PENNSYLVANIA  
For the Year Ended December 31, 2019**

**ALL FUNDS**

<b>FUND BALANCE - January 1, 2019</b>		<b>\$ 9,450,631</b>
Taxes:		
Real estate	\$ 3,606,237	
Earned income	2,694,621	
Real estate transfer	402,282	
Mercantile and business	1,195,638	
Local services tax	625,651	
Street maintenance	406,176	
Special assessments	62,551	
Licenses and permits	310,894	
Fines and forfeits	65,479	
Interest, rent, and royalties	261,688	
Intergovernmental revenues	1,372,489	
Charges for services	5,909,963	
Other revenues	<u>118,317</u>	
TOTAL REVENUE AND OTHER FINANCING SOURCES		<u>17,031,986</u>
REVENUE AND BEGINNING FUND BALANCES		26,482,617
EXPENDITURES		
General government	1,725,618	
Public safety	4,471,184	
Health and human services	6,100	
Solid waste collection/disposal	781,450	
Waste water and sewer	2,164,858	
Water distribution system	1,657,962	
Highways and streets	2,809,787	
Culture and recreation	1,210,540	
Community development	138,372	
Employer paid benefits, insurance	<u>3,944,526</u>	
TOTAL EXPENDITURES		<u>18,910,397</u>
<b>FUND BALANCE - December 31, 2019</b>		<b><u><u>\$ 7,572,220</u></u></b>
OTHER INFORMATION		
Total assessed value of taxable real estate		\$1,020,644,800

The above statement is published in conformity with the Borough Code. Our accounts have been audited and a copy of the audit is available for inspection on the Borough's website, [www.wyomissingboro.org](http://www.wyomissingboro.org) under Newsletters and Reports, and once the Borough Hall is reopened, a copy will be available at the receptionists desk.



***BOROUGH OF WYOMISSING***

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY AND OTHER INFORMATION**

**Year Ended December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

**To the Members of Council  
Borough of Wyomissing  
Wyomissing, Pennsylvania**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Wyomissing as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Borough'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 Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Wyomissing as of December 31, 2019, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Wyomissing's basic financial statements. The combining modified cash basis - nonmajor governmental funds' and fiduciary funds' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining modified cash basis - nonmajor governmental funds' and fiduciary funds' financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining modified cash basis - nonmajor governmental funds' and fiduciary funds' financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Wyomissing's basic financial statements. The budgetary comparison information, the pension plan schedule of funding progress and employer contributions, the pension plan schedule of net pension liability and related ratios, and the other postemployment benefits plan schedule of funding progress, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**April 9, 2020**

**BOROUGH OF WYOMISSING**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

**December 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,472,942	\$ 6,099,278	\$ 7,572,220
Restricted escrow deposits	312,195	-	312,195
<b>TOTAL ASSETS</b>	<u>1,785,137</u>	<u>6,099,278</u>	<u>7,884,415</u>
<b>LIABILITIES</b>			
Funds held in escrow	312,195	-	312,195
<b>NET POSITION</b>			
Restricted - highway and streets	246,443	-	246,443
Unrestricted	<u>1,226,499</u>	<u>6,099,278</u>	<u>7,325,777</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,472,942</u>	<u>\$ 6,099,278</u>	<u>\$ 7,572,220</u>

**BOROUGH OF WYOMISSING**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For the Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
<b>Governmental activities:</b>							
General government	\$ 1,725,618	\$ 456,799	\$ 8,684	\$ -	\$ (1,260,135)	\$ -	\$ (1,260,135)
Public safety:							
Police	2,847,894	166,103	21,168	-	(2,660,623)	-	(2,660,623)
Fire	1,213,287	55,576	73,309	-	(1,084,402)	-	(1,084,402)
Other (planning, zoning, etc.)	410,003	292,334	-	-	(117,669)	-	(117,669)
Health and human services	6,100	-	-	-	(6,100)	-	(6,100)
Public works - highways and streets, other	2,814,622	148,022	613,476	-	(2,053,124)	-	(2,053,124)
Culture and recreation	1,210,540	210,632	-	-	(999,908)	-	(999,908)
Community development	138,372	-	48,620	-	(89,752)	-	(89,752)
Employer paid benefits and insurance	3,944,526	-	414,760	-	(3,529,766)	-	(3,529,766)
<b>Total governmental activities</b>	<b>14,310,962</b>	<b>1,329,466</b>	<b>1,180,017</b>	<b>-</b>	<b>(11,801,479)</b>	<b>-</b>	<b>(11,801,479)</b>
<b>Business-type activities:</b>							
Water distribution	1,657,962	1,818,652	81,250	-	-	241,940	241,940
Wastewater and sewer	2,164,858	2,441,149	-	-	-	276,291	276,291
Solid waste collection/disposal	776,615	836,185	159,842	-	-	219,412	219,412
<b>Total business-type activities</b>	<b>4,599,435</b>	<b>5,095,986</b>	<b>241,092</b>	<b>-</b>	<b>-</b>	<b>737,643</b>	<b>737,643</b>
<b>Total Primary Government</b>	<b>\$ 18,910,397</b>	<b>\$ 6,425,452</b>	<b>\$ 1,421,109</b>	<b>\$ -</b>	<b>(11,801,479)</b>	<b>737,643</b>	<b>(11,063,836)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					3,606,237	-	3,606,237
Street maintenance taxes					406,176	-	406,176
Earned income taxes					2,694,621	-	2,694,621
Franchise and other taxes					2,223,571	-	2,223,571
Investment earnings					120,808	121,680	242,488
Miscellaneous income					761	11,571	12,332
<b>Transfers</b>					<b>990,000</b>	<b>(990,000)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>10,042,174</b>	<b>(856,749)</b>	<b>9,185,425</b>
<b>Change in Net Position</b>					<b>(1,759,305)</b>	<b>(119,106)</b>	<b>(1,878,411)</b>
<b>Net Position - Beginning of Year</b>					<b>3,232,247</b>	<b>6,218,384</b>	<b>9,450,631</b>
<b>Net Position - End of Year</b>					<b>\$ 1,472,942</b>	<b>\$ 6,099,278</b>	<b>\$ 7,572,220</b>

See accompanying notes.

**BOROUGH OF WYOMISSING**

**BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS**

**December 31, 2019**

	General	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,244,143	\$ 228,799	\$ 1,472,942
Restricted escrow deposits	312,195	-	312,195
<b>TOTAL ASSETS</b>	<b>\$ 1,556,338</b>	<b>\$ 228,799</b>	<b>\$ 1,785,137</b>
<b>LIABILITIES</b>			
Funds held in escrow	\$ 312,195	\$ -	\$ 312,195
<b>FUND BALANCES</b>			
Restricted - highways and streets	17,644	228,799	246,443
Assigned	633,594	-	633,594
Unassigned	592,905	-	592,905
<b>TOTAL FUND BALANCES</b>	1,244,143	228,799	1,472,942
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,556,338</b>	<b>\$ 228,799</b>	<b>\$ 1,785,137</b>

**BOROUGH OF WYOMISSING**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2019**

	General	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Real estate taxes	\$ 3,606,237	\$ -	\$ 3,606,237
Earned income taxes	2,694,621	-	2,694,621
Other taxes	2,223,571	-	2,223,571
Street maintenance tax	-	406,176	406,176
Licenses, permits, and fines	376,373	-	376,373
Interest, rents, and royalties	131,591	8,417	140,008
Intergovernmental	751,483	379,914	1,131,397
Charges for services	813,977	-	813,977
Special assessments	62,551	-	62,551
Other	49,381	-	49,381
<b>TOTAL REVENUES</b>	<b>10,709,785</b>	<b>794,507</b>	<b>11,504,292</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,725,618	-	1,725,618
Public safety:			
Police	2,847,894	-	2,847,894
Fire	1,213,287	-	1,213,287
Other (planning, zoning, etc.)	410,003	-	410,003
Health and human services	6,100	-	6,100
Public works - sanitation	4,835	-	4,835
Public works - highways and streets	2,030,765	779,022	2,809,787
Culture and recreation	1,210,540	-	1,210,540
Community development	138,372	-	138,372
Employer paid benefits and insurance	3,944,526	-	3,944,526
<b>TOTAL EXPENDITURES</b>	<b>13,531,940</b>	<b>779,022</b>	<b>14,310,962</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,822,155)</b>	<b>15,485</b>	<b>(2,806,670)</b>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	57,365	-	57,365
Transfers in	990,000	-	990,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,047,365</b>	<b>-</b>	<b>1,047,365</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,774,790)</b>	<b>15,485</b>	<b>(1,759,305)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>3,018,933</b>	<b>213,314</b>	<b>3,232,247</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,244,143</b>	<b>\$ 228,799</b>	<b>\$ 1,472,942</b>

See accompanying notes.

**BOROUGH OF WYOMISSING**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS -  
PROPRIETARY FUNDS**

**December 31, 2019**

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	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
Cash and investments	<u>\$ 1,735,522</u>	<u>\$ 3,463,582</u>	<u>\$ 900,174</u>	<u>\$ 6,099,278</u>
<b>TOTAL ASSETS</b>	<u>1,735,522</u>	<u>3,463,582</u>	<u>900,174</u>	<u>6,099,278</u>
<b>NET POSITION</b>				
Unrestricted	<u>1,735,522</u>	<u>3,463,582</u>	<u>900,174</u>	<u>6,099,278</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,735,522</u></u>	<u><u>\$ 3,463,582</u></u>	<u><u>\$ 900,174</u></u>	<u><u>\$ 6,099,278</u></u>

*See accompanying notes.*

**BOROUGH OF WYOMISSING**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
MODIFIED CASH BASIS - PROPRIETARY FUNDS**

**For the Year Ended December 31, 2019**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water charges	\$ 1,818,652	\$ -	\$ -	\$ 1,818,652
Wastewater/sewage charges	-	2,441,149	-	2,441,149
Solid waste collection/disposal	-	-	836,185	836,185
<b>TOTAL OPERATING REVENUES</b>	<b>1,818,652</b>	<b>2,441,149</b>	<b>836,185</b>	<b>5,095,986</b>
<b>OPERATING EXPENSES</b>				
Personnel services	118,285	111,153	9,154	238,592
Maintenance, operations, and contracted services	1,180,383	1,537,591	714,539	3,432,513
Capital repairs and additions	351,780	513,854	51,318	916,952
Other	7,514	2,260	1,604	11,378
<b>TOTAL OPERATING EXPENSES</b>	<b>1,657,962</b>	<b>2,164,858</b>	<b>776,615</b>	<b>4,599,435</b>
<b>OPERATING INCOME</b>	<b>160,690</b>	<b>276,291</b>	<b>59,570</b>	<b>496,551</b>
<b>NONOPERATING REVENUES</b>				
Intergovernmental revenue (grant)	81,250	-	159,842	241,092
Interest, rents, and royalties	34,261	69,438	17,981	121,680
Other income	-	-	11,571	11,571
<b>TOTAL NONOPERATING REVENUES</b>	<b>115,511</b>	<b>69,438</b>	<b>189,394</b>	<b>374,343</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>276,201</b>	<b>345,729</b>	<b>248,964</b>	<b>870,894</b>
<b>TRANSFERS OUT</b>	<b>(240,000)</b>	<b>(600,000)</b>	<b>(150,000)</b>	<b>(990,000)</b>
<b>CHANGE IN NET POSITION</b>	<b>36,201</b>	<b>(254,271)</b>	<b>98,964</b>	<b>(119,106)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>1,699,321</b>	<b>3,717,853</b>	<b>801,210</b>	<b>6,218,384</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 1,735,522</b>	<b>\$ 3,463,582</b>	<b>\$ 900,174</b>	<b>\$ 6,099,278</b>

See accompanying notes.

**BOROUGH OF WYOMISSING**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS - FIDUCIARY FUNDS**

**December 31, 2019**

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	Pension Trust Funds
<b>ASSETS</b>	
Cash and investments	<u>\$ 26,099,874</u>
<b>TOTAL ASSETS</b>	<u>26,099,874</u>
<b>NET POSITION</b>	
Net position held in trust for pension benefits	<u>26,099,874</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 26,099,874</u></u>

**BOROUGH OF WYOMISSING**

**STATEMENT OF CHANGES IN NET POSITION -  
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

**For the Year Ended December 31, 2019**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Borough and Commonwealth	\$ 1,570,143
Employees	99,282
Other	270
Investment income (loss)	<u>4,394,254</u>
<b>TOTAL ADDITIONS</b>	6,063,949
<b>DEDUCTIONS</b>	
Benefit payments	989,303
Administrative expenses	<u>102,318</u>
<b>TOTAL DEDUCTIONS</b>	<u>1,091,621</u>
<b>CHANGE IN NET POSITION</b>	4,972,328
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>21,127,546</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 26,099,874</u></u>

## **BOROUGH OF WYOMISSING**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

The Borough of Wyomissing (the "Borough"), Berks County, Pennsylvania, is a borough created in 1906. The Borough is governed by seven (7) elected council members in accordance with laws of the Commonwealth of Pennsylvania. The council members must be residents and registered voters who are elected every two years, on a staggered basis, for a four-year term. The council members have the power to establish policies to be carried out by the Borough. The Borough council manages the Borough with the assistance of the Borough manager who is appointed.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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As described further in Note 1.E., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

##### **A. Financial Reporting Entity**

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

The Borough 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 an 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.

Based on the foregoing criteria, the Borough has determined it has three fiduciary component units. The Borough's pension plans are considered fiduciary component units and are reported as pension trust funds in the fiduciary fund financial statements.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **B. Jointly Governed Organizations**

Governments often enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a jointly governed organization whereby governments enter into an arrangement to plan for and address certain activities for their mutual benefit. The following are such relationships:

##### ***Western Berks Water Authority:***

The Borough, in conjunction with the boroughs of Shillington and West Reading, has created the Western Berks Water Authority. The Western Berks Water Authority's board is composed of two members from each of the municipalities. The primary purpose of the Authority is to provide water utilities to the member municipalities.

##### ***Joint Municipal Authority of Wyomissing Valley:***

The Borough, in conjunction with the borough of West Reading, has created the Joint Municipal Authority of Wyomissing Valley. The Joint Municipal Authority of Wyomissing Valley's board is composed of three members from each of the municipalities. The primary purpose of the Authority is to provide sewer utilities to the member municipalities.

##### **C. Basis of Presentation - Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Borough are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### C. Basis of Presentation - Government-Wide Financial Statements - continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

##### D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as one column (nonmajor funds) on the fund financial statements.

##### The Borough Reports the Following Major Governmental Fund:

General Fund - This fund is established to account for resources devoted to financing the general services that the Borough performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Borough are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

##### The Borough Reports the Following Nonmajor Governmental Funds:

Special Revenue Funds - These funds are established to account for the cash receipts of specific sources, other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes. The Borough's special revenue funds include the following:

- Street Maintenance Tax Fund - This fund is used to account for the proceeds from the real estate assessment of .4 mills for street improvement projects.
- State Highway Aid Fund - This fund is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.O. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### D. Basis of Presentation - Fund Financial Statements - continued

###### The Borough Has the Following Major Proprietary (Enterprise) Funds:

Enterprise Funds - These funds are used to account for business-like activities provided to the general public. Activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Borough's enterprise funds include the following:

- Water Fund - is used to account for the operation of the water distributions system. The water distribution system is a public utility service which is maintained on a self-supporting basis.
- Sewer Fund - is used to account for the operation of the sewer collection system which is operated as a public utility and not included as a regular function in the general fund.
- Refuse Fund - is used to account for the operation of the refuse collection and disposal services and the administration of the recycling program.

###### Additionally, the Borough Reports the Following Fund Types:

Fiduciary Funds - The Borough's fiduciary funds are trust funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the Borough's own programs. The Borough's pension trust funds include:

- Borough of Wyomissing Police Pension Fund - This fund was established to provide pension benefits to Borough employees.
- Borough of Wyomissing Nonuniformed Pension Fund - This fund was established to provide pension benefits to Borough employees. There is a defined benefit fund and a defined contribution fund for the nonuniformed employees.
- Borough of Wyomissing Firefighters Pension Fund - This fund was established to provide pension benefits to Borough employees. There is a defined benefit fund and a defined contribution fund for the firefighters.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **D. Basis of Presentation - Fund Financial Statements - continued**

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables/payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

##### **E. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

###### **1. Measurement Focus**

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### E. Measurement Focus and Basis of Accounting - continued

###### 1. Measurement Focus - continued

- The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

###### 2. Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. The basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, payroll taxes and withholdings, and developer escrows arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable, and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable, and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

If the Borough utilized accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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#### F. Financial Position

##### 1. Investments

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

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

##### 2. Restricted Escrow Deposit Account

The restricted escrow deposit account represents cash received by the Borough from developers to cover the Borough's cost of reviewing and approving development plans and as security deposits to ensure the related developments are completed in accordance with approved plans.

##### 3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

##### 4. Capital Assets

Purchased capital assets are recorded as expenditures in the governmental fund types. Proprietary fund type capital assets are recorded as expenditures in the fund in which it is utilized. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are recorded as expenditures in the fund types expending the funds.

##### 5. Long-Term Debt

Debt proceeds are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses).

**BOROUGH OF WYOMISSING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**6. Net Position/Fund Balance Classifications**

**Government-Wide Statements, Proprietary Funds, and Fiduciary Funds**

Net Position is classified and displayed in two components:

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net positions of the Borough, which are not restricted for any project or other purpose.

Flow Assumption - When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental Fund Financial Statements**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for a specific purpose determined by a formal action (resolution) of the Borough council, the government's highest level of decision-making authority. The formal action to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned - Amounts that the Borough council intends to use for a specific purpose. Assignments of fund balance are made by the Borough council.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose.

**BOROUGH OF WYOMISSING**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**6. Net Position/Fund Balance Classifications - continued**

**Fund Balance Policies**

Spending Policy

The Borough does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

The Borough has no formal minimum fund balance policies or any formal stabilization arrangements in place.

**G. Revenues and Expenditures, Expenses**

**1. Program Revenues**

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Borough's taxpayers are reported as program revenues. The Borough has the following program revenues in each activity:

General Government - Includes receipts for licenses, franchise fees, fines, and permits; operating grants include grants received.

Public Safety - Charges for services include receipts for fines and permits; operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania and a police grant.

Public Works: Highways and Streets - Includes charges for services related to traffic impact fees, contracted mowing, curbing and other services; operating grants include proceeds from the State Motor License Fund and the Green Light Go grant through the Commonwealth of Pennsylvania.

Culture and Recreation - Includes receipts from the Borough's swimming pool program and other recreational programs.

Community Development - Includes contributions from private sources to support economic development in the Borough.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### G. Revenues and Expenditures, Expenses - continued

###### 1. Program Revenues - continued

Employer Paid Benefits, Insurance - Includes general municipal pension system state aid from the Commonwealth of Pennsylvania.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenues even if restricted for a specific purpose.

###### 2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the water fund are water charges to customers. The principal operating revenues of the sewer fund are charges to customers for waste disposal treatment. Operating revenues for the refuse fund include solid waste collection and recycling charges. Operating expenses for all the proprietary funds include personnel, operations, and contracted services and repairs and maintenance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

###### 3. Property Taxes

Property taxes are levied on March 1, and are payable on or before June 30. The tax levy ordinance for the 2019 calendar year levied taxes for general fund purposes and street maintenance on March 1, 2019, at 3.5 mills and 0.4 mills, respectively. Taxes paid prior to April 30 are payable at a 2% discount, and taxes paid after June 30 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Berks County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$1,020,644,800.

###### 4. Compensated Absences

Compensated absences for vacation and sick leave are recorded when paid.

###### 5. Other Postemployment Benefits

The Borough provides certain benefits for its retired employees. The cost of such benefits is charged to expense as the premiums are paid.

##### H. Use of Estimates

The preparation of the financial statements in accordance with the modified cash basis of accounting used by the Borough requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### I. Adoption of Accounting Standard

Effective January 1, 2019, the Borough adopted a new accounting standard related to the reporting of fiduciary activities. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The Borough had previously reported developer escrow and pension trust funds as fiduciary funds. With the adoption of this standard the developer escrow funds do not meet the requirements to be reported as a fiduciary fund and are now reported in the general fund. The Borough's pension trust funds are now classified as fiduciary component units and continue to be blended and reported as pension trust funds on the fiduciary fund statements.

#### NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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##### Budgetary Data

The Borough adopts an annual operating budget, which can be amended by the council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Borough; however, budgets are adopted for all funds. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the modified cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts. Appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year.

The Borough follows the procedures outlined below in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Borough council prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Borough meeting to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.

**BOROUGH OF WYOMISSING**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED**

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**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2019, the general fund had excess expenditures over appropriations of \$592,310. This excess was primarily due to the board approving an additional \$530,000 paid into the Borough's three pension funds, unexpected additional costs for a fire truck purchase that was prepaid in 2018, as well as additional cost for economic development that are being funded in part by private source contributions. The Borough used revenue in excess of budgeted amounts and fund balance to fund the excess expenditures.

**NOTE 3 - CASH AND INVESTMENTS**

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Under Section 1316 of the Commonwealth of Pennsylvania Borough Code, the Borough is permitted to invest in the following types of investments as defined in the Borough Code:

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 backed 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 or 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.

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 components of cash and investments, as presented on the financial statements, are as follows at December 31, 2019:

Petty cash	\$	700
Deposits		7,883,715
Pension cash and investments		<u>26,099,874</u>
	\$	<u><u>33,984,289</u></u>

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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##### Cash

##### Custodial Credit Risk - Deposit

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 Borough does not have a policy for custodial credit risk. As of December 31, 2019, the carrying amount of the Borough's deposits was \$7,883,715 and the bank balance was \$8,293,530. Of the balance, \$7,428,191 was covered by federal depository insurance (FDIC), \$865,339 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. The Borough participates in an insured cash sweep savings account which spreads savings funds through a variety of banks with allocated funds at each bank being under the FDIC limit.

##### Investments

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

<u>Pension Cash and Investments</u>	<u>Fair Value</u>	<u>Level</u>
Pooled investments (mutual funds):		
Domestic equity	\$ 12,384,939	2
Fixed Income	8,261,540	2
International	3,989,803	2
Real estate	770,960	2
Short-term fixed income	692,632	2
	<u>                    </u>	
Total pension cash and investments	<u>\$ 26,099,874</u>	

The Borough 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.

An investment company holds the Borough's investments in diversified and balanced portfolios consisting of mutual funds. These investments are valued based on the quoted market prices for shares held. The fair value of the Borough's investments has been established utilizing the net asset value of the units allocated to the Borough.

##### Interest Rate Risk

The Borough 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 Borough does not have an investment policy that would limit its investment choices to certain credit ratings. The Borough's investments in pension funds held in mutual funds are not rated.

**BOROUGH OF WYOMISSING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Concentration of Credit Risk**

The Borough's policy for their pension investments is that, except for the specialty sectors, not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Not more than 25% of stock valued at market may be held in any one industry category. Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. This does not apply to issues of the U.S. Treasury or other Federal Agencies. The Borough's fiduciary investments are investments in mutual funds and excluded from this risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough does not hold any investments subject to custodial credit risk.

**NOTE 4 - INTERFUND TRANSFERS**

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Interfund transfers are as follows at December 31, 2019:

	Transfers In	Transfers Out
General Fund	\$ 990,000	\$ -
Enterprise Fund - Water	-	240,000
Enterprise Fund - Sewer	-	600,000
Enterprise Fund - Refuse	-	150,000
	\$ 990,000	\$ 990,000

Transfers are made to cover indirect costs.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 5 - PENSION PLANS

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The Borough administers and contributes to three defined benefit plans: The Borough of Wyomissing Police Pension Plan, the Borough of Wyomissing Nonuniformed Pension Plan, and the Borough of Wyomissing Firefighters Pension Plan. The Borough also administers and contributes to a defined contribution Firefighters Pension Plan that was established January 1, 2008. All firefighter employees hired after that date only have the defined contribution plan available to them while employees hired before that date have the option to convert to the defined contribution plan at any future date. The Borough also administers and contributes to a defined contribution Nonuniformed Pension Plan that was established July 1, 2016. All nonuniformed employees hired after that date only have the defined contribution plan available to them while employees hired before that date have the option to convert to the defined contribution plan at any future date. Each plan's assets may be used only for the payment of benefits to the members of the plan, in accordance with the terms of the plan.

#### Plan Descriptions

The Borough has three contributing defined benefit single-employer pension plans covering police, nonuniformed employees, and firefighters, as well as defined contribution plans covering firefighters and nonuniformed employees not covered under the defined benefit plan. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plans are governed by the Borough of Wyomissing, which is responsible for the management of plan assets. The plans are considered fiduciary component units of the Borough and are included in the Borough's financial statements as Pension Trust Funds.

#### Funding Policy

The contribution requirements of plan members and the Borough are established and may be amended by the Borough council. The contributions required of the Borough under the defined benefit plans are based on actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended December 31, 2019, the rate of Borough contributions for the Police Pension Plan, the Nonuniformed Pension Plan, and the Firefighters Pension Plan was 12.25%, 9.68%, and 8.07% of covered payroll, respectively. The contributions required of the Borough under the defined contribution plans are 10% of each covered employee's annual compensation. Total contributions to the Police Pension Plan for the years ended December 31, 2019, 2018, and 2017 were \$1,071,544, \$759,376, and \$251,257, respectively, which are equal to or exceed the required contribution for each year. Contributions to the Nonuniformed Pension Defined Benefits Plan for the years ended December 31, 2019, 2018, and 2017 were \$330,085, \$117,110, and \$110,118, respectively, which are equal to or exceed the required contribution for each year. Contributions to the Firefighters Pension Defined Benefits Plan for the years ended December 31, 2019, 2018, and 2017 were \$103,096, \$84,319, and \$82,589, respectively, which are equal to or exceed the required contribution for each year. Contributions to the Firefighters Pension Defined Contribution Plan for the years ended December 31, 2019, 2018, and 2017 were \$32,338, \$30,623, and \$29,210, respectively, which are equal to the required contribution for each year. Contributions to the Nonuniformed Pension Defined Contribution Plan for the years ended December 31, 2019, 2018, and 2017, were \$33,080, \$22,460 and \$14,227, respectively which are equal to the required contribution for each year.

Administrative costs, including investment, custodial, trustee, and actuary services, are charged to appropriate plan and funded from investment earnings.

## BOROUGH OF WYOMISSING

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 6 - DEFERRED COMPENSATION PLAN

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The Borough offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet eligibility requirements set forth in the plan, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or unforeseeable emergency. The Borough has no liability for losses under the plan arising from expense charges of any kind or from depreciation or shrinkage in the value of assets of the plan, but does have the duty of executing due care that would be required of an ordinary prudent investor.

#### NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

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##### Plan Description

The Borough administers a single-employer, defined benefit, healthcare plan (the Other Postemployment Benefits Plan). For eligible retired police officers, the plan provides up to \$750 of medical premiums for the retiree only, until the earlier of the retiree's death or Medicare eligibility. The retiree may elect to cover his/her spouse and dependents at his/her own expense. Nonpolice employees who retire on pension after normal retirement eligibility may purchase a Medicare supplement policy through the Borough's group plan, but must reimburse the Borough the full premium costs. The Other Postemployment Benefits Plan does not issue a publicly available financial report.

##### Funding Policy

Eligible retired police officers must pay the single rate premium in excess of \$750 (\$600 if retired prior to January 1, 2018) plus the full cost of dependent coverage and post Medicare benefits (if any). The Borough will provide the same medical insurance coverage offered to active members to the retiree only (single coverage) until age 65. Coverage can be extended to the dependents at the retiree's expense. The retiree may request coverage after age 65 for themselves and/or their spouse under a Medicare supplement plan at the retiree's expense. An officer who is engaged in other employment that provides full medical coverage is not eligible for medical benefits paid by the Borough.

For an employee who retires under the normal retirement provisions of the pension plan, the retirees may purchase a Medicare supplement policy through the Borough's group trust by paying the full premium coverage to the Borough in advance. Because post age 65 coverage is community-rated and participating retirees must reimburse the full cost of coverage, there is no OPEB liability for nonpolice employees. Benefit provisions are established through negotiation with the Borough and the unions representing the Borough's employees.

For the fiscal year ended December 31, 2019, the Borough contributed \$14,400 to the plan related to retirees.

## **BOROUGH OF WYOMISSING**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

#### **NOTE 8 - RISK MANAGEMENT**

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The Borough is exposed to various risk 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 for which the Borough retains risk of loss. There were no reductions in insurance coverages for the 2019 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **NOTE 9 - CONTINGENCIES**

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##### **Western Berks Water Authority**

The Borough has entered into a service agreement with the Western Berks Water Authority (the "Authority") to purchase water in accordance with terms as contained therein. If the Borough water service charge collections are insufficient to make the required monthly payments to the Authority, the Borough is to make up any such deficiency out of other available current revenues, as defined therein, of the Borough. If the Authority ultimately generates a deficit as determined by an agreed upon calculation, it can, under the terms and conditions of Sections 5.02 and 5.03 of the service agreement, assess the Borough its proportionate share of the deficit.

##### **Litigation**

The Borough is a defendant in several lawsuits. It is not feasible to determine the outcome of these matters, and an estimate of any total ultimate liability of the Borough is not determinable at this time.

#### **NOTE 10 - COMMITMENTS**

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The Borough has entered into eight contracts totaling \$2,493,933 for capital projects with \$2,163,274 paid at December 31, 2019, leaving \$330,659 of commitments outstanding, which will be paid with existing cash and related grants.

## **BOROUGH OF WYOMISSING**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

#### **NOTE 11 - INTERMUNICIPAL AGREEMENTS**

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On September 16, 2015, the Borough entered into an agreement with the Township of Spring to provide administrative and operational management services for the Wyomissing Fire Department. Effective July 1, 2018, the Fire Commissioner resigned, and all duties of the Fire Commissioner were assumed by the Fire Chief and the Fire Code Official. As a result, the parties entered into a new agreement on January 8, 2019, retroactive to July 1, 2018, with revised payment terms. Under this agreement the Borough shall pay the Township \$120,000 annually, payable in monthly installments of \$10,000. This amount was paid in full during 2019. The agreement shall automatically renew for one-year terms under the same terms unless either party notifies the other party at least 90 days prior to the expiration of the current term that the agreement is to terminate or that the terms are to be changed. This agreement has been extended through December 31, 2020.

During 2012, the Borough entered into interest-free promissory notes with the County of Berks, Pennsylvania, for public safety system hardware and accessory hardware on behalf of the Borough of Wyomissing Police Department and the Borough of Wyomissing Fire Department. Annual payments of \$38,009 will be made beginning June 1, 2013, through 2019. The annual payments consist of \$25,263 for Borough of Wyomissing Police Department hardware and \$12,746 for Borough of Wyomissing Fire Department hardware. The final payment on these notes were made in 2019.

#### **NOTE 12 - FUND BALANCE**

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Fund balance classifications for the year ended December 31, 2019, were as follows:

##### **General Fund**

The general fund has a restricted fund balance of \$17,644 for highway and street items consisting of unspent traffic impact fees, an assigned fund balance of \$633,594 which is the appropriation of fund balance for the 2020 budget and unassigned fund balance of \$592,905.

##### **Nonmajor Funds**

The nonmajor special revenue funds have restricted funds of \$228,799, consisting of \$35,493 in unspent street maintenance funds and \$193,306 in unspent highway state aid funds.

**SUPPLEMENTARY INFORMATION**

**BOROUGH OF WYOMISSING**

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2019**

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	Street Maintenance Tax Fund	State Highway Aid	Totals
<b>ASSETS</b>			
Cash and investments	\$ 35,493	\$ 193,306	\$ 228,799
<b>TOTAL ASSETS</b>	<u>\$ 35,493</u>	<u>\$ 193,306</u>	<u>\$ 228,799</u>
<b>FUND BALANCES</b>			
Restricted for highways and streets	\$ 35,493	\$ 193,306	\$ 228,799
<b>TOTAL FUND BALANCES</b>	<u>\$ 35,493</u>	<u>\$ 193,306</u>	<u>\$ 228,799</u>

**BOROUGH OF WYOMISSING**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2019**

	Street Maintenance Tax Fund	State Highway Aid	Totals
<b>REVENUES</b>			
Street maintenance tax	\$ 406,176	\$ -	\$ 406,176
Interest, rents, and royalties	2,734	5,683	8,417
Intergovernmental	-	379,914	379,914
	<u>408,910</u>	<u>385,597</u>	<u>794,507</u>
<b>TOTAL REVENUES</b>	408,910	385,597	794,507
<b>EXPENDITURES</b>			
Public works - highways and streets	400,000	379,022	779,022
	<u>400,000</u>	<u>379,022</u>	<u>779,022</u>
<b>TOTAL EXPENDITURES</b>	400,000	379,022	779,022
<b>NET CHANGE IN FUND BALANCES</b>	8,910	6,575	15,485
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>26,583</u>	<u>186,731</u>	<u>213,314</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 35,493</u>	<u>\$ 193,306</u>	<u>\$ 228,799</u>

**BOROUGH OF WYOMISSING**

**COMBINING STATEMENT OF NET POSITION - MODIFIED CASH BASIS -  
FIDUCIARY FUNDS**

**December 31, 2019**

	Defined Benefit Plans			Defined Contribution Plans		Total Pension Trust Funds
	Police Pension Fund	Nonuniformed Pension Fund	Firefighters Pension Fund	Nonuniformed Pension Fund	Firefighters Pension Fund	
<b>ASSETS</b>						
Cash and investments	\$ 17,506,483	\$ 7,010,330	\$ 1,277,904	\$ 82,180	\$ 222,977	\$ 26,099,874
<b>TOTAL ASSETS</b>	<u>17,506,483</u>	<u>7,010,330</u>	<u>1,277,904</u>	<u>82,180</u>	<u>222,977</u>	<u>26,099,874</u>
<b>NET POSITION</b>						
Net position held in trust for pension benefits	<u>\$ 17,506,483</u>	<u>\$ 7,010,330</u>	<u>\$ 1,277,904</u>	<u>\$ 82,180</u>	<u>\$ 222,977</u>	<u>\$ 26,099,874</u>

**BOROUGH OF WYOMISSING**

**COMBINING STATEMENT OF CHANGES IN NET POSITION -  
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

**For the Year Ended December 31, 2019**

	Defined Benefit Plans			Defined Contribution Plans		Total Pension Trust Funds
	Police Pension Fund	Nonuniformed Pension Fund	Firefighters Pension Fund	Nonuniformed Pension Fund	Firefighters Pension Fund	
<b>ADDITIONS</b>						
Contributions:						
Borough and Commonwealth Employees	\$ 1,071,544	\$ 330,085	\$ 103,096	\$ 33,080	\$ 32,338	\$ 1,570,143
Other	99,282	-	-	-	-	99,282
Investment income	-	270	-	-	-	270
	<u>2,937,378</u>	<u>1,202,925</u>	<u>208,894</u>	<u>10,622</u>	<u>34,435</u>	<u>4,394,254</u>
<b>TOTAL ADDITIONS</b>	<b>4,108,204</b>	<b>1,533,280</b>	<b>311,990</b>	<b>43,702</b>	<b>66,773</b>	<b>6,063,949</b>
<b>DEDUCTIONS</b>						
Benefit payments	561,700	352,006	75,597	-	-	989,303
Administrative expenses	68,408	27,927	4,922	243	818	102,318
	<u>630,108</u>	<u>379,933</u>	<u>80,519</u>	<u>243</u>	<u>818</u>	<u>1,091,621</u>
<b>TOTAL DEDUCTIONS</b>	<b>630,108</b>	<b>379,933</b>	<b>80,519</b>	<b>243</b>	<b>818</b>	<b>1,091,621</b>
<b>CHANGE IN NET POSITION</b>	<b>3,478,096</b>	<b>1,153,347</b>	<b>231,471</b>	<b>43,459</b>	<b>65,955</b>	<b>4,972,328</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>14,028,387</u>	<u>5,856,983</u>	<u>1,046,433</u>	<u>38,721</u>	<u>157,022</u>	<u>21,127,546</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 17,506,483</u>	<u>\$ 7,010,330</u>	<u>\$ 1,277,904</u>	<u>\$ 82,180</u>	<u>\$ 222,977</u>	<u>\$ 26,099,874</u>

**OTHER INFORMATION**

**BOROUGH OF WYOMISSING**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS**

**(UNAUDITED)**

**For the Year Ended December 31, 2019**

	* Budget	Actual	Variance
<b>REVENUES</b>			
Real estate taxes	\$ 3,523,750	\$ 3,606,237	\$ 82,487
Earned income taxes	3,275,000	2,694,621	(580,379)
Other taxes	2,185,000	2,223,571	38,571
Licenses, permits, and fines	372,000	376,373	4,373
Interest, rents, and royalties	59,200	131,591	72,391
Intergovernmental	451,700	751,483	299,783
Charges for services	655,390	813,977	158,587
Special assessments	5,000	62,551	57,551
Other	4,850	49,381	44,531
<b>TOTAL REVENUES</b>	<b>10,531,890</b>	<b>10,709,785</b>	<b>177,895</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,657,923	1,725,618	(67,695)
Public safety:			
Police	2,947,790	2,847,894	99,896
Fire	1,076,252	1,213,287	(137,035)
Other (planning, zoning, etc.)	303,380	410,003	(106,623)
Health and human services	10,000	6,100	3,900
Public works - sanitation	5,500	4,835	665
Public works - highways and streets	1,983,000	2,030,765	(47,765)
Culture and recreation	1,286,050	1,210,540	75,510
Community development	25,000	138,372	(113,372)
Employer paid benefits and insurance	3,644,735	3,944,526	(299,791)
<b>TOTAL EXPENDITURES</b>	<b>12,939,630</b>	<b>13,531,940</b>	<b>(592,310)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,407,740)</b>	<b>(2,822,155)</b>	<b>(414,415)</b>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	30,000	57,365	27,365
Transfers in	990,000	990,000	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,020,000</b>	<b>1,047,365</b>	<b>27,365</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,387,740)</b>	<b>(1,774,790)</b>	<b>\$ (387,050)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>3,018,933</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 1,244,143</b>	

\* Original and Final Budget are the same.

**BOROUGH OF WYOMISSING**

**POLICE, NONUNIFORMED, AND FIREFIGHTERS PENSION PLANS  
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
(In Accordance with Act 205)**

**(UNAUDITED)**

**SCHEDULES OF FUNDING PROGRESS \***

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b>POLICE PENSION PLAN</b>						
01/01/17	\$ 13,056,471	\$ 15,875,536	\$ 2,819,065	82.2%	\$ 2,094,139	134.6%
01/01/15	12,711,404	13,617,061	905,657	93.3%	1,997,539	45.3%
01/01/13	9,709,749	12,025,205	2,315,456	80.7%	2,050,575	112.9%
<b>NONUNIFORMED PENSION PLAN</b>						
01/01/17	\$ 5,794,961	\$ 5,924,660	\$ 129,699	97.8%	\$ 1,500,257	8.6%
01/01/15	5,705,084	5,133,181	(571,903)	111.1%	1,488,709	-38.4%
01/01/13	4,523,339	4,322,536	(200,803)	104.6%	1,436,009	-14.0%
<b>FIREFIGHTERS PENSION PLAN</b>						
01/01/17	\$ 976,539	\$ 1,232,092	\$ 255,553	79.3%	\$ 334,597	76.4%
01/01/15	890,497	948,234	57,737	93.9%	380,894	15.2%
01/01/13	604,704	637,600	32,896	94.8%	443,078	7.4%

Note: For the 1/1/15 actuarial valuation the interest rate assumption decreased from 8.00% to 7.75% and the salary scale was lowered from 5.0% to 4.75%, which resulted in an additional liability of \$437,531 across all plans.

**SCHEDULES OF EMPLOYER CONTRIBUTIONS \***

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
<b>POLICE PENSION PLAN</b>			<b>NONUNIFORMED PENSION PLAN</b>		
2019	\$ 652,806	164%	2019	\$ 162,884	203%
2018	247,094	307%	2018	82,794	141%
2017	251,257	100%	2017	90,795	121%
2016	248,007	115%	2016	93,308	121%
2015	426,309	104%	2015	105,810	111%
2014	482,601	173%	2014	200,210	100%
<b>FIREFIGHTERS PENSION PLAN</b>					
2019	\$ 58,109	177%			
2018	44,248	191%			
2017	40,602	187%			
2016	47,502	184%			
2015	39,132	200%			
2014	53,305	131%			

\* Schedules prepared in accordance with actuarial valuations performed under PA Act 205. These valuations are utilized to determine funding requirements for the plans.

**BOROUGH OF WYOMISSING**

**POLICE, NONUNIFORMED, AND FIREFIGHTERS PENSION PLANS  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS  
(In Accordance with GASB 68)**

**(UNAUDITED)**

<u>Measurement Date</u>	<u>Plan Fiduciary Net Position (a)</u>	<u>Total Pension Liability (TPL)(b)</u>	<u>Net Pension (NPL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>NPL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b>POLICE PENSION PLAN</b>						
12/31/19	\$ 17,553,182	\$ 18,350,179	\$ 796,997	95.7 %	\$ 1,785,478	44.6 %
12/31/18	14,076,561	17,768,723	3,692,162	79.2 %	2,020,444	182.7 %
12/31/17	14,801,294	16,767,079	1,965,785	88.3 %	2,094,384	93.9 %
12/31/16	13,056,471	14,916,219	1,859,748	87.5 %	2,036,674	91.3 %
12/31/15	12,530,469	14,280,186	1,749,717	87.7 %	2,002,729	87.4 %
12/31/14	12,711,404	13,668,490	957,086	93.0 %	2,009,937	47.6 %
<b>NONUNIFORMED PENSION PLAN</b>						
12/31/19	\$ 7,037,242	\$ 7,364,351	\$ 327,109	95.6 %	\$ 1,397,631	23.4 %
12/31/18	5,881,923	6,597,381	715,458	89.2 %	1,467,717	48.7 %
12/31/17	6,500,031	6,260,318	(239,713)	103.8 %	1,551,611	(15.4) %
12/31/16	5,797,723	5,818,500	20,777	99.6 %	1,577,959	1.3 %
12/31/15	5,545,613	5,464,968	(80,645)	101.5 %	1,524,828	(5.3) %
12/31/14	5,705,084	4,964,971	(740,113)	114.9 %	1,385,047	(53.4) %
<b>FIREFIGHTERS PENSION PLAN</b>						
12/31/19	\$ 1,284,361	\$ 1,419,111	\$ 134,750	90.5 %	\$ 397,688	33.9 %
12/31/18	1,052,718	1,333,893	281,175	78.9 %	386,237	72.8 %
12/31/17	1,124,666	1,280,388	155,722	87.8 %	345,694	45.0 %
12/31/16	1,070,263	1,142,351	72,088	93.7 %	422,422	17.1 %
12/31/15	949,380	986,104	36,724	96.3 %	390,787	9.4 %
12/31/14	890,497	790,499	(99,998)	112.6 %	369,337	(27.1) %

Note: In 2017 the total pension liability and plan net assets were reduced by \$93,724 and \$2,762 for the Firefighters and Nonuniformed plans, respectively, to remove the defined contribution plan assets.

Assumption Changes: In 2015, the interest rate assumption was lowered from 8.0% to 7.75% per annum and the salary scale was lowered from 5.0% to 4.75%. In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 7.75% to 7.5% per annum and the salary scale was lowered from 4.75% to 4.5%.

Schedules are prepared based on actuarial valuations performed in accordance with GASB 68. GASB 68 requires the liability of employers contributing to employees defined benefit pension plans to be measured on the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to the employees past period of service, less the cost of the plan's fiduciary net position.

**BOROUGH OF WYOMISSING**

**OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS**

**(UNAUDITED)**

	Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)
Governmental Activities	1/1/2018	\$ -	\$ 1,433,080	\$ 1,433,080	0.00%
Governmental Activities	1/1/2016	-	1,029,131	1,029,131	0.00%
Governmental Activities	1/1/2013	-	900,828	900,828	0.00%

The 1/1/18 actuarial valuation was performed under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaced the requirements for GASB 45. This statement established new standards for measuring the other postemployment benefits liabilities which resulted in changes to the actuarial valuation assumptions.