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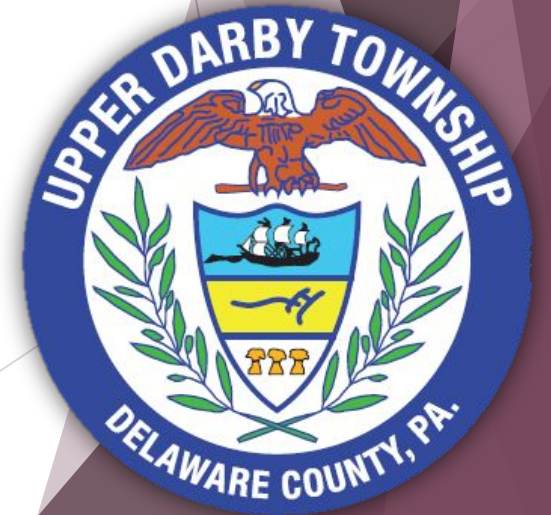
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# UPPER DARBY TOWNSHIP

## *Financial Presentation*

**Donna Stilwell, CPA, CFE, Partner**

*June 15, 2022*

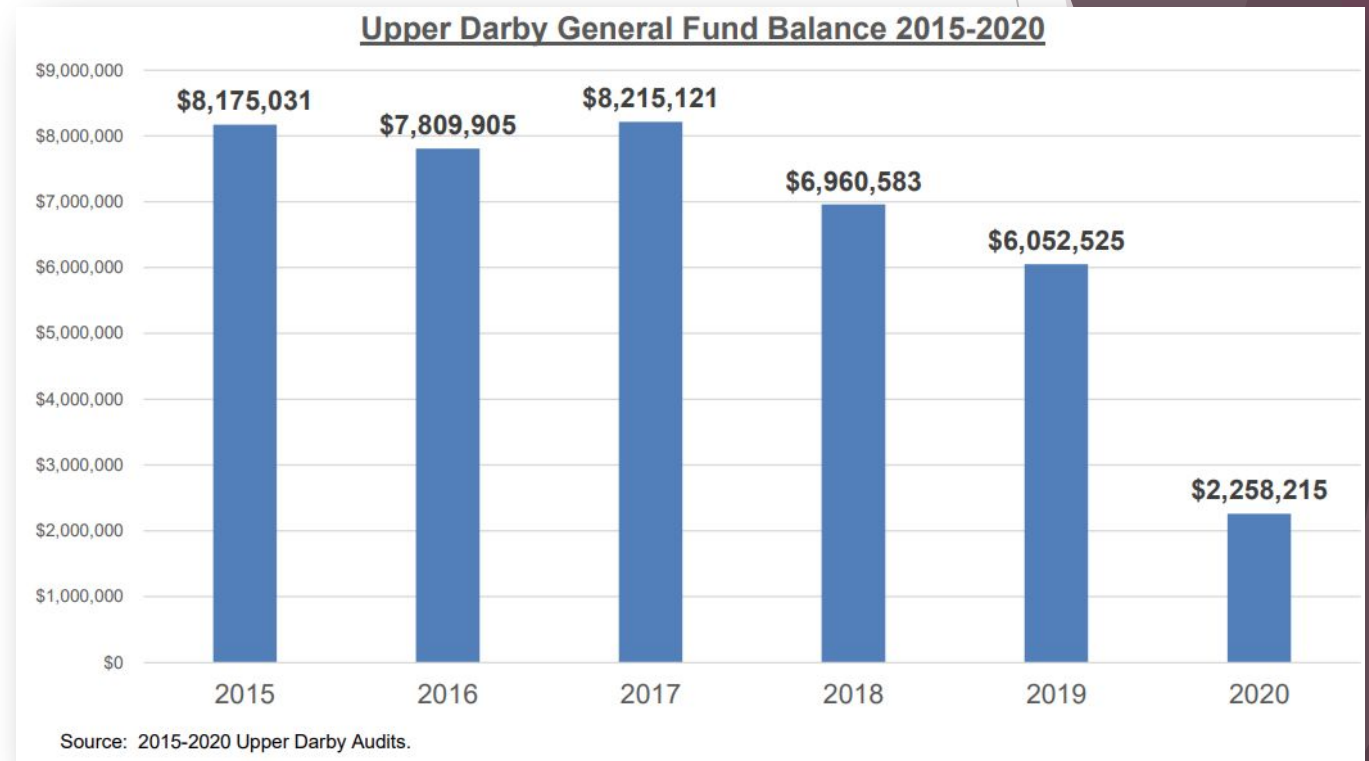


# PURPOSE OF THE PRESENTATION

- Provide information to council
- Audit update
- Lost Revenue
- Preview of budget adjustments
- Moving Forward

# FUND BALANCE

- Fund Balance = Assets – Liabilities.
- Upper Darby's fund balance has been declining as Vijay Kapoor presented to council in April 2022.



# WHAT IS THE RECOMMENDED FUND BALANCE?

- ❑ GFOA – Government Finance Officer’s Association best practices

*GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.*

# UPPER DARBY RECOMMENDED FUND BALANCE

- ❑ Based on this best practice, Upper Darby should have a fund balance of approximately \$13M.
- ❑ How do you get there?
  - ❑ Budget a surplus or a reserve for the fund balance.
  - ❑ Take advantage of the ARPA funds for lost revenue to rebuild the fund balance by 2023.

# 2021 FINANCIAL INFORMATION AND UPDATE ON THE AUDIT

- ❑ The 2021 financial information will change from what has been presented due to change in receivables, prepaid expenses, accrued expenses, payroll and other liabilities which must be recorded.
- ❑ Based on conversations with the Auditor and Jack Reagan, at UHY the \$6M of lost revenue approved in February 2022, should be recognized in 2021.
- ❑ Reclass 2021 Sinking Fund revenue from General Fund
- ❑ We are still reviewing invoices from year end to determine any prepaid expenses or accrued expenses which need to be recorded.
- ❑ We cannot tell you the General Fund Balance at 12/31/2021 until all adjustments have been made
- ❑ The timeframe for the audit is the end of July/beginning of August.
- ❑ Going forward we anticipate the annual audits to be completed timely.

# Lost Revenue

- ❑ In January 2022, Treasury released the final ruling on the Coronavirus State & Local Fiscal Recovery Funds (SLFRF)
- ❑ Increased the growth rate of the calculation from 4.1% to 5.2%
- ❑ Recalculated the lost revenue having the benefit of the audited financial numbers
- ❑ Lost Revenue increased from the previous calculation of \$6.3M to \$7.8M. Lost revenue will be recognized in 2021.
- ❑ Lost Revenue calculation for this year is \$10M.
- ❑ Council should consider increasing the lost revenue from \$6M to \$7.8M for 2021 and approve \$10M for 2022.

# Calculation of Lost Revenue

Revenue provided by Audited Financial Statements		
	Baseline	
	2019	2020
Taxes & Assessments		
Property (excludes revenue for Debt Service)	53,850,622	53,249,985
Sewer Rentals/P&I	7,492,074	7,731,569
Local Enabling	3,111,672	2,957,499
Licenses & Permits	3,731,954	2,709,275
Fines	721,814	433,399
LESS: Police Forfeiture	(100,317)	(6,425)
Rent	228,049	166,020
Dept Earnings	7,964,038	6,900,410
LESS: CDBG	(159,430)	(182,742)
LESS: Fire Safer	-	(56,159)
Investment Earnings (all funds)	512,386	52,857
Joint Projects(Sewer)	1,441,677	1,159,873
	78,794,539	75,115,561
ARPA Annual Growth Rate		5.2%
Baseline Revenue (2019 with 5.2% Annual Increase)		\$ 82,891,855
Annual General Revenue		75,115,561
Lost Revenue		\$ 7,776,294

Revenue excludes Intergovernmental, COSA, Pension & Volunteer Firemen



# Calculation of Lost Revenue

Revenue provided by Audited Financial Statements - 2019 & 2020						
	Baseline		TB Actual			
	2019	2020	2021			
Taxes & Assessments						
Property (excludes revenue for Debt Service)	53,850,622	53,249,985	53,550,304	average 2019 & 2020		
Sewer Rentals/P&I	7,492,074	7,731,569	7,611,822	average 2019 & 2020		
Local Enabling	3,111,672	2,957,499	2,661,651			
Licenses & Permits	3,731,954	2,709,275	3,223,991			
Fines	721,814	433,399	582,542			
LESS: Police Forfeiture	(100,317)	(6,425)	(28,929)			
Rent	228,049	166,020	157,988			
Dept Earnings	7,964,038	6,900,410	7,891,728	Dept 361-364,367		
LESS: CDBG	(159,430)	(182,742)				
LESS: Fire Safer	-	(56,159)				
Investment Earnings (all funds)	512,386	52,857				
Joint Projects(Sewer)	1,441,677	1,159,873	1,551,736	sewer reimb		
	78,794,539	75,115,561	77,202,832			
ARPA Annual Growth Rate		5.2%	5.2%			
Baseline Revenue (2019 with 5.2% Annual Increase)		\$82,891,855	\$ 87,202,231			
Annual General Revenue		75,115,561	77,202,832			
Lost Revenue		\$ 7,776,294	\$ 9,999,400			

**Revenue excludes Intergovernmental, COSA, Pension & Volunteer Firemen Allocation, Other Revenue**

# REVIEW OF UPPER DARBY FUNDS & PURPOSE

- ❑ Funds – description of the funds are outlined in Note A in the audit report. \*indicates Major Fund
  - ❑ General Fund\*
  - ❑ Capital Projects Fund \*
  - ❑ Sewer Fund (Special Revenue Fund)\*
  - ❑ Sinking Fund (Debt Service)\*
  - ❑ Liquid Fuels Fund (Special Revenue Fund)

# PREVIEW OF BUDGET ADJUSTMENTS – not yet finalized

Upper Darby Township		<b>DRAFT</b>
Proposed 2022 Budget Amendment		
	<b>Adjustment</b>	<b>Amount</b>
<b>Revenue</b>		
1.	Food Licenses, now being done at the County level	(98,932.68)
2.	Miscellaneous Grant Revenue	(500,000.00)
3.	Remove transfer from Sewer Fund	(1,100,000.00)
4.	Loss Revenue Allocation to be recognized in 2022	9,999,400.00
		<b>8,300,467.32</b>
<b>Expenditures</b>		
1.	Business Systems Analyst, effective 9/1 (Salary \$90K,+ Fringe)	39,000.00
2.	Consulting Search Firm & Temporary Finance Director	180,000.00
3.	Retro pay and increased salaries for Police	520,000.00
4.	Retro pay and increased salaries for Transportation	225,000.00
5.	Retro pay and increased salaries for Fire	285,000.00
6.	Estimated PR taxes	78,795.00
7.	Police: Repairs & Maintenance of Building	65,000.00
8.	Police: Building Rent	48,000.00
9.	Operational fund reserve	3,200,000.00
		<b>4,640,795.00</b>
	<b>Net Impact to Budget</b>	<b>\$ 3,659,672.32</b>

# WHY GREENBAR REPORT

- ❑ It is the source document, and it is the most accurate financial data available.
- ❑ When you download the information from the Harris system— there are approximately 2,000 lines of data and numerous columns.
- ❑ Less chance of errors and missing information from manipulating this much data.
- ❑ Primary focus is the ERP Implementation and bringing the audits current.

# MOVING FORWARD

- ❑ Finalize budget adjustments with the Administration and Council.
- ❑ Assist in the transition of the new finance director.
- ❑ 2023 Budget: begin preparation of the 2023 budget working together with the Administration and Council.
- ❑ Work to bring the audits current.
- ❑ Assisting with the ERP implementation.