

**REDEVELOPMENT AUTHORITY OF THE
COUNTY OF DAUPHIN
HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

REDEVELOPMENT AUTHORITY OF THE
COUNTY OF DAUPHIN
YEAR ENDED JUNE 30, 2019

CONTENTS

	<u>Page</u>
Independent Auditor's Report on the Financial Statements	1 – 2
Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 10



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Redevelopment Authority of the County of Dauphin
Board of Directors
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Redevelopment Authority of the County of Dauphin (the "Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Zelenkofske Axelrod LLC

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Redevelopment Authority of the County of Dauphin
Board of Directors
Harrisburg, Pennsylvania

Adoption of Governmental Accounting Standards Board Pronouncements

As discussed in Note 1 to the financial statements, in 2019 the Authority adopted the provisions of Governmental Accounting Standards Board's Statement No. 83, "Certain Asset Retirement Obligations", Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", and Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". Our opinion is not modified with respect to these matters.

Emphasis of Matter Subsequent Events

As discussed in Note 6, a subsequent event may have a significant impact on the operations of the Authority. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other Matters

Omission of Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
August 24, 2020

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Restricted Cash	\$ 198,263
Accounts Receivable	286
Grants Receivable	30,652
Inventory - Held For Resale	<u>11,384</u>
Total Assets	<u><u>\$ 240,585</u></u>

LIABILITIES

Accounts Payable	\$ 34,083
Due to Related Party	<u>13,000</u>
Total Liabilities	<u>47,083</u>

NET POSITION

Restricted for Program Purposes	<u>193,502</u>
Total Net Position	<u><u>\$ 193,502</u></u>

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

Operating Revenues		
Intergovernmental		\$ 250,638
		<u>250,638</u>
Total Operating Revenues		<u>250,638</u>
Operating Expenses		
Administrative		77,208
Public Services		165,868
		<u>243,076</u>
Total Operating Expenses		<u>243,076</u>
Operating Income		<u>7,562</u>
Nonoperating Revenue		
Interest Income		<u>35</u>
Total Nonoperating Revenue		<u>35</u>
Change in Net Position		7,597
Total Net Position, Beginning of Year		<u>185,905</u>
Total Net Position, End of Year		<u><u>\$ 193,502</u></u>

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:	
Cash received from intergovernmental grants	\$ 239,725
Payments to suppliers	<u>(239,205)</u>
Net cash flow provided by operating activities	<u>520</u>
Cash Flows from Investing Activities:	
Interest Income	<u>35</u>
Net cash flow provided by investing activities	<u>35</u>
Net Increase in Cash	555
Cash, Beginning of Year	197,708
Cash, End of Year	<u><u>\$ 198,263</u></u>
Reconciliation of Operating Income to net cash provided by Operating Activities:	
Operating Income	\$ 7,562
Change in assets and liabilities	
Grants receivable	(23,913)
Accounts payable	15,255
Due to related parties	13,000
Inventory - Held for resale	<u>(11,384)</u>
Net cash provided by operating activities	<u><u>\$ 520</u></u>

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Authority of the County of Dauphin (Authority) was established by ordinance on March 26, 1958, under the Urban Redevelopment Law enacted by the Commonwealth of Pennsylvania. The Authority is, by virtue of the Pennsylvania Redevelopment Law, Act 1945, authorized to issue its revenue bonds in order to undertake programs for the voluntary repair, rehabilitation and conservation of residential housing. The Authority was established by the County to administer the Urban Revitalization programs for the County of Dauphin.

A summary of the Authority's significant accounting policies consistently applied are as follows.

A. Reporting Entity

The Authority has adopted the provisions of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.*" The Authority has not identified any entities which should be included in the Authority's reporting entity.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the Authority are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The activities of the Authority are grouped in the financial statements in this report into the broad category referred to as an Enterprise Fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is reported as "restricted".

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of 3 months or less when purchased to be cash equivalents.

D. Inventory – Held For Resale

Inventories are valued at the lower of cost or market.

E. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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 government did not have any 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 government did not have any items that qualify for reporting in this category.

G. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", and GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". The adoption of these statements had no effect on previously reported amounts.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, *"Fiduciary Activities"*. The Authority is required to adopt the provisions of statement No. 84 for its fiscal year 2021 financial statements.

In June 2017, the GASB issued Statement No. 87, *"Leases"*. The Authority is required to adopt the provisions of Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*. The Authority is required to adopt the provisions of Statement No. 89 for its fiscal year 2022 financial statements.

In August 2018, the GASB issued Statement No. 90, *"Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61"*. The Authority is required to adopt the provisions of Statement No. 90 for its fiscal year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, *"Conduit Debt Obligations"*. The Authority is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, *"Omnibus 2020"*. The Authority is required to adopt the provisions of Statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *"Replacement of Interbank Offered Rates"*. The Authority is required to adopt the provisions of Statement No. 93 for its fiscal year 2021, 2022, and 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*. The Authority is required to adopt the provisions of Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *"Subscription-Based Information Technology Arrangements"*. The Authority is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"*. The Authority is required to adopt the provisions of Statement No. 97 for its fiscal year 2022 financial statements.

The Authority has not yet performed analysis to determine the impact of these statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Net Position

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits that are in the possession of an outside party.

As of June 30, 2019, the Authority's cash balance was \$198,263 and its bank balance was \$210,518. At June 30, 2019 none of the Authority's deposits were exposed to custodial credit risk. The Authority does not have a written policy to limit its exposure to custodial credit risk.

NOTE 3: INVENTORY – HELD FOR RESALE

The Authority acquired a parcel of land valued at \$11,384 in Steelton Borough for the purpose of development and re-sale. As of year-end there had not been any construction costs incurred on the property.

NOTE 4: RELATED PARTY

County of Dauphin

The Authority is administered by the County of Dauphin (the County) through the Dauphin County Department of Community and Economic Development. The Authority is not owned in part or in total by the County. However, the Board of Commissioners of the County of Dauphin (the Commissioners) has the sole power to appoint members of the Authority's Board of Directors.

The County pays for all significant management and administrative costs required to operate the Authority on a day-to-day basis. The Authority's management and support staff are employees of the County.

Dauphin County Industrial Development Authority and Dauphin County Economic Development Corporation

The Authority shares management, support staff and office space with the Dauphin County Department of Community and Economic Development (DCED) and two other organizations, the Dauphin County Industrial Development Authority (DCIDA) and the Dauphin County Economic Development Corporation (DCEDC). The Authority is not owned in part or in total by DCIDA or DCEDC, has no ownership interest therein, and receives no revenue from DCIDA or DCEDC. However, while DCIDA and DCEDC are governed by the same Board of Directors, the Authority is governed by a separate Board of Directors, all of which are appointed by the Dauphin County Commissioners.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 5: CONTINGENCIES

Economic Dependency

Formal commitment for future local grant funding is made on an annual basis. Reduction of, or loss of, this funding could have a significant effect on the Authority's programs and activities.

Properties Held for Transfer

The Authority owns several Dauphin County properties and many of those located within floodplains. The Authority intends to transfer these properties to the municipalities in which the parcels are located. It is the opinion of management that these parcels have zero value, and as such they have not been recorded in the financial statements of the Authority as of June 30, 2019.

NOTE 6: SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the Authority's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, Authority's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the Authority having to curtail or eliminate some services.

In December 2019 the Authority entered into a Construction Loan Agreement with Mid Penn Bank for a commercial construction loan in the form of a non-revolving line of credit in the principal amount not to exceed \$650,000. The proceeds of the loan will be used to finance the construction of a 6-unit townhome building. Repayment of the loan is due December 2021, two years after the execution of the loan agreement.

The Authority has evaluated all subsequent events through the report issuance date. No matters of audit significance have been noted except as described above.