

**DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)

YEAR ENDED DECEMBER 31, 2018

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Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dauphin County Land Bank Authority
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Dauphin County Land Bank Authority (the "Authority"), a component unit of the County of Dauphin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's 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 financial position of the Authority, as of December 31, 2018, and the 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.



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Adoption of Governmental Accounting Standards Board Provisions

As discussed in Note 1 to the financial statements, in 2018 the Authority adopted the provisions of Governmental Accounting Standards Board's Statement No. 85, "Omnibus 2017" and Statement No. 86, "Certain Debt Extinguishment Issues", Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", and Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". Our opinion is not modified with respect to these matters.

Other Matters

Omission of the 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 financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 30, 2021

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS	
Cash	\$ 144,229
Accounts Receivable	<u>19,075</u>
Total Assets	<u>163,304</u>
LIABILITIES	
Accounts Payable	<u>12,059</u>
Total Liabilities	<u>12,059</u>
NET POSITION	
Unrestricted	<u>151,245</u>
Total Net Position	<u><u>\$ 151,245</u></u>

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

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUE	
Property Taxes	\$ 2,444
Intergovernmental	<u>284,000</u>
Total Operating Revenue	<u>286,444</u>
OPERATING EXPENSES	
Professional Fees	15,609
Advertising	62
Demolition	84,000
Miscellaneous Fees	<u>12,309</u>
Total Operating Expenses	<u>111,980</u>
Operating Income (Loss)	174,464
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	1,024
Interest Expense	<u>(4,268)</u>
Total Non-Operating Revenues (Expenses)	<u>(3,244)</u>
Loss on Sale of Property	(31,924)
Change in Net Position	139,296
Net Position - Beginning of Year	<u>11,949</u>
Net Position - End of Year	<u>\$ 151,245</u>

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

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Other Operating Cash Receipts	\$ (16,556)
Cash Received from Governmental Agencies	284,000
Cash Received from the Sale of Property	483,076
Payments to Vendors	<u>(111,025)</u>
Net Cash Used in Operating Activities	<u>639,495</u>
Cash Flows from Noncapital Financing Activities	
Interest Paid	(7,285)
Principal Paid On Revenue Note	<u>(596,621)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(603,906)</u>
Cash Flows from Investing Activities	
Interest Income	<u>1,024</u>
Net Cash Provided by Investing Activities	<u>1,024</u>
Increase in Cash and Cash Equivalents	36,613
Cash and Cash Equivalents - Beginning of Year	<u>107,616</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 144,229</u></u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating Income	\$ 174,464
Adjustments to Reconcile Operating Income to Net Cash Cash Used by Operating Activities	
Loss on Sale of Property	(31,924)
Increase (Decrease) in	
Accounts Receivable	(19,000)
Inventory - Held For Resale	515,000
Accounts Payable	<u>955</u>
Net Cash Used in Operating Activities	<u><u>\$ 639,495</u></u>

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

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The Dauphin County Land Bank Authority (“Authority”) was established by Dauphin County in August 2013 through Ordinance #2013-4, in accordance with Act 153 of 2012, enacted by the Pennsylvania General Assembly and signed into law by the Governor on October 24, 2012. The Authority is a public entity and qualifies as a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code.

The Authority was created for the purposes of deterring the spread of blight; promoting redevelopment and reuse of vacant, abandoned, and tax-delinquent properties; supporting targeted efforts to stabilize neighborhoods; and stimulating residential, commercial, and industrial development.

A summary of the Authority’s significant accounting policies is as follows:

A. Reporting Entity

Due to the nature and significance of the Authority’s relationship with the County, it has been classified as a Component Unit of the County of Dauphin’s reporting entity. In accordance with GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*”, the Authority has evaluated all related entities for the possible inclusion in the financial reporting entity. The Authority has not identified any component units that 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 using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when they are earned and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary 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 primary 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 management focus. The financial statements of the Authority are presented using the economic resources measurement focus. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into “net investment in capital assets”, “restricted”, and “unrestricted” components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. 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. Assets, Liabilities, and Net Position

1) Cash

The Authority considers all highly-liquid debt instruments purchased with maturity of three months or less when purchased to be cash equivalents.

2) Inventories

Inventories are valued at the lower of cost or market.

3) Accounts Receivable

Accounts receivable are stated at outstanding balances. Accordingly, a reserve or allowance has not been established. If accounts become uncollectible, they will be charged to operations when that determination is made by management.

4) Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *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.
- *Unrestricted Net Position* – This category represents net position of the Authority, not restricted for any project or other purpose.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

C. Assets, Liabilities, and Net Position

5) Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those amounts.

D. Adoption of Governmental Accounting Standards Board (GASB) Statements

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this statement had no effect on previously reported amounts.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". The adoption of this statement had no effect on previously reported amounts.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues". The adoption of this statement had no effect on previously reported amounts.

In May 2020, the GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". GASB Statement No. 95 postponed the effective dates for GASB Statements No. 83, 84, 88, 89, 90, 91, and 93 by one year and GASB Statement No. 87 by 18 months. The effective date of Statement No. 95 was immediate. The adoption of this statement had no effect on previously reported amounts.

E. Pending Governmental Accounting Standards Board (GASB) Statements

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". The Authority is required to adopt the provisions of statement No. 83 for its fiscal year 2020 financial statements.

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 2020 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 April 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". The Authority is required to adopt the provisions of Statement No. 88 for its fiscal year 2020 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 2021 financial statements.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

E. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

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 2020 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 2022 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 calendar year 2021 financial statements, except for the requirements of paragraphs 11b, 13, and 14, which are effective for the Authority's calendar year 2022 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 statement No. 97 for its calendar year 2022 financial statements.

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

NOTE 2: CASH

The Authority's deposit policy adheres to State Statutes and prudent business practice.

Deposits

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, the Authority's cash balance was \$144,229. All of the Authority's cash balance at December 31, 2018 was covered by FDIC insurance coverage. The Authority does not have a formal policy to limit its exposure to custodial credit risk.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3: RELATED PARTIES

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 County provides management, support staff, and other indirect support free of charge to the Authority. 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, Dauphin County Economic Development Corporation, and Dauphin County Redevelopment Authority

The Authority shares management, support staff and office space with the Dauphin County Department of Community and Economic Development (DCED), and three other organizations, the Dauphin County Industrial Development Authority (DCIDA), the Dauphin County Economic Development Corporation (DCEDC), and the Dauphin County Redevelopment Authority (DCRDA). The Authority is not owned in part or in total by DCIDA, DCEDC, or DCRDA, nor has any ownership interest therein. However, the directors of the Authority, DCIDA, DCEDC, and DCRDA boards are all appointed by the Dauphin County Commissioners. Additionally, the directors of the DCRDA, along with two other directors, make up the Board of Directors for the Authority.

NOTE 4: CONTINGENCIES

The Authority is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurances.

Economic Dependency

The Authority receives a significant amount of revenue from the Dauphin County Industrial Development Authority, primarily through gaming grants and other funding distributions. Reduction of, or loss of, this funding source could have a significant effect on the Authority's programs and activities.

Per the terms of intergovernmental agreements between the Authority, the County, local municipalities, and local school districts, the Authority is to receive fifty percent of future real property tax revenue for five years on properties returned to the tax rolls by the Authority. Thus, any significant changes in either the local economy or the administration of the County, local municipalities, or school districts could have a significant effect on the Authority's programs and activities.

Properties Held for Transfer

The Authority holds title to several properties in Dauphin County. The deeds for the properties are transferred to the Authority for a \$1 to complete the demolition of the structures, and then deeded back to the municipality. These properties have not been included in the financial statements of the Authority as of December 31, 2018 as they have minimal value.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5: LONG TERM DEBT

On November 10, 2015 the Authority issued the Guaranteed Revenue Note, Series of 2015 (the "Note") in the amount of \$605,000. Interest on the Note is due semi-annually at a rate of 2.94 percent. Final maturity of the Note is on February 10, 2018. The payment of the interest and principal of the Note has been guaranteed by Dauphin County. Dauphin County has not been required to make any payments on the Note. The Authority is not required to repay Dauphin County for any payments Dauphin County makes pursuant to its guarantee. The Authority paid off the remaining balance of the Note on February 10, 2018 and as of December 31, 2018 the outstanding balance was \$0.

A summary of the changes in the long-term debt obligations follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Guaranteed Revenue Note, Series of 2015	<u>\$ 596,621</u>	<u>\$ -</u>	<u>\$ (596,621)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Long-Term Debt	<u>\$ 596,621</u>	<u>\$ -</u>	<u>\$ (596,621)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through the issuance date of this report noting that no events have taken place that effect the financial statements or require disclosure.