

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

YEAR ENDED DECEMBER 31, 2021

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Zelenkofske Axlerod LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Dauphin County Land Bank Authority (the "Authority"), a non-profit organization and component unit of Dauphin County, which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

As discussed in Note 1 to the financial statements, in 2021 the Authority adopted the provisions of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" and certain provisions of GASB Statement No. 99, "Omnibus 2022". 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 basic financial statements is not affected by this missing information.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD, LLC

Harrisburg, Pennsylvania
July 28, 2022

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS	
Cash	\$ 560,207
Accounts Receivable	<u>75</u>
Total Assets	<u>560,282</u>
LIABILITIES	
Accounts Payable	88,332
Unearned Revenue	<u>68,666</u>
Total Liabilities	<u>156,998</u>
NET POSITION	
Unrestricted	<u>403,284</u>
Total Net Position	<u><u>\$ 403,284</u></u>

The accompanying notes are an integral part of these 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, 2021

OPERATING REVENUE	
Intergovernmental	\$ 391,334
Total Operating Revenue	391,334
OPERATING EXPENSES	
Professional Fees	37,344
Advertising	247
Demolition	181,334
Miscellaneous Fees	20,028
Total Operating Expenses	238,953
Operating Income (Loss)	152,381
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	398
Total Non-Operating Revenues (Expenses)	398
Change in Net Position	152,779
Net Position - Beginning of Year	250,505
Net Position - End of Year	\$ 403,284

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

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities	
Other Operating Cash Receipts	\$ 70,746
Cash Received from Governmental Agencies	437,679
Payments to Vendors	<u>(173,175)</u>
Net Cash Provided by Operating Activities	<u>335,250</u>
Cash Flows from Investing Activities	
Interest Income	<u>398</u>
Net Cash Provided by Investing Activities	<u>398</u>
Increase (Decrease) in Cash and Cash Equivalents	335,648
Cash and Cash Equivalents - Beginning of Year	<u>224,559</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 560,207</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 152,381
Adjustments to Reconcile Operating Income to Net Cash Cash Used by Operating Activities	
Increase (Decrease) in	
Accounts Receivable	2,080
Due From County	46,345
Unearned Revenue	68,666
Accounts Payable	<u>65,778</u>
Net Cash Provided by Operating Activities	<u><u>\$ 335,250</u></u>

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

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 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 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, 2021

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, 2021

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

The Authority adopted the provisions of GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The adoption of this statement did not result in the modification of previously reported amounts.

The Authority partially adopted the provisions of GASB issued Statement No. 99, "Omnibus 2022," the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in statement 34, as amended, and terminology updates related to statement 53 and statement 63. The adoption of this statement did not result in the modification of previously reported amounts.

E. Pending Governmental Accounting Standards Board (GASB) 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 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 fiscal year 2022 financial statements except for the requirements of paragraphs 11b, 13, and 14 which are effective for the Authority's fiscal year 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.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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 fiscal year 2022 financial statements.

In June 2022, the GASB issued Statement No. 99, "Omnibus 2022". The Authority is required to adopt the provisions related to leases, PPPs, and SBITAs for its fiscal year 2022 financial statements. The Authority is required to adopt the provisions related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for its fiscal year 2023.

In June 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". The Authority is required to adopt the provisions of Statement No. 100 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "Compensated Absences". The Authority is required to adopt the provisions of Statement No. 101 for its fiscal year 2024 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, 2021, the Authority's cash balance was \$560,207, and its bank balance was \$563,658. At December 31, 2021, \$313,658 of the Authority's deposits were subject to custodial credit risk and were collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. The Authority does not have a formal policy to limit its exposure to custodial credit risk.

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.

DAUPHIN COUNTY LAND BANK AUTHORITY
(A COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3: RELATED PARTIES (CONTINUED)

County of Dauphin (Continued)

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, 2021 as they have minimal value.

NOTE 5: 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.