

**Redevelopment Authority of
the County of Lebanon**

Financial Statements with Required
Supplementary Information

Year Ended June 30, 2018 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	7
Statement of Fiduciary Net Position – Agency Fund	11
Notes to Financial Statements	12

Required Supplementary Information:

Schedule of the Authority's Proportionate Share of the Collective OPEB Liability	29
Schedule of the Authority's OPEB Contributions	30
Notes to Required Supplementary Information – OPEB	31

Independent Auditor's Report

Board of Directors Redevelopment Authority of the County of Lebanon

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Redevelopment Authority of the County of Lebanon (Authority) as of and for the year ended June

30, 2018, 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

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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate

remaining fund information of the Authority as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the historical other post-employment benefit information on pages 29 through 31 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Maher Duessel

Harrisburg, Pennsylvania
January 25, 2019

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

STATEMENT OF NET POSITION

JUNE 30, 2018

<u>Assets and Deferred Outflows of Resources</u>	Community Development Block Grant	HOME	Affordable Housing
<u>Current assets:</u>			
Cash and cash equivalents	\$ 34,815	\$ 306,232	\$ 1,952,378
Accounts receivable, net of allowances for doubtful accounts:			
Other governments	16,474	-	20,218
Related parties	-	-	-
Miscellaneous	-	-	-
Prepaid expenses	-	-	-
Internal balances	(236,705)	-	(18,678)
Due from component unit	-	-	-
Total current assets	<u>(185,416)</u>	<u>306,232</u>	<u>1,953,918</u>
<u>Noncurrent assets:</u>			
Furniture, equipment, and machinery - administration	-	-	-
Accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	-	-	-
Investments	-	-	-
Accounts receivable - Habitat for Humanity	-	-	90,000
Notes receivable - limited partnership	-	-	100,000
Notes receivable - housing partnerships	-	-	792,500
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>982,500</u>
Total Assets	<u>(185,416)</u>	<u>306,232</u>	<u>2,936,418</u>
<u>Deferred Outflows of Resources:</u>			
Deferred outflows related to other post-employment benefits	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ (185,416)</u></u>	<u><u>\$ 306,232</u></u>	<u><u>\$ 2,936,418</u></u>

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
\$ 528,101	\$ 71,614	\$ 2,893,140
59,090	-	95,782
109,216	-	109,216
68,177	-	68,177
1,139	-	1,139
255,383	-	-
8,360	-	8,360
<u>1,029,466</u>	<u>71,614</u>	<u>3,175,814</u>
47,172	-	47,172
<u>(44,697)</u>	<u>-</u>	<u>(44,697)</u>
2,475	-	2,475
-	150,000	150,000
-	-	90,000
-	-	100,000
29,000	-	821,500
<u>31,475</u>	<u>150,000</u>	<u>1,163,975</u>
<u>1,060,941</u>	<u>221,614</u>	<u>4,339,789</u>
4,019	-	4,019
<u>4,019</u>	<u>-</u>	<u>4,019</u>
<u>\$ 1,064,960</u>	<u>\$ 221,614</u>	<u>\$ 4,343,808</u>

(Continued)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF NET POSITION

JUNE 30, 2018

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Community Development Block Grant	HOME	Affordable Housing
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,394	\$ 1,914	\$ 4,005
Accrued wages payable	-	-	-
Accounts payable - related parties	-	-	-
Accrued compensated absences - current	-	-	-
Total current liabilities	2,394	1,914	4,005
Noncurrent liabilities:			
Accrued compensated absences - noncurrent	-	-	-
Other post-employment benefits	-	-	-
Total Liabilities	2,394	1,914	4,005
Deferred Inflows of Resources:			
Deferred inflows related to other post-employment benefits	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Net investment in capital assets	-	-	-
Restricted	-	304,318	2,932,413
Unrestricted	(187,810)	-	-
Total Net Position	(187,810)	304,318	2,932,413
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ (185,416)	\$ 306,232	\$ 2,936,418

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
\$ 220,773	\$ 27,244	\$ 256,330
6,670	-	6,670
312,620	-	312,620
2,001	-	2,001
<u>542,064</u>	<u>27,244</u>	<u>577,621</u>
18,008	-	18,008
51,791	-	51,791
<u>611,863</u>	<u>27,244</u>	<u>647,420</u>
11,790	-	11,790
<u>11,790</u>	<u>-</u>	<u>11,790</u>
2,475	-	2,475
-	-	3,236,731
438,832	194,370	445,392
<u>441,307</u>	<u>194,370</u>	<u>3,684,598</u>
<u>\$ 1,064,960</u>	<u>\$ 221,614</u>	<u>\$ 4,343,808</u>

(Concluded)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

	Community Development Block Grant	HOME	Affordable Housing
Operating Revenues:			
Government grants	\$ 321,611	\$ -	\$ 215,318
Other revenue	16,596	37,610	8,388
Investment income	451	1,586	38,321
Total operating revenues	<u>338,658</u>	<u>39,196</u>	<u>262,027</u>
Operating Expenses:			
Administrative:			
Administrative salaries	-	-	-
Employee benefit contributions	-	-	-
Other operating	54,417	1,986	168,320
Ordinary maintenance and operations:			
Materials and other	77,992	-	-
Contract costs	182,130	-	103,410
Total operating expenses	<u>314,539</u>	<u>1,986</u>	<u>271,730</u>
Operating Income (Loss)	24,119	37,210	(9,703)
Non-Operating Revenues (Expenses):			
Depreciation and amortization expense	-	-	-
Income (loss) before transfers	24,119	37,210	(9,703)
Transfers	<u>(141,748)</u>	<u>-</u>	<u>(62,901)</u>
Change in Net Position	(117,629)	37,210	(72,604)
Net Position:			
Beginning of year - restated	<u>(70,181)</u>	<u>267,108</u>	<u>3,005,017</u>
End of year	<u><u>\$ (187,810)</u></u>	<u><u>\$ 304,318</u></u>	<u><u>\$ 2,932,413</u></u>

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
\$ 81,942	\$ -	\$ 618,871
22,660	735	85,989
3,595	936	44,889
<u>108,197</u>	<u>1,671</u>	<u>749,749</u>
185,558	-	185,558
103,017	-	103,017
84,118	3,856	312,697
-	-	77,992
-	-	285,540
<u>372,693</u>	<u>3,856</u>	<u>964,804</u>
(264,496)	(2,185)	(215,055)
<u>(1,493)</u>	<u>-</u>	<u>(1,493)</u>
(265,989)	(2,185)	(216,548)
268,564	(63,915)	-
2,575	(66,100)	(216,548)
<u>438,732</u>	<u>260,470</u>	<u>3,901,146</u>
<u>\$ 441,307</u>	<u>\$ 194,370</u>	<u>\$ 3,684,598</u>

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Community Development Block Grant	HOME	Affordable Housing
Cash Flows From Operating Activities:			
Operating grants received	\$ 320,091	\$ -	\$ 215,318
Other receipts	16,596	37,610	9,086
Payments for goods and services	(213,472)	(1,910)	(263,175)
Payments to employees and employee benefits	-	-	-
Net cash and cash equivalents provided by (used in) operating activities	123,215	35,700	(38,771)
Cash Flows From Investing Activities:			
Interest and dividends on investments	451	1,586	38,321
Loans granted, net	-	-	(10,000)
Net cash and cash equivalents provided by investing activities	451	1,586	28,321
Cash Flows From Noncapital Financing Activities:			
Transfers for administrative services	(141,748)	-	(62,901)
Net cash and cash equivalents provided by (used in) noncapital financing activities	(141,748)	-	(62,901)
Net Increase (Decrease) in Cash and Cash Equivalents	(18,082)	37,286	(73,351)
Cash and Cash Equivalents:			
Beginning of year	52,897	268,946	2,025,729
End of year	\$ 34,815	\$ 306,232	\$ 1,952,378

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

State and Local Funds	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
\$ 81,942	\$ -	\$ 617,351
21,397	3,064	87,753
(215,846)	(3,856)	(698,259)
<u>(291,230)</u>	<u>-</u>	<u>(291,230)</u>
<u>(403,737)</u>	<u>(792)</u>	<u>(284,385)</u>
3,595	936	44,889
-	1,035	(8,965)
<u>3,595</u>	<u>1,971</u>	<u>35,924</u>
<u>268,564</u>	<u>(63,915)</u>	<u>-</u>
<u>268,564</u>	<u>(63,915)</u>	<u>-</u>
(131,578)	(62,736)	(248,461)
<u>659,679</u>	<u>134,350</u>	<u>3,141,601</u>
<u>\$ 528,101</u>	<u>\$ 71,614</u>	<u>\$ 2,893,140</u>

(Continued)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

(Continued)

	Community Development Block Grant	HOME	Affordable Housing
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 24,119	\$ 37,210	\$ (9,703)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:			
Interest and dividends on investments	(451)	(1,586)	(38,321)
Change in assets and liabilities:			
Accounts receivable	3,909	-	698
Due from component unit	-	-	-
Prepaid expenses	-	-	-
Deferred outflows of resources related to other post-employment benefits	-	-	-
Internal balances	100,894	(69)	8,892
Accounts payable and accrued liabilities	173	145	(337)
Unearned revenue	(5,429)	-	-
Other post-employment benefits	-	-	-
Deferred inflows of resources related to other post-employment benefits	-	-	-
Total adjustments	99,096	(1,510)	(29,068)
Net cash and cash equivalents provided by (used in) operating activities	\$ 123,215	\$ 35,700	\$ (38,771)

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

State and Local Funds	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
<u>\$ (264,496)</u>	<u>\$ (2,185)</u>	<u>\$ (215,055)</u>
(3,595)	(936)	(44,889)
(1,263)	-	3,344
13,311	-	13,311
(1,139)	-	(1,139)
(4,019)	-	(4,019)
(109,717)	-	-
(35,320)	2,329	(33,010)
-	-	(5,429)
(9,289)	-	(9,289)
<u>11,790</u>	<u>-</u>	<u>11,790</u>
<u>(139,241)</u>	<u>1,393</u>	<u>(69,330)</u>
<u><u>\$ (403,737)</u></u>	<u><u>\$ (792)</u></u>	<u><u>\$ (284,385)</u></u>

(Concluded)

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

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND

JUNE 30, 2018

Assets	
<hr/>	
Cash and cash equivalents	<u>\$ 263,464</u>
Liabilities	
<hr/>	
Due to Lebanon County Stormwater Consortium	<u><u>\$ 263,464</u></u>

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

The Redevelopment Authority of the County of Lebanon (Authority) was organized in 1959 under the Pennsylvania Urban Redevelopment Act. The primary objective of the Community Development Program is the development of viable urban communities, including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the federal assistance provided in this program is for the support of community development activities, which are directed toward the following specific objectives:

1. The elimination of slums and blight and the prevention of blighting influences and the deterioration of property, neighborhood, and community facilities of importance to the welfare of the community, principally for persons of low and moderate income;
2. The elimination of conditions which are detrimental to health, safety, and public welfare through code enforcement, demolition, interim rehabilitation assistance, and related activities;
3. The conservation and expansion of the nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
4. The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
5. A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;
6. The reduction of the isolation of lower income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities and persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

7. The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is also the purpose of this program to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of federal aid that:

1. Provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;
2. Encourages community development activities, which are consistent with comprehensive local and area-wide development planning;
3. Furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and
4. Fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

As required by GAAP, the basic financial statements of the reporting entity include those of the Authority and any component units. Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization, or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the Lebanon Valley Non-Profit Housing Development Corporation (LVNHDC) is included in the financial statements of the Authority as a blended

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

component unit. A separately published audit report of the component unit is available at the Authority's administrative offices.

LVNHDC was formed for the purpose of buying, selling, and renting real estate in the County of Lebanon, Pennsylvania. All LVNHDC's Board Members also serve on the Board of Directors of the Authority. LVNHDC's funds would be used to assist the Authority.

The accounting policies of the Authority conform to GAAP as applicable to municipalities. GAAP includes all relevant GASB pronouncements. The GASB is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant GASB policy adopted by the Authority in the current fiscal year:

- GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement revises and establishes reporting requirements for most governments that provide post-employment benefits (OPEB) to their employees. As a result of this implementation, the State and Local Fund and business-type activities were restated as follows:

	State and Local Fund	Business-type Activities
Net position at July 1, 2017 - as originally stated	\$ 496,656	\$ 3,959,070
Remove OPEB liability at July 1, 2017	3,156	3,156
OPEB liability at July 1, 2017	(65,655)	(65,655)
Contributions subsequent to the measurement date	4,575	4,575
Net position at July 1, 2017 - restated	\$ 438,732	\$ 3,901,146

Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

inflows of resources, net position, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions. The Authority's proprietary funds are enterprise funds, which are used to account for activities that are operated in a manner similar to those found in the private sector. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute a majority of the programs operated by the Authority. The funds included in this category are as follows:

Community Development Block Grant Fund – This fund accounts for all activities and projects of the Community Development Block Grant Program. The County of Lebanon (County) receives an entitlement “Small Cities Community Development Block Grant” for itself and South Lebanon Township from the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED). The County contracts the administration of these programs to the Authority.

HOME Fund – This fund accounts for all activities of the HOME Program. The County receives discretionary HOME Program funding from DCED and contracts the administration of this program to the Authority.

Affordable Housing Fund – This fund accounts for all activities of the County Affordable Housing Programs. The County has established by Ordinance, a County Affordable Housing Fund which is funded by a levy on all recorded deeds, mortgages, and related documents. The Ordinance establishes that the fund is to be maintained by the Authority. All funding decisions are made by the County Commissioners.

State and Local Fund - This fund accounts predominately for the financial activities of the Authority's miscellaneous grants and other charges.

The Authority's component unit has a December 31 fiscal year-end and, as such, the financial statements of the Authority as of and for the year ended June 30, 2018, include the fiscal activities of the component unit as of and for the year ended December 31, 2017.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist mainly of governmental grants. Non-operating revenues and expenses consist of those revenues and expenses related to capital items.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 needed.

The Authority's financial statements are presented using the accrual method of accounting, under which revenues are recorded in the period that they are earned and expenses are recorded when the liability is incurred.

There are no governmental funds included in these financial statements.

Fiduciary Fund Types

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for cash balances of the Lebanon County Stormwater Consortium (Consortium), held by the Authority, that is subsequently disbursed to participating municipalities at the direction of the Consortium.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Authority records the total amount of revenue billed or accrued in accounts receivable. The portion of accounts receivable not expected to be collected is offset by an allowance for doubtful accounts, estimated based on historical experience and in accordance with GAAP requirements. At June 30, 2018, the allowance for doubtful accounts was zero.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Internal Balances

Internal balances are current, and are the result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. Since the Authority's component unit reports on a December 31 fiscal year-end and is included in the June 30 Authority financial statements, amounts due between the component unit and the Authority may not net to zero.

Investments

The Authority records its investments based on fair value. Investments consist of a certificate of deposit.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost.

Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

All normal expenses of preparing an asset for use are capitalized.

Pursuant to GAAP, the cost of equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

The useful life on furniture, equipment, and machinery, for purposes of computing depreciation, ranges from five to ten years.

Maintenance and Repairs Expenses

Maintenance and repairs expenses are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Loans Receivable

As part of the Community Development Block Grant Program, the HOME Program, and the Affordable Housing Program, the Authority has made loans to eligible low-income individuals for the acquisition of real property or housing rehabilitation. The loans are either forgiven or repaid to the Authority upon sale of the property. The loans are interest-free, unsecured, and total \$4,305,501 at June 30, 2018. Because of concerns regarding collectability, the loans are completely offset with an allowance for doubtful accounts at June 30, 2018.

In addition, the Authority has several notes receivable from housing partnerships and a limited partnership, with terms further discussed in Note 4. These receivables are considered fully collectible at June 30, 2018.

Deferred Inflows and Outflows of Resources Related to OPEB

In conjunction with OPEB accounting requirements, the effect of the differences between expected and actual experience, changes of assumptions, and payments made to the Authority's plan subsequent to the measurement date are recorded as deferred inflows or outflows of resources for OPEB. These amounts are determined based on the actuarial valuation performed for the Authority's OPEB plan.

Compensated Absences

The Authority uses the vesting method for the recording of compensated absences, whereby benefits are accrued at the Statement of Net Position date for which payment is probable.

Unused employee vacation and personal time is accumulated and paid upon resignation, retirement, or termination. The amount of the compensated absence liability is accrued and expensed as earned. Unused sick leave is not paid and, therefore, is not subject to accrual.

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Compensated absences activity for the year ended June 30, 2018 was as follows:

June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
\$ 21,357	\$ 14,580	\$ (15,928)	\$ 20,009	\$ 2,001

Classification of Net Position

Net position is classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position consists of constraints placed on net position use through external restrictions.
- Unrestricted – The component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Risk Management

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the current year or the three prior years.

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2. Deposits and Investments

Redevelopment Authority of the County of Lebanon

Deposits

Statutes allow the Authority to invest in certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, and insured or collateralized time deposits. The Authority's depositories are required by statute to continuously and fully secure all deposits in excess of the amounts insured under federal or state plans by the deposit or setting aside of collateral of the types, and in the manner as is prescribed by state law for the security of public funds. Such collateral shall at all times be of a market value at least equal to the amount of deposits so secured.

At June 30, 2018, the deposits of the Authority were as follows:

Enterprise funds	\$ 2,821,526
Agency fund	<u>263,464</u>
	<u><u>\$ 3,084,990</u></u>

The following is a description of the Authority's deposit risk:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk.

As of June 30, 2018, the Authority's book balance was \$3,084,990 and the bank balance was \$3,179,248. Of the bank balance, \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$2,929,248 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits and to have the collateral held by an approved custodian in the institution's name.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Lebanon Valley Non-Profit Housing Development Corporation (LVNHDC)

Custodial Credit Risk – LVNHDC does not have a formal deposit policy for custodial credit risk.

As of December 31, 2017, LVNHDC's book and bank balances were \$221,614. The entire bank balance was insured by the FDIC.

3. Accounts Receivable - Habitat for Humanity

In November 2008, the Authority advanced \$106,038 to Habitat for Humanity to purchase 2.38 acres of land in North Lebanon Township for the construction of single-family homes. Due to unexpected development and infrastructure costs, these homes were never built, and the funds are to be returned to the Authority. Repayment is due to the Authority upon sale of the land in North Lebanon Township. At June 30, 2018, the balance of the receivable was \$90,000.

4. Notes Receivable – Housing Partnerships and Limited Partnership

The Authority loaned Annville Housing Limited Partnership (Annville) \$200,000 using County Act 137 funds. No payment on this loan is due until certain other loans of Annville have been repaid in full. Thereafter, principal shall be due in annual installments on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus any debt service on such certain other loans paid during the preceding year. Any unpaid balance is due at the end of the thirty-two (32) year term.

In November 1994, the Authority loaned Palmyra Housing Limited Partnership (Palmview) \$29,000. The payment of principal on this non-interest bearing loan was deferred until May 9, 2011, or on the anniversary date representing 15 full years of occupancy of the premises secured by these loans. Thereafter, principal is due in annual installments due on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus debt service on any loans by the Pennsylvania Housing Finance Agency (PHFA) to Palmview paid during the preceding year by Palmview. All unpaid principal is due and payable as a balloon payment thirty years from the date of the loan.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

In March 2009, the Authority loaned Mifflin Mills Housing Limited Partnership \$500,000 using County Act 137 funds for the acquisition of land and the construction of 20 affordable housing residential units at an interest rate of two percent. The payment of principal plus all accrued interest on this loan is deferred until six months after the expiration of the fifteen-year tax credit compliance period. At June 30, 2018, the balance of the loan, including accrued interest, was \$592,500.

These loans are collateralized by the property, plant, and equipment of the housing partnerships.

In July 2015, the Authority loaned Kreider Commons Limited Partnership \$100,000 of Act 137 funds from the Affordable Housing Fund for the development and construction of 50 affordable rental housing units for people age 62 and older in Lebanon County. The loan bears interest of four percent per year on a simple interest basis, with monthly payments of \$477 beginning July 1, 2015, provided that the limited partnership has sufficient cash flows to make the payments. In the event there is insufficient cash flow to make the entire monthly payments when due, monthly interest will accrue, but will not be compounded, and full monthly payments will begin at such time as there is sufficient cash flow. All unpaid principal and interest is due and payable in August 2045 and is subordinate to the loans of the four other parties to this transaction. At June 30, 2018, the balance of the loan was \$100,000.

5. Pension Plan

The Authority has established a defined contribution pension plan and contributes 10.5% for eligible employees. Plan provisions and contribution amounts can be modified at the discretion of the Board of Directors. For the year ended June 30, 2018, the Authority's 10.5% portion amounted to \$19,611, which has been charged to the employee fringe benefit account.

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

6. Other Post-Employment Benefit Plan

Plan Description

In addition to the pension benefits described in Note 5, the Authority provides certain post-employment healthcare benefits to its retirees through one single-employer, defined benefit other post-retirement benefit (OPEB) plan, which the Authority shares with the Housing Authority of the County of Lebanon (Housing Authority). OPEB liabilities are calculated for the individual employee for each entity. Deferred outflows and deferred inflows are allocated based on the respective employer group. This OPEB plan does not issue a separate report.

Eligibility of Benefits

All employees are eligible for coverage upon retirement after attainment of age 62 and completion of 30 years of service.

Benefits Payable Upon Retirement

An eligible retiree may receive medical and prescription drug coverage until the retiree attains Medicare age. The retiree is not required to make any contributions toward the cost of the benefit. Spouses of eligible retirees are not eligible for benefits under this plan.

There is one retiree who is receiving lifetime medical and prescription drug coverage for himself and his spouse under a grandfathered provision. Fifty percent of the cost of this retiree's coverage is paid by the Authority and the remaining fifty percent is paid by the Housing Authority.

Plan Membership

At July 1, 2017, the following employees were covered by the benefit terms:

Vested former participants	-
Retired participants	1
Active participants	4
	<hr/>
	5
	<hr/> <hr/>

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Proportionate Share

The Authority's proportion of the OPEB liability was determined based on individual calculations for each Authority employee. At June 30, 2018, the Authority reported a liability of \$51,791 for its proportionate share of the OPEB liability.

Contributions

The Authority's contribution is based on projected pay-as-you-go financing requirements. The Authority funded the OPEB contributions and will continue to fund the annual OPEB costs on a pay-as-you-go basis. For the year ended June 30, 2018, the Authority contributed \$4,019 to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2018, the Authority reported an OPEB liability of \$51,791. The OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$2,450.

At June 30, 2018, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources for OPEB</u>	
Contributions subsequent to the measurement date	<u>\$ 4,019</u>
Total deferred outflows of resources for OPEB	<u><u>\$ 4,019</u></u>
<u>Deferred Inflows of Resources for OPEB</u>	
Differences between expected and actual experience	\$ 6,981
Changes of assumptions	<u>4,809</u>
Total deferred inflows of resources for OPEB	<u><u>\$ 11,790</u></u>

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Deferred outflows of resources related to Authority OPEB contributions subsequent to the measurement date totaling \$4,019 will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources for OPEB will be recognized in pension expense as follows:

2019	\$	(842)
2020		(842)
2021		(842)
2022		(842)
2023		(842)
Thereafter		(7,580)
	\$	<u>(11,790)</u>

Actuarial Methods and Assumptions

The following methods and assumptions were used in the July 1, 2017 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 14-year open amortization (fresh start each year)
Investment rate of return	3.13%
Projected salary increases	Average increase of 3.00%
Mortality rate	Projected RP-2014 Total Mortality Tables projected generationally using Scale MP-2017 to reflect mortality improvement
Healthcare trend increases:	6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Changes in Actuarial Assumptions

The interest rate was changed from 2.49% to 3.13%. The healthcare cost trend rates and mortality assumptions were also updated.

Discount Rate

The discount rate used to measure the total pension liability was 3.13%. The discount rate represents the S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2017. Since the OPEB plan has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

Sensitivity of the Authority's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the OPEB liability calculated using the discount rate of 3.13%, as well as what the Authority's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate.

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Authority's proportionate share of the OPEB liability	\$ 56,329	\$ 51,791	\$ 47,788

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Sensitivity of the Authority's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Authority's proportionate share of the OPEB liability calculated using current healthcare cost trend rates as well as what the Authority's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Trend Rate	1% Increase
Authority's proportionate share of the OPEB liability	\$ 47,112	\$ 51,791	\$ 57,515

7. Net Position Deficit

Management expects the Community Development Block Grant Fund net position deficit of \$187,810 at June 30, 2018 to be reduced by future government grants and other revenue.

8. Commitments and Contingencies

During the year ended June 30, 2018, the Authority entered into two construction contracts related to sidewalk and street improvements. The outstanding commitment under the contracts at June 30, 2018 was \$445,216. The projects are funded with Community Development Block Grant funds.

The Authority's grant programs are subject to review by the funding sources. Such reviews could result in amounts that may require repayment upon final settlement. In October 2017, the Authority received notification from DCED regarding a performance review of the Community Development Block Grant (CDBG) program for the fiscal years ending June 30, 2010 through 2013. A review was undertaken to determine the eligibility and fundability of the CDBG activities, to gauge the grantee's timeliness in carrying out these activities, and to evaluate the grantee's ability to administer the program in compliance with all applicable rules and regulations. Three issues were noted as a result of this review. However, the Authority is disputing certain issues noted and, as such, the Authority is unable to estimate the amount of repayment, if any, that may be required as a result of the performance

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

review. No amounts have been recorded as of June 30, 2018. Should repayment be required, it is anticipated that the County or the entity receiving the benefit of the grant funding would be responsible for the repayment.

9. Related Party Transactions

The Authority purchases certain services and payroll related costs from the Housing Authority, on an as-needed basis. The Housing Authority also purchases certain services and payroll related costs from the Authority. At June 30, 2018, the Authority is due \$109,216 from the Housing Authority and \$312,620 is due from the Authority to the Housing Authority.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
COLLECTIVE OPEB LIABILITY

YEAR ENDED JUNE 30, 2018

	2018*
Authority's proportion of the collective OPEB liability	16.42%
Authority's proportionate share of the collective OPEB liability	\$ 51,791
Authority's employee covered payroll	\$ 186,773
Authority's proportionate share of the collective OPEB liability as a percentage of its employee covered payroll	27.73%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

See accompanying notes to required supplementary information - OPEB

**REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON**

SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS
YEAR ENDED JUNE 30, 2018

	2018*
Contractually required contribution	\$ 4,019
Contributions in relation to the contractually required contribution	4,019
Contribution deficiency (excess)	\$ -
Authority's employee covered payroll	\$ 186,773
Contributions as a percentage of employee covered payroll	2.15%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

See accompanying notes to required supplementary information - OPEB

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

YEAR ENDED JUNE 30, 2018

1. Changes of Assumptions

Since the Authority has insufficient assets to meet future years' projected benefit payments, as prescribed by Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75, the discount rate will be based on the S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2017. The discount rate was 3.13% as of June 30, 2017 and 2.49% as of June 30, 2016. The healthcare cost trend rates and mortality assumptions were also updated.

2. Factors and Trends Used in the Actuarial Valuation for OPEB Benefits

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 14-year open amortization (fresh start each year)
Investment rate of return	3.13%
Projected salary increases	Average increase of 3.00%
Mortality rate	Projected RP-2014 Mortality Tables projected generationally using Scale MP-2017 to reflect mortality improvement
Healthcare trend increases:	6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.