

**UPPER DAUPHIN INDUSTRIAL
DEVELOPMENT AUTHORITY**

**YEARS ENDED
DECEMBER 31, 2013 AND 2012**

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

YEARS ENDED DECEMBER 31, 2013 AND 2012

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Independent Auditors' Report

Members of the Board
Upper Dauphin Industrial Development Authority
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Upper Dauphin Industrial Development Authority (the Authority), as of and for the year ended December 31, 2013 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 presentation 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Authority'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 of the effectiveness of the Authority'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 Upper Dauphin Industrial Development Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Authority as of December 31, 2012, were audited by other auditors whose report dated January 29, 2013, expressed an unmodified opinion on those statements. The 2012 statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows have been summarized from those financial statements.

Management Discussion and Analysis

The Authority has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2013 financial statements that collectively comprise Upper Dauphin Industrial Development Authority's financial statements. The 2013 schedule of projects outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. The 2013 schedule of projects outstanding is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Schultz Steindam's Fritz

June 25, 2014

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION – DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash in bank:		
Checking	\$ 4,012	\$ 12,499
Money market	<u>13,631</u>	<u>10,609</u>
Total assets	<u>\$ 17,643</u>	<u>\$ 23,108</u>
LIABILITIES AND NET POSITION		
Current liabilities, accounts payable	\$ 300	
Net position, unrestricted	<u>17,343</u>	<u>\$ 23,108</u>
Total liabilities and net position	<u>\$ 17,643</u>	<u>\$ 23,108</u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Annual membership dues	\$ 1,200	\$ 1,200
Bond refinance fees/service charges		10,000
	<u>1,200</u>	<u>11,200</u>
Total operating revenues		
Operating expenses:		
Advertising	31	30
Insurance	673	673
Legal fees	1,564	1,882
Website	1,469	
Auditing fees	750	650
Donation	2,500	
	<u>6,987</u>	<u>3,235</u>
Total operating expenses		
Net operating income (expense)	<u>(5,787)</u>	<u>7,965</u>
Nonoperating revenues (expenses):		
DCED grant	19,976	597,126
Ned Smith Grant, DCED	(19,976)	(597,126)
Interest income	22	31
	<u>22</u>	<u>31</u>
Total nonoperating revenues (expenses)		
Change in net position	(5,765)	7,996
Net position:		
Beginning of year	<u>23,108</u>	<u>15,112</u>
End of year	<u>\$ 17,343</u>	<u>\$ 23,108</u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from annual membership dues	\$ 1,200	\$ 1,200
Receipts from bond refinance fees/service charges		10,000
Payments to supplies	<u>(6,687)</u>	<u>(3,235)</u>
Net cash provided by (used in) operating activities	<u>(5,487)</u>	<u>7,965</u>
Cash flows from noncapital financing activities:		
DCED grant	19,976	597,126
Ned Smith Grant, DCED	<u>(19,976)</u>	<u>(597,126)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows provided by investing activities, interest income	<u>22</u>	<u>31</u>
Net increase (decrease) in cash	(5,465)	7,996
Cash:		
Beginning	<u>23,108</u>	<u>15,112</u>
Ending	<u><u>\$ 17,643</u></u>	<u><u>\$ 23,108</u></u>
Reconciliation of operating income (expense) to net cash provided by (used in) operating activities:		
Net operating income (expense)	\$ (5,787)	\$ 7,965
Adjustment to reconcile operating income (expense) to net cash provided by operating activities, increase in liabilities, accounts payable	<u>300</u>	
Net cash provided by (used in) operating activities	<u><u>\$ (5,487)</u></u>	<u><u>\$ 7,965</u></u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Summary of significant accounting policies:

Organization and purpose:

Upper Dauphin Industrial Development Authority (the Authority) was incorporated on February 13, 1974, pursuant to the provisions of the Pennsylvania Economic Development Financing Law, Act of August 23, 1967. The Authority was incorporated by the Borough of Millersburg, Dauphin County, Pennsylvania. The Authority exists and operates to assist in providing business loans to area business owners. It charges an annual membership fee to each business who obtains financing through this Authority.

The Authority provides conduit financing to qualified businesses through lending institutions by issuing tax-exempt government bonds. The lending institution, the Authority and the qualified business will enter into an agreement assuring the business will pay all outstanding debt to the bondholders. The Authority has no liability to pay the bondholders.

Measurement focus, basis of accounting and financial statement presentation:

The Authority's statements of net position, the statements of revenues, expenses and changes in net position and statements of cash flows are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net position and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

The financial statements are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include the Authority's operating grants from state, federal and local sources and investment income.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Summary of significant accounting policies (continued):

Reporting entity:

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria set forth in GASB Statement No. 14, as amended by GASB Statements No. 39 and 61 have been considered, and there are no agencies or entities which should be presented with the Authority.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any notes or lease obligations attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of restricted or net investment in capital assets.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Summary of significant accounting policies (continued):

Deferred outflows/inflows of resources:

The statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority did not have any items that qualify for reporting in this category.

The statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any items that qualify for reporting in this category.

Subsequent events:

The Authority has evaluated subsequent events through June 25, 2014, the date which the financial statements were available to be issued.

2. Deposits and custodial credit risk, deposits:

Deposits:

Cash consists of:

	2013		2012	
	Bank	Book	Bank	Book
Susquehanna bank:				
Checking	\$ 4,012	\$ 4,012	\$ 12,499	\$ 12,499
Money market	13,631	13,631	10,609	10,609
	\$ 17,643	\$ 17,643	\$ 23,108	\$ 23,108

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

2. Deposits and custodial credit risk, deposits (continued):

Deposits (continued):

Statutes authorize the Authority to deposit in the following types of investments:

- a. U.S. treasury bills;
- b. Obligations of the U.S. government and federal agencies;
- c. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions;
- d. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision and
- e. Shares of mutual funds whose investments are restricted to the above categories.

Custodial credit risk, deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. By the state statute all deposits in excess of FDIC insurance coverage must be collateralized. All Authority's deposits were covered by FDIC insurance coverage as of December 31, 2013 and 2012. The Authority does not have a deposit policy for custodial credit risk.

3. The Ned Smith Center:

During 2013 and 2012, \$19,976 and \$597,126 were received from the Commonwealth of Pennsylvania Department of Community and Economic Development for The Ned Smith Center, respectively. The Upper Dauphin Industrial Development Authority then transferred the \$19,976 and \$597,126 to the Ned Smith Center.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF PROJECTS OUTSTANDING

YEARS ENDED DECEMBER 31, 2013

<u>Project name</u>	<u>Date of issue</u>	<u>Original principal</u>	<u>2013 fees collected</u>
Jonestown Bank & Trust Co., Bethesda Mission Project	12/19/2012	\$ 2,300,000	
Chase Manhattan Trust Co. of PA, Assoc. of Independent Colleges & Universities of Pennsylvania	7/23/1998	1,300,000	\$ 300
Waypoint Bank:			
Londonderry School	3/19/2003	2,000,000	300
Homeland Center	5/22/2003	6,100,000	300
Shadowfax Corp.:			
Tax-Exempt Term Loan	2/20/2003	3,000,000	300
Tax-Exempt Non-revolving Line of Credit	2/20/2003	1,200,000	
Revolving Credit Facility Loan	2/20/2003	1,000,000	
		<u>\$ 16,900,000</u>	<u>\$ 1,200</u>