

**UPPER DAUPHIN INDUSTRIAL
DEVELOPMENT AUTHORITY**

**YEARS ENDED
DECEMBER 31, 2016 AND 2015**

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

YEARS ENDED DECEMBER 31, 2016 AND 2015

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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 years ended December 31, 2016 and 2015 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

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of projects outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of projects outstanding is the responsibility of management and was derived from and relates 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 audits 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 schedule of projects outstanding is fairly stated, in all material respects in relation, to the financial statements as a whole.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
March 20, 2017

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION – DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash in bank:		
Checking	\$ 2,531	\$ 4,545
Money market	9,663	11,657
Annual membership dues receivable	<u>400</u>	<u></u>
Total assets	<u><u>\$ 12,594</u></u>	<u><u>\$ 16,202</u></u>
NET POSITION		
Net position, unrestricted	<u><u>\$ 12,594</u></u>	<u><u>\$ 16,202</u></u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Annual membership dues	\$ 1,000	\$ 1,300
Refund of prior year expenditures		<u>300</u>
Total operating revenues	<u>1,000</u>	<u>1,600</u>
Operating expenses:		
Advertising	39	88
Legal fees	509	725
Website	289	201
Auditing fees	1,250	1,250
Millersburg Borough park project	2,500	
Bank charges	<u>31</u>	
Total operating expenses	<u>4,618</u>	<u>2,264</u>
Net operating expenses	(3,618)	(664)
Nonoperating revenues, interest income	<u>10</u>	<u>13</u>
Change in net position	(3,608)	(651)
Net position:		
Beginning of year	<u>16,202</u>	<u>16,853</u>
End of year	<u>\$ 12,594</u>	<u>\$ 16,202</u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from annual membership dues	\$ 600	\$ 1,300
Payments to supplies	(4,618)	(2,264)
Other operating cash receipts		300
	<u>(4,018)</u>	<u>(664)</u>
Net cash used in operating activities	(4,018)	(664)
Cash flows provided by investing activities, interest income	<u>10</u>	<u>13</u>
Net decrease in cash	(4,008)	(651)
Cash:		
Beginning	<u>16,202</u>	<u>16,853</u>
Ending	<u>\$ 12,194</u>	<u>\$ 16,202</u>
Reconciliation of net operating expenses to net cash used in operating activities:		
Net operating expenses	\$ (3,618)	\$ (664)
Adjustment to reconcile net operating expenses to net cash used in operating activities:		
(Increase) decrease in assets, annual membership dues receivable	(400)	600
Decrease in liabilities, accounts payable		<u>(600)</u>
Net cash used in operating activities	<u>\$ (4,018)</u>	<u>\$ (664)</u>
Reconciliation of cash:		
Cash in bank:		
Checking	\$ 2,531	\$ 4,545
Money market	<u>9,663</u>	<u>11,657</u>
	<u>\$ 12,194</u>	<u>\$ 16,202</u>

See notes to financial statements.

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 the 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 its 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, 2016 AND 2015

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 standards 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 accordance 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 and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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, 2016 AND 2015

1. Summary of significant accounting policies (continued):

Subsequent events:

The Authority has evaluated subsequent events through March 20, 2017, the date which the financial statements were available to be issued.

2. Deposits and custodial credit risk, deposits:

Deposits:

Cash consists of:

	2016		2015	
	Bank	Book	Bank	Book
BB&T:				
Checking	\$ 2,531	\$ 2,531	\$ 4,545	\$ 4,545
Money market	9,663	9,663	11,657	11,657
	\$ 12,194	\$ 12,194	\$ 16,202	\$ 16,202

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

- United States Treasury bills
- Obligations of the United States Government and federal agencies
- Insured savings and checking accounts and certificates of deposits in banks, savings and loan association and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States Treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations

UPPER DAUPHIN INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Deposits (continued):

- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank.

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 of the Authority's deposits were covered by FDIC insurance coverage as of December 31, 2016 and 2015. The Authority does not have a deposit policy for custodial credit risk.

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SCHEDULE OF PROJECTS OUTSTANDING

YEAR ENDED DECEMBER 31, 2016

<u>Project name</u>	<u>Date of issue</u>	<u>Original principal</u>	<u>2016 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:			
Tax-Exempt Bond	7/23/1998	1,300,000	\$ 400
Tax-Exempt Bond	12/22/2015	875,000	
Santander 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	
Tax-Exempt Non-Revolver Line of Credit	2/20/2003	1,200,000	
Revolving Credit Facility Loan	2/20/2003	1,000,000	
		<u>\$ 17,775,000</u>	<u>\$ 1,000</u>