

Elizabethtown Industrial Development Authority

Year Ended December 31, 2014



TROUT, EBERSOLE & GROFF<sup>LLP</sup>

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# Elizabethtown Industrial Development Authority

Financial Statements with Supplementary Information - Cash Basis

Year Ended December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Authority Board Members  
**Elizabethtown Industrial Development Authority**  
Elizabethtown, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the **Elizabethtown Industrial Development Authority**, (the Authority), which comprise the statement of net position - cash basis as of December 31, 2014, and the related statement of revenues, expenses, and change in net position - cash basis for the year then ended, and the notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***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 on 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.

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LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141  
CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

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 cash basis financial position of the **Elizabethtown Industrial Development Authority** as of December 31, 2014, and the changes in its cash basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Elizabethtown Industrial Development Authority's** basic financial statements. The concise statement for publication on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole, on the basis of accounting described in Note 1.

June 4, 2015  
Lancaster, Pennsylvania

*Trout, Ebersole & Groff, LLP*  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

# Elizabethtown Industrial Development Authority

STATEMENT of NET POSITION - Cash Basis

December 31, 2014

## ASSETS

### Current Assets

Cash and Cash Equivalents	<u>\$ 47,566</u>
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## LIABILITIES

-0-

## NET POSITION

Unrestricted	<u>\$ 47,566</u>
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See notes to financial statements.

**Elizabethtown Industrial Development Authority**  
 STATEMENT of REVENUES, EXPENSES, and CHANGE in NET POSITION -  
 Cash Basis  
 Year Ended December 31, 2014

**OPERATING REVENUES**

Administrative Fees	\$ 9,135
Lease Rental Payments Received	<u>3,047,955</u>
<b>Total Operating Revenues</b>	<b><u>3,057,090</u></b>

**OPERATING EXPENSES**

Interest Paid on Long-Term Debt	477,312
Principal Paid on Long-Term Debt	2,570,643
Professional Services	5,055
Other Operating Expenses	<u>562</u>
<b>Total Operating Expenses</b>	<b><u>3,053,572</u></b>

<b>Net Operating Income</b>	<b>3,518</b>
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**NONOPERATING REVENUES and EXPENSES**

Interest Income	<u>29</u>
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<b>CHANGE in NET POSITION</b>	<b>3,547</b>
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**NET POSITION**

Beginning	<u>44,019</u>
<b>Ending</b>	<b><u><u>\$ 47,566</u></u></b>

See notes to financial statements.

# Elizabethtown Industrial Development Authority

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The **Elizabethtown Industrial Development Authority** (the Authority) incorporated under the Economic Development Financing Law. The Authority's function is to acquire, hold, construct, improve, maintain, own, finance, and lease projects as defined in the Economic Development Financing Law.

The Authority is composed of a five-member board.

The following is a summary of the Authority's significant accounting policies.

#### **Reporting Entity**

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, and as amended in Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the Authority to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria:

The Authority is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Authority officials appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Authority as defined below.

**Impose its Will** - If the Authority can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**Financial Benefit or Burden** - If the Authority (1) is entitled to the organization's resources or, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or, (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the Authority and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Authority.

The Authority is part of the Borough of Elizabethtown's reporting entity based on the above criteria. These are the separate component unit financial statements of the Authority. No other entities need to be included based on the above criteria.

# Elizabethtown Industrial Development Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting**

The Authority operates as an enterprise activity and keeps its records using the cash basis of accounting. Consequently, revenue and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operation in conformity with generally accepted accounting principles which would require the recording of accounts receivable, accounts payable, and other accrued items.

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.

#### **Basic Financial Statements**

Since the Authority is engaged in business-type activities, it is required to present the financial statements required for enterprise funds. For the Authority, the basic financial statements consist of:

##### Enterprise Fund Financial Statements

- Statement of Net Position - Cash Basis
- Statement of Revenues, Expenses, and Change in Net Position - Cash Basis
- Notes to Financial Statements

#### **Use of Estimates**

The process of preparing financial statements in conformity with the cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts.

#### **Cash and Cash Equivalents**

The Authority considers all certificates of deposit and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### **Lease Rental Receivables and Long-Term Debt**

Long-term debt is issued for the purpose of carrying out the projects entered into by the Authority for industrial development purposes. In accordance with the cash basis of accounting, long-term debt proceeds are recorded as income when received and project costs are recorded as expenses when paid. Therefore, lease rental receivables and long-term debt are not presented on the statement of net position - cash basis.

#### **Net Position**

Net position is the difference between assets and liabilities.

#### **Classification of Revenues and Expenses**

The Authority considers operating revenues and expenses in the statement of revenues, expenses, and change in net position - cash basis to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Authority's primary functions. Exchange transactions include lease rental income and principal and interest expense on the related debt obligations.

Certain other transactions are reported as nonoperating revenues and expenses which include interest income on cash balances and cash flows related to the issuance or advance refunding of debt.



# Elizabethtown Industrial Development Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Standards Adopted in 2014

During the year ended December 31, 2014, the Authority adopted the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations.

During the year ended December 31, 2014, the Authority adopted the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to provide accounting and financial reporting guidance to a governmental financial reporting entity that offers nonexchange financial guarantees and for governmental entities that receive guarantees on their obligations.

The Authority's beginning balances and current year results and disclosures were not affected by implementation of these standards.

### NOTE 2 - CASH and CASH EQUIVALENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

#### Cash and Cash Equivalents - 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 policy for custodial credit risk. As of December 31, 2014, none of the Authority's bank balance of \$47,566 was exposed to custodial credit risk as it was all insured by federal depository insurance coverage.

### NOTE 3 - INSURANCE

The Borough of Elizabethtown purchased an errors and omissions insurance policy covering all publicly elected and appointed officials for the Borough and the Authority. The insurance policy is renewed annually. Claims incurred did not exceed insurance coverage for the current year and the previous two years.

### NOTE 4 - CONDUIT DEBT

The Authority has issued revenue notes and bonds to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial improvements deemed to be in the public interest. The notes and bonds are secured solely by the property financed and are payable solely from the payments received under the loan agreements and promissory notes. The Authority is not obligated in any manner for the repayment of the notes and bonds. The aggregate principal payable at December 31, 2014, was \$17,353,000.

# Elizabethtown Industrial Development Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 5 - SUBSEQUENT CONDUIT DEBT ISSUANCE**

In April 2015, the Authority issued a tax-exempt revenue note in the aggregate principal amount not to exceed \$7,550,000. The purpose of the revenue note is to provide financial assistance to a private organization for the refinancing of Lancaster Industrial Development Authority Revenue Note Series B of 2009, which was originally incurred to refinance the construction and acquisition of industrial and commercial improvements deemed to be in the public interest.

# Elizabethtown Industrial Development Authority

CONCISE STATEMENT for PUBLICATION

STATEMENT of NET POSITION - Cash Basis

December 31, 2014

## ASSETS

Cash and Cash Equivalents \$ 47,566

## LIABILITIES

-0-

## NET POSITION - Unrestricted

47,566

STATEMENT of REVENUES, EXPENSES, and CHANGE in NET POSITION - Cash Basis

Year Ended December 31, 2014

## OPERATING REVENUES

Administrative Fees 9,135

Lease Rental Payments Received 3,047,955

**Total Operating Revenues** **3,057,090**

## OPERATING EXPENSES

Interest Paid on Long-Term Debt 477,312

Principal Paid on Long-Term Debt 2,570,643

Professional Services 5,055

Other Operating Expenses 562

**Total Operating Expenses** **3,053,572**

**Net Operating Income** **3,518**

## NONOPERATING REVENUES and EXPENSES

Interest Income 29

**CHANGE in NET POSITION** **3,547**

## NET POSITION

Beginning 44,019

**Ending** **\$ 47,566**

See independent auditors' report.