

**DAUPHIN COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

| <u>TABLE OF CONTENTS</u> | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 - 2 |
| Financial Statements: | |
| Statement of Net Position | 3 |
| Statement of Revenues, Expenses and Changes In Net Position | 4 |
| Statement of Cash Flows | 5 - 6 |
| Notes to Financial Statements | 7 - 24 |



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dauphin County Industrial Development Authority
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of the Dauphin County Industrial Development Authority (the "Authority"), a component unit of the County of Dauphin, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of September 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

In performing an audit in accordance with GAAS, we:

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

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

Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

As discussed in Note 1 to the financial statements, in 2022 the Authority adopted the provisions of GASB Statement No. 87, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", and GASB Statement No. 92, "Omnibus 2020". Our opinion is not modified with respect to these matters.

Other Matters

Omission of the Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements is not affected by this missing information.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD, LLC

Harrisburg, Pennsylvania
May 31, 2023

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

| | Business-Type Activities Enterprise Funds | | | | | Total |
|--|--|--------------------------------|---------------------|------------------------|-----------------------------|----------------------|
| | Financing Fund | Property Management Fund | Gaming Fund | Revolving Loan Fund | Infrastructure Bank Fund | |
| <u>ASSETS</u> | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | \$ 422,772 | \$ 435,723 | \$ - | \$ - | \$ - | \$ 858,495 |
| Accounts receivable | 1,000 | - | - | - | - | 1,000 |
| Interest receivable | - | - | - | - | 139,800 | 139,800 |
| Due from related parties | - | - | - | 100,000 | 10,000 | 110,000 |
| Current portion of loans receivable, net | - | - | - | 277,484 | 1,544,893 | 1,822,377 |
| Current portion of other receivable | 408,478 | - | - | - | - | 408,478 |
| Due from other funds | 14,597 | - | - | - | 61,000 | 75,597 |
| Other assets | 254 | - | - | - | - | 254 |
| TOTAL CURRENT ASSETS | 847,101 | 435,723 | - | 377,484 | 1,755,693 | 3,416,001 |
| NONCURRENT ASSETS | | | | | | |
| Restricted cash and cash equivalents | 1,134,611 | - | 2,587,004 | 518,576 | 7,572,851 | 11,813,042 |
| Loans receivable, net of current portion | - | - | - | 57,255 | 4,133,013 | 4,190,268 |
| Other receivable, net of current portion | 5,338,826 | - | - | - | - | 5,338,826 |
| Capital assets, nondepreciable | 212,797 | - | - | - | - | 212,797 |
| Capital assets, depreciable, net | 5,209,620 | - | - | - | - | 5,209,620 |
| TOTAL NONCURRENT ASSETS | 11,895,854 | - | 2,587,004 | 575,831 | 11,705,864 | 26,764,553 |
| TOTAL ASSETS | \$ 12,742,955 | \$ 435,723 | \$ 2,587,004 | \$ 953,315 | \$ 13,461,557 | \$ 30,180,554 |
| <u>LIABILITIES AND NET POSITION</u> | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | \$ 15,031 | \$ - | \$ 850,928 | \$ 9,259 | \$ 500,558 | \$ 1,375,776 |
| Accrued interest payable | 22,258 | - | - | - | - | 22,258 |
| Due to other funds | 61,000 | - | - | 14,597 | - | 75,597 |
| Due to related party | 1,092,054 | - | - | 248,000 | 8,685,842 | 10,025,896 |
| Due to other governments | - | - | - | - | 2,155,758 | 2,155,758 |
| Unearned Revenue | - | - | - | - | 307,900 | 307,900 |
| Current portion of notes payable | 471,961 | - | - | - | - | 471,961 |
| TOTAL CURRENT LIABILITIES | 1,662,304 | - | 850,928 | 271,856 | 11,650,058 | 14,435,146 |
| NONCURRENT LIABILITIES | | | | | | |
| Long-term notes payable | 7,211,167 | - | - | - | - | 7,211,167 |
| TOTAL NONCURRENT LIABILITIES | 7,211,167 | - | - | - | - | 7,211,167 |
| TOTAL LIABILITIES | 8,873,471 | - | 850,928 | 271,856 | 11,650,058 | 21,646,313 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 3,486,593 | - | - | - | - | 3,486,593 |
| Restricted for gaming program | - | - | 1,736,076 | - | - | 1,736,076 |
| Restricted for the revolving loan program | - | - | - | 681,459 | - | 681,459 |
| Restricted for infrastructure bank program | - | - | - | - | 1,811,499 | 1,811,499 |
| Unrestricted | 382,891 | 435,723 | - | - | - | 818,614 |
| TOTAL NET POSITION | \$ 3,869,484 | \$ 435,723 | \$ 1,736,076 | \$ 681,459 | \$ 1,811,499 | \$ 8,534,241 |

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

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022

| | Business-Type Activities Enterprise Funds | | | | | Total |
|--|--|--------------------------------|---------------------|------------------------|-----------------------------|---------------------|
| | Financing Fund | Property Management Fund | Gaming Fund | Revolving Loan Fund | Infrastructure Bank Fund | |
| OPERATING REVENUES | | | | | | |
| Project Fees: | | | | | | |
| Annual administration fees | \$ 7,500 | \$ - | \$ - | \$ - | \$ - | \$ 7,500 |
| Parking fees | - | 2,000 | - | - | - | 2,000 |
| Miscellaneous fees | 17,200 | - | - | - | - | 17,200 |
| Gaming income | - | - | 3,285,019 | - | - | 3,285,019 |
| Infrastructure bank income | - | - | - | - | 692,100 | 692,100 |
| TOTAL OPERATING REVENUES | 24,700 | 2,000 | 3,285,019 | - | 692,100 | 4,003,819 |
| OPERATING EXPENSES | | | | | | |
| Professional fees | 31,716 | - | - | 79 | 50,890 | 82,685 |
| Office supplies | 534 | - | - | 182 | - | 716 |
| Parking | 718 | - | - | - | - | 718 |
| Advertising | 235 | - | - | - | - | 235 |
| Membership dues | 517 | - | - | - | - | 517 |
| Seminars and meetings | 3,233 | - | - | - | - | 3,233 |
| Telephone | 1,900 | - | - | - | - | 1,900 |
| Gaming | - | - | 6,874,074 | - | - | 6,874,074 |
| Other expenses | 37 | - | - | 2,515 | - | 2,552 |
| Depreciation | 351,904 | - | - | - | - | 351,904 |
| TOTAL OPERATING EXPENSES | 390,794 | - | 6,874,074 | 2,776 | 50,890 | 7,318,534 |
| OPERATING INCOME (LOSS) | (366,094) | 2,000 | (3,589,055) | (2,776) | 641,210 | (3,314,715) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Interest income - cash and cash equivalents | 625 | 45 | 6,353 | 212 | - | 7,235 |
| Interest income - loans | - | - | - | 2,904 | 161,944 | 164,848 |
| Interest expense | (249,460) | - | - | - | (246,957) | (496,417) |
| Grant income | 1,235,000 | - | - | - | - | 1,235,000 |
| Grant expense | (1,235,000) | - | - | - | - | (1,235,000) |
| Solar-farm project income | 74,635 | - | - | - | - | 74,635 |
| Solar-farm project expense | (94,854) | - | - | - | - | (94,854) |
| Subsidy from (to) related party | 172,935 | - | - | - | (60,000) | 112,935 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (96,119) | 45 | 6,353 | 3,116 | (145,013) | (231,618) |
| CHANGES IN NET POSITION | (462,213) | 2,045 | (3,582,702) | 340 | 496,197 | (3,546,333) |
| NET POSITION - Beginning of year | 4,331,697 | 433,678 | 5,318,778 | 681,119 | 1,315,302 | 12,080,574 |
| NET POSITION - End of year | \$ 3,869,484 | \$ 435,723 | \$ 1,736,076 | \$ 681,459 | \$ 1,811,499 | \$ 8,534,241 |

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

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022

| | Business-Type Activities Enterprise Funds | | | | | Total |
|--|--|--------------------------------|---------------------|------------------------|-----------------------------|----------------------|
| | Financing Fund | Property Management Fund | Gaming Fund | Revolving Loan Fund | Infrastructure Bank Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers and users | \$ 24,700 | \$ 2,000 | \$ 3,285,019 | \$ 34,472 | \$ 692,100 | \$ 4,038,291 |
| Payments to suppliers for goods and services | (34,467) | - | (6,192,266) | (261) | (50,890) | (6,277,884) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(9,767)</u> | <u>2,000</u> | <u>(2,907,247)</u> | <u>34,211</u> | <u>641,210</u> | <u>(2,239,593)</u> |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Due to (from) related party | - | - | - | 261,000 | (1,804,293) | (1,543,293) |
| Subsidy (to) from related party | 174,186 | - | - | - | 587,900 | 762,086 |
| Transfers (to) from other funds | 50,000 | - | - | - | (50,000) | - |
| Principal receipts on loans | - | - | - | - | 1,603,988 | 1,603,988 |
| Loan disbursements | - | - | - | - | (2,386,095) | (2,386,095) |
| Interest paid | - | - | - | - | (246,957) | (246,957) |
| Project loan interest income | - | - | - | 2,904 | 182,302 | 185,206 |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES | <u>224,186</u> | <u>-</u> | <u>-</u> | <u>263,904</u> | <u>(2,113,155)</u> | <u>(1,625,065)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Solar-farm income | 74,635 | - | - | - | - | 74,635 |
| Solar-farm project disbursements | (94,854) | - | - | - | - | (94,854) |
| Payment of debt | (61,021) | - | - | - | - | (61,021) |
| Interest paid | (250,154) | - | - | - | - | (250,154) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(331,394)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(331,394)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest income | 625 | 45 | 6,353 | 212 | - | 7,235 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>625</u> | <u>45</u> | <u>6,353</u> | <u>212</u> | <u>-</u> | <u>7,235</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(116,350)</u> | <u>2,045</u> | <u>(2,900,894)</u> | <u>298,327</u> | <u>(1,471,945)</u> | <u>(4,188,817)</u> |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,673,733</u> | <u>433,678</u> | <u>5,487,898</u> | <u>220,249</u> | <u>9,044,796</u> | <u>16,860,354</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,557,383</u> | <u>\$ 435,723</u> | <u>\$ 2,587,004</u> | <u>\$ 518,576</u> | <u>\$ 7,572,851</u> | <u>\$ 12,671,537</u> |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Unrestricted Cash | \$ 422,772 | \$ 435,723 | \$ - | \$ - | \$ - | \$ 858,495 |
| Restricted Cash | 1,134,611 | - | 2,587,004 | 518,576 | 7,572,851 | 11,813,042 |
| Total | <u>\$ 1,557,383</u> | <u>\$ 435,723</u> | <u>\$ 2,587,004</u> | <u>\$ 518,576</u> | <u>\$ 7,572,851</u> | <u>\$ 12,671,537</u> |

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

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2022

| | Business-Type Activities Enterprise Funds | | | | | Total |
|---|--|--------------------------------|------------------------------|-------------------------|-----------------------------|------------------------------|
| | Financing Fund | Property Management Fund | Gaming Fund | Revolving Loan Fund | Infrastructure Bank Fund | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | | |
| Operating Income (Loss) | \$ (366,094) | \$ 2,000 | \$ (3,589,055) | \$ (2,776) | \$ 641,210 | \$ (3,314,715) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities: | | | | | | |
| Depreciation | 351,904 | - | - | - | - | 351,904 |
| (Increase) Decrease in Assets: | | | | | | |
| Loans receivable | - | - | - | 34,472 | - | 34,472 |
| Increase (Decrease) in Liabilities: | | | | | | |
| Accounts payable | 4,423 | - | 681,808 | 2,515 | - | 688,746 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (9,767)</u> | <u>\$ 2,000</u> | <u>\$ (2,907,247)</u> | <u>\$ 34,211</u> | <u>\$ 641,210</u> | <u>\$ (2,239,593)</u> |
| Noncash Investing, Capital, and Related Financing Activities | | | | | | |
| County Payments for Other Receivable | \$ 395,435 | \$ - | \$ - | \$ - | \$ - | \$ 395,435 |
| Change in Debt Related to Other Receivable | (395,435) | - | - | - | - | (395,435) |

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

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dauphin County Industrial Development Authority (the "Authority") was organized in 1967 as a standing authority of the County of Dauphin, Pennsylvania. It operates in compliance with the Industrial Development Authority Law, Act No. 102, August 23, 1967. For financial reporting purposes only, the Authority is a discretely presented component unit of the reporting entity of the County of Dauphin. The Authority serves as a financing vehicle for industrial development in the County of Dauphin, Pennsylvania. The Authority's primary function is to arrange financing through tax exempt bonds, taxable bonds and mortgages for manufacturers, nonprofit organizations and companies establishing corporate headquarters in the County of Dauphin. The Authority participates in new construction and rehabilitation each year through its industrial recruitment and expansion projects. In addition, the Authority owns several commercial properties which it leases.

A summary of the Authority's significant accounting policies are as follows:

A. Reporting Entity

The Authority has adopted the provisions GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*", for the criteria used to evaluate organizations, activities and functions that should be included in the Authority's financial statements. The basic criteria are the exercise of oversight responsibility over such organizations, activities and functions.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. Because the County appoints the Authority's governing board and guarantees the Authority debts, the County includes the Authority in its financial statements as a component unit since the Authority meets the criteria satisfying inclusion in the County's financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Authority operations are reported as proprietary funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Financing Fund is used to account for activities which are associated with the financing of industrial development projects in the County of Dauphin. The Property Management Fund is used to account for activities which are associated with the rental of real property. The Gaming Fund is used to account for gaming funds received from the County of Dauphin for the purpose of providing municipal grants. The Revolving Loan Fund is used to account for loans with local businesses. The Infrastructure Bank Fund is used to account for loans with local municipalities for infrastructure improvements.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets", "restricted", and "unrestricted" components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the Authority are gaming income, administrative expenses, maintenance expenses, parking expenses, rental expense, gaming expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

The Authority considers all highly-liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at September 30, 2022 consist of cash held in bank accounts.

D. Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at outstanding principal. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews loan receivable balances. Interest at rates ranging from 2.5% - 3.5% is charged on unpaid balances and is recognized in revenue upon receipt.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Loans Receivable (Continued)

The Authority's management evaluates this risk and, when determined to be necessary, provides an allowance for loans which may become uncollectible. Loans receivable in the financing fund are shown net of an allowance of \$32,490 and loans receivable in the revolving loan fund are shown net of an allowance of \$33,345.

E. Other Receivables

The Authority accounts for its financing arrangements with the County of Dauphin and Dauphin County Economic Development Corporation (see Note 6) as other receivables. This agreement does not meet the criteria of a lease under GASB 87 as the terms of the agreement do not convey the right to use a nonfinancial asset of the Authority.

F. Restricted Assets

Restricted assets represent cash balances from gaming revenues which are restricted for the purpose of providing municipal grants; cash related to the revolving loan program which is restricted for the purpose of providing loans to businesses; cash held for municipality loan draws within the infrastructure bank fund; and cash drawn down on the MDJ project within the financing fund which was unexpended at year end. At September 30, 2022, the restricted cash balance was \$11,813,042.

G. 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 and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions in the Authority's financial statements related to the collectability of loans and other receivables and the useful lives of capital assets. Actual results could differ from those estimates.

H. Capital Assets

Capital assets, which include office equipment and furnishings, buildings and building improvements, and solar farm equipment, are recorded at their original cost at the time title reverts to the Authority and said assets are in operating condition. The Authority records all capital outlays as capital assets. The Authority's capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| Office Equipment and Furnishings | 3 – 7 |
| Solar Farm Project | 25 |

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long Term Obligations

Long-term debt and other obligations are reported as noncurrent liabilities in the proprietary fund statement of net position.

J. Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

- a. *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- b. *Restricted Net Position* – This category represents net position of the Authority that is restricted for project or other purposes.
- c. *Unrestricted Net Position* – This category represents net position of the Authority that is not restricted for any project or other purpose.

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.

K. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government did not have any items that qualify for reporting in this category.

L. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 87, "Leases". The adoption of this statement changed the classification of certain assets in the financial statements.

The Authority adopted the provisions of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The adoption of this statement had no effect on previously reported amounts.

The Authority adopted the provisions of GASB Statement No. 92, "Omnibus 2020". The adoption of this statement had no effect on previously reported amounts.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". The Authority is required to adopt Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The Authority is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". The Authority is required to adopt the provisions of statement No. 96 for its fiscal year 2023 financial statements.

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

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The Authority is required to adopt the provisions of Statement No. 101 for its fiscal year 2025 financial statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSITS

The Authority's deposit policy adheres to State Statutes and prudent business practice.

Deposits

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of September 30, 2022, the Authority's cash balance was \$12,671,537, and its bank balance was \$12,747,857. At September 30, 2022, \$11,379,797 of the Authority's deposits were subject to custodial credit risk as it was collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. The Authority does not have a formal policy to limit its exposure to custodial credit risk.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 3: CAPITAL ASSETS

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2022:

| | Balance at October 1, 2021 | Additions | Disposals | Balance at September 30, 2022 |
|--|----------------------------------|--------------|-----------|-------------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 212,797 | \$ - | \$ - | \$ 212,797 |
| Total capital assets, not depreciated | 212,797 | - | - | 212,797 |
| Capital assets, being depreciated: | | | | |
| Office furniture and equipment | 14,521 | - | - | 14,521 |
| Equipment - Solar Farm, Phase I | 4,829,816 | - | - | 4,829,816 |
| Equipment - Solar Farm, Phase II | 3,967,771 | - | - | 3,967,771 |
| Total capital assets, being depreciated | 8,812,108 | - | - | 8,812,108 |
| Less accumulated depreciation for: | | | | |
| Office furniture and equipment | (14,521) | - | - | (14,521) |
| Equipment - Solar Farm, Phase I | (1,940,440) | (193,193) | - | (2,133,633) |
| Equipment - Solar Farm, Phase II | (1,295,623) | (158,711) | - | (1,454,334) |
| Total accumulated depreciation | (3,250,584) | (351,904) | - | (3,602,488) |
| Total capital assets, being depreciated, net | 5,561,524 | (351,904) | - | 5,209,620 |
| Total capital assets, net | \$ 5,774,321 | \$ (351,904) | \$ - | \$ 5,422,417 |

Depreciation expense was \$351,904 in the Financing Fund for the year ended September 30, 2022.

NOTE 4: LOANS RECEIVABLE

Financing Fund

On April 1, 2007 the Authority entered into a loan agreement with Tuscano Pizza & Grill, Inc. in the amount of \$100,000 at a fixed interest rate of 6.0%. The agreement required Tuscano Pizza & Grill, Inc. to make monthly principal and interest payments of \$1,933 to the Authority for 60 consecutive months beginning on May 1, 2007. In February 2009 this loan agreement was amended, requiring Tuscano Pizza & Grill, Inc to make monthly principal and interest payments of \$1,007 for 84 consecutive months beginning on March 1, 2009 on the remaining balance of \$76,187. The new loan agreement carries a fixed interest rate of 3.0%. The amount outstanding on the loan as of September 30, 2022 is \$32,490 which is fully reserved on the financial statements.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 4: LOANS RECEIVABLE (CONTINUED)

Revolving Loan Fund

In July, 2008 the Authority entered into a loan agreement with Trinity Harvest in the amount of \$50,000 at a fixed interest rate of 3.0%. The agreement required Trinity Harvest to make monthly principal and interest payments of \$898 to the Authority for 60 consecutive months beginning on October 1, 2008. The amount outstanding on the loan as of September 30, 2022 is \$33,345 which is fully reserved on the financial statements.

On October 9, 2013, the Authority entered into a loan agreement with Probitas Technology, Inc. in the amount of \$100,000 at a fixed rate of 2.5%. The agreement required Probitas Technology, Inc. to make monthly principal and interest payments of \$1,775 to the Authority for 60 consecutive months beginning on December 1, 2013. The amount outstanding on the loan as of September 30, 2022 is \$66,978.

On March 6, 2015, the Authority entered into a loan agreement with Harristown Development Corporation in the amount of \$100,000 at a fixed rate of 3.25%. The agreement requires Harristown Development Corporation to make monthly principal and interest payments of \$1,808 to the Authority for 60 consecutive months beginning on April 1, 2015. The amount outstanding on the loan as of September 30, 2022 is \$1,803.

On March 20, 2017, the Authority entered into a loan agreement with Steelton Borough in the amount of \$80,000 at a fixed rate of 2.80%. The agreement requires Steelton Borough to make monthly principal and interest payments of \$1,430.40 to the Authority for 60 consecutive months beginning September 1, 2017. The amount outstanding on the loan as of September 30, 2022 is \$37,387.

On August 11, 2017, the Authority entered into a loan agreement with Harristown Enterprises, Inc. in the amount of \$100,000 at a fixed rate of 3.50%. The agreement requires Harristown Enterprises, Inc. to make monthly principal and interest payments of \$1,819.17 to the Authority for 60 consecutive months beginning September 1, 2017. The amount outstanding on the loan as of September 30, 2022 is \$1,814.

On September 5, 2017, the Authority entered into a loan agreement with Tres, LLC in the amount of \$100,000 at a fixed rate of 3.25%. The agreement requires Tres, LLC to make monthly principal and interest payments of \$1,808.00 to the Authority for 60 consecutive months beginning October 1, 2017. The amount outstanding on the loan as of September 30, 2022 is \$90,664.

On August 1, 2019, the Authority entered into a loan agreement with GPS Solutions in the principal amount of \$35,000 at a fixed rate of 3.00%. The agreement requires GPS Solutions to make monthly principal and interest payments of \$628.90 to the Authority for 60 consecutive months beginning August 1, 2019. The amount outstanding on the loan as of September 30, 2022 is \$33,690.

On March 1, 2020, the Authority entered into a loan agreement with Q. Jones in the principal amount of \$80,000 at a fixed rate of 3.00%. The agreement requires Q. Jones to make monthly principal and interest payments of \$1,437.50 to the Authority for 60 consecutive months beginning April 1, 2020. The amount outstanding on the loan as of September 30, 2022 is \$61,109.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 4: LOANS RECEIVABLE (CONTINUED)

Revolving Loan Fund (Continued)

On March 15, 2021, the Authority entered into a loan agreement with Central Penn Insurance Partners in the principal amount of \$50,000 at a fixed rate of 2.50%. The agreement requires Central Penn Insurance Partners to make monthly principal and interest payments of \$887.37 to the Authority for 60 consecutive months beginning April 15, 2021. The amount outstanding on the loan as of September 30, 2022 is \$41,294.

Loans Receivable at September 30, 2022 is as follows:

| | |
|----------------------|--------------------------------|
| | <u>Revolving Loan Fund</u> |
| Displayed as: | |
| Current Portion, net | \$ 277,484 |
| Noncurrent Portion | <u>57,255</u> |
| | <u>\$ 334,739</u> |

NOTE 5: RELATED PARTIES

The County of Dauphin

Financial relationship – The County of Dauphin (“County”) pays for all significant management and administrative costs required to operate the Authority on a day-to-day basis. The Authority’s management and support staff are employees of the County and other significant operating expenses such as telephone service, office maintenance and insurance are paid for by the County. The amount of the County’s support and the corresponding operating costs are not reported as revenue and expenses in the Authority’s financial statements. The County also provides significant operating revenue, primarily through Gaming distributions passed-through to the Authority. Gaming revenue from the County was \$3,285,019 in 2022 representing approximately 82% of total operating revenue.

See Notes 6 and 8, Other Receivables and Long-Term Obligations for additional information concerning financial transactions with the County.

Other Related Organizations

The Authority shares management, support staff and office space, and performs various administrative and program functions in conjunction with two other organizations:

The Dauphin County Department of Community and Economic Development (DCDCED) which is an internal department of the County, not a separate entity; The Dauphin County Economic Development Corporation (DCEDC), a nonprofit corporation created by the County to partner in real estate development projects and to channel grant funding to communities and organizations in need of community and economic development assistance.

The Authority is not owned in part or in total by DCDCED or DCEDC, and has no ownership interest in either organization. The Authority and DCEDC are governed by the same Board of Directors which is appointed by the Commissioners of Dauphin County.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 5: RELATED PARTIES (CONTINUED)

Due From / Due To Related Parties

Amounts due from / due to related parties as of September 30, 2022 consist of the following:

Due From Related Parties:

| | |
|---|------------|
| Revolving Loan Fund | |
| Amount due from DCEDC for operating costs | \$ 100,000 |
| Infrastructure Bank Fund | |
| Amount due from DCEDC for operating costs | 10,000 |
| Total Amount Due from Related Parties | \$ 110,000 |

Due to Related Parties:

| | |
|---|--------------|
| Revolving Loan Fund | |
| Amount due to Dauphin County for the Dewberry Loan | \$ 248,000 |
| Financing Fund | |
| Amount due to DCEDC – Operating costs for Solar Farm expenses | 30,500 |
| Amount due to DCEDC – Restricted Tourism Funds invested in the Authority – Charles Schwab Account | 1,061,554 |
| Infrastructure Bank Fund | |
| Amount due to Dauphin County for PIB Loan MOU | 8,685,842 |
| Total Amount Due to Related Parties | \$10,025,896 |

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 6: CONDUIT DEBT

Variable Rate Demand Revenue Bonds (WITF, Inc. Project), Series of 2005

On September 23, 2005, the Authority issued Variable Rate Demand Revenue Bonds, Series of 2005 (the Bonds) in the aggregate principal amount of \$19,000,000. The Authority appointed Fulton Financial Advisors, N.A. to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the Authority, payable solely from the payments required to be made by WITF, Inc (the Borrower) under a loan agreement by and between the Authority and the Borrower (the Agreement).

Pursuant to the Agreement, the Authority lent the full proceeds of the Bonds to the Borrower for the acquisition and construction of a public media center to be occupied and used by the Borrower, and payment of related costs and expenses, including a portion of the costs incurred to issue the Bonds. The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the Authority, until the bonds mature in 2026.

The Authority assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make the payments directly to the trustee in amounts necessary to satisfy the debt service requirements of the Bonds. Accordingly, no recourse can be made against the Authority for payment of principal or interest on the Bonds.

In 2009 the Authority approved the refinancing of these bonds into a tax exempt private loan. The refinanced aggregate principal is \$18,000,000.

Taxable Mortgage Revenue Bonds, Series 2006 (Bentley Harrisburg Senior Living Facility)

On April 6, 2006, the Authority issued Taxable Mortgage Revenue Bonds, Series 2006 (the Bonds) in the aggregate principal amount of \$2,720,000. The Authority appointed Wells Fargo Bank, N.A., to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the Authority, payable solely from the payments required to be made by Harrisburg Senior Living, LLC and Bentley Harrisburg Senior Center, LLC (the Borrowers) under the loan agreement by and between the Authority and the Borrowers (the Agreement.) Pursuant to the Agreement, the Authority lent the full proceeds of the Bonds to the Borrowers to refinance certain short-term debt incurred by the Borrowers to acquire the facility, to fund certain working capital needs for the facility, and to pay Bond issuance costs.

The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the Authority, until the Bonds mature in 2039.

The Authority assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make timely payments directly to the Trustee in amounts necessary to satisfy the debt service requirements of the Bonds. Accordingly, no recourse can be make against the Authority for payment of principal or interest on the Bonds.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 6: CONDUIT DEBT (CONTINUED)

Mortgage Revenue Notes, Series of 2006 and 2007 (Hershey Christian School Association Project)

In November 2006, the Authority authorized the issuance of a Mortgage Revenue Note (Note) totaling \$6,000,000. Pursuant to a Loan Agreement, the Authority lent the full proceeds of the note to a Pennsylvania non-profit corporation (Corporation) for the acquisition and construction of an educational facility. Final maturity on the Note is November 2030. The note is secured by an Open-End Mortgage and Security Agreement from the Corporation. Accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

In January 2007, the Authority issued a series of additional Mortgage Revenue Notes (2007 Notes) totaling \$700,000. Pursuant to the Supplemental Loan Agreement, the Authority lent the full proceeds of the notes to the Corporation for the acquisition and construction of an educational facility. Final maturity on the Notes is November 2030. The notes are secured by an Open-End Mortgage and Security Agreement from the Corporation. Accordingly, no recourse can be made against the Authority for payment of principal or interest on the notes.

Mortgage Revenue Note, Series of 2007 (Yellow Breeches Educational Center, Inc. Project)

In December 2007, the Authority authorized the issuance of a Mortgage Revenue Note (Note) totaling \$437,000 for the purpose of assisting a Pennsylvania non-profit corporation in the acquisition, of an existing educational facility, and the acquisition of the sewer treatment plant, which serves said educational facility. Final Maturity on the Note is December 2023. The note is secured by various assets of the borrower, accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

Multifamily Housing Revenue Bonds, Series of 2008 (Central Pennsylvania MHA Associates LP Project)

In November 2008, the Authority authorized the issuance of Multifamily Housing Revenue Bonds (Bonds) totaling \$13,000,000. Pursuant to a Loan Agreement, the Authority lent the full proceeds of the note to a limited partnership (LP) for the acquisition, rehabilitation and equipping of land and land improvements and the marketing and leasing of leasable space in the improvements. Final Maturity on the Bonds is December 2040. The bonds are secured by an Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement and from the LP. Accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

Mortgage Revenue Note, Series of 2008 (Visiting Nurse Association)

In December 2008, the Authority authorized the issuance of a Mortgage Revenue Note (Note) totaling \$766,000 for the purpose of assisting a Pennsylvania non-profit corporation (corporation) in the acquisition and renovation of a facility and in refinancing of a line of credit of the corporation. Final Maturity on the Note is December 2023. The note is secured by a mortgage of the corporation, and accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 6: CONDUIT DEBT (CONTINUED)

Commercial Mortgage Revenue Loan, Series of 2012 (Next Generation Farmer Loan Program)

In February 2012, the Authority authorized the issuance of a Commercial Mortgage Revenue Loan (Loan) totaling \$488,000 for the purpose of financing the purchase price being paid by the Beginning Farmer to the Seller for the Project, which is the fair value of the property identified in the acquisition to be used for farming purposes only. Final Maturity on the Note is December 2032. The note is secured by various assets of the borrower, accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

Next Generation Farmer Loan Note, Series of 2014 (Austin Kieffer and Casara Gross)

In July 2014, the Authority authorized the issuance of a Next Generation Farmer Loan Note, Series of 2014, totaling \$300,000 for the purpose of financing a portion of the acquisition of an approximately 103 acre farm and related buildings, equipment, and improvements, situated in the Township of Wayne, Dauphin County, and paying the costs of financing. Final Maturity on the Note is August 2044. The note is secured by an Open-End Mortgage and Security Agreement, and accordingly, no recourse can be made against the Authority for payment of principal or interest on the note.

NOTE 7: LONG-TERM OBLIGATIONS AND OTHER RECEIVABLES

Financing Fund

\$318,850 Guaranteed Revenue Note Series of 2010, due in semi-annual installments through December 1, 2017 plus interest at 3.40%, then in semi-annual installments through December 1, 2030 plus interest at 7.00%

The proceeds of the note, dated December 1, 2010, were used for and towards the acquisition for a building situated at 3005 Hoffman Street in Harrisburg, Dauphin County, Pennsylvania by the County; and paying the costs and expenses related to the forgoing purposes and the issuance of the Note.

Under a financing agreement dated December 1, 2010 between the Authority and the County. The County is obligated to make monthly payments to or on behalf of the Authority in amounts required by the Note. The County is currently making payments directly to the bank. The County guarantees payment of principal and interest on the Note. The Authority has recorded a receivable for the present value of the principal payments.

The following is a maturity schedule for the Guaranteed Revenue Note, Series 2010:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------|------------------|----------------------|----------------------|
| \$ 15,478 | \$ 12,031 | 7.00% | 2023 |
| 16,567 | 10,942 | 7.00% | 2024 |
| 17,793 | 9,717 | 7.00% | 2025 |
| 19,078 | 8,431 | 7.00% | 2026 |
| 20,456 | 7,053 | 7.00% | 2027 |
| 83,932 | 12,350 | 7.00% | 2028-2031 |
| <u>\$ 173,304</u> | <u>\$ 60,524</u> | | |

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 7: LONG-TERM OBLIGATIONS AND OTHER RECEIVABLES (CONTINUED)

Financing Fund (Continued)

\$8,330,000 Guaranteed Revenue Note Series 2013, due in annual installments through December 1, 2033 plus interest at 3.00% through December 1, 2023, and interest of 4.85% through December 1, 2033.

The proceeds of the note, dated December 17, 2013, were used for and towards the acquisition of 1100 South Cameron Street, Dauphin County, Pennsylvania by the County; and paying the costs and expenses related to the foregoing purposes and the issuance of the Note.

Under a financing agreement dated December 17, 2013 between the Authority and the County. The County is obligated to make monthly payments to or on behalf of the Authority in amounts required by the note. The County guarantees payment of principal and interest on the Note. The Authority has recorded a receivable for the present value of the principal payments.

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2013:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---------------------|---------------------|----------------------|----------------------|
| \$ 393,000 | \$ 161,325 | 3.00% / 4.85% | 2023 |
| 405,000 | 193,533 | 4.85% | 2024 |
| 417,000 | 221,524 | 4.85% | 2025 |
| 429,000 | 201,009 | 4.85% | 2026 |
| 442,000 | 179,887 | 4.85% | 2027 |
| 2,416,000 | 559,786 | 4.85% | 2028-2032 |
| 1,072,000 | 52,380 | 4.85% | 2033 |
| <u>\$ 5,574,000</u> | <u>\$ 1,569,444</u> | | |

\$2,210,000 Guaranteed Note Series of 2017, due in semi-annual installments through December 13, 2022 plus interest at 3.80%, then in semi-annual installments through December 31, 2042 plus interest at a variable rate equal to Fulton Bank, NA's Prime Rate, as determined on the last business day immediately preceding the applicable adjustment date, not to exceed 10.00% per annum.

The proceeds from this note, dated August 14, 2017, were used by the Authority to refinance the Authority's Guaranteed Note, Series of 2012.

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2017:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---------------------|---------------------|----------------------|----------------------|
| \$ 63,483 | \$ 133,644 | 3.80% / Variable | 2023 |
| 65,759 | 188,653 | Variable | 2024 |
| 68,511 | 181,410 | Variable | 2025 |
| 71,175 | 174,397 | Variable | 2026 |
| 73,944 | 167,111 | Variable | 2027 |
| 414,850 | 716,795 | Variable | 2028-2032 |
| 502,290 | 486,688 | Variable | 2033-2037 |
| 607,932 | 208,683 | Variable | 2038-2042 |
| 67,880 | 3,427 | Variable | 2043 |
| <u>\$ 1,935,824</u> | <u>\$ 2,260,808</u> | | |

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 7: LONG-TERM OBLIGATIONS AND OTHER RECEIVABLES (CONTINUED)

The following is a summary of long-term debt for the year ended September 30, 2022:

| | Balance October 1, 2021 | Additions | Deletions | Balance September 30, 2022 | Due Within One Year |
|------------------------------------|-------------------------------|-------------|---------------------|----------------------------------|------------------------|
| Guaranteed lease revenue notes: | | | | | |
| Series of 2010 | \$ 187,739 | \$ - | \$ (14,435) | \$ 173,304 | \$ 15,478 |
| Series of 2013 (Cameron) | 5,955,000 | - | (381,000) | 5,574,000 | 393,000 |
| Subtotal | <u>6,142,739</u> | <u>-</u> | <u>(395,435)</u> | <u>5,747,304</u> | <u>408,478</u> |
| 2017 Guaranteed Note | 1,996,845 | - | (61,021) | 1,935,824 | 63,483 |
| Total | <u>\$ 8,139,584</u> | <u>\$ -</u> | <u>\$ (456,456)</u> | <u>\$ 7,683,128</u> | <u>\$ 471,961</u> |

NOTE 8: INFRASTRUCTURE BANK

The Dauphin County Infrastructure Bank Program (the "Program") was approved for creation in June of 2013 for the purpose of providing eligible applicants loans to fund qualifying transportation infrastructure projects, with interest rates ranging from 0.5% and terms of up to 10 years. These loans are to be secured by pledges of liquid fuels revenue for public applicants, or letters of credit for private applicants. In addition, the loan agreements are between the County and the loan applicants.

In March 2014, February 2015, February 2016 and December 2020, through a partnership between the Pennsylvania Department of Transportation and Dauphin County, the County received loans in the amounts of \$4,272,723, \$7,034,518, \$1,279,250, and \$5,822,550, respectively, which were transferred to the Authority, by Memorandum of Understanding (MOU), for the administration of the Infrastructure Bank program.

Loans Receivable

On May 15, 2014, the County entered into a loan agreement with Londonderry Township in the amount of \$925,000 at a fixed interest rate of 0.50%. The agreement allows for Londonderry Township to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires Londonderry Township to make annual principal and interest payments of \$94,887 to the Authority for 10 consecutive years beginning on January 1, 2015. The amount outstanding on the loan as of September 30, 2022 is \$188,360 with no additional funds available for Londonderry Township to borrow.

On May 21, 2014, the County entered into a loan agreement with Middletown Borough in the amount of \$1,500,000 at a fixed interest rate of 0.50%. The agreement allows for Middletown Borough to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires Middletown Borough to make annual principal and interest payments of \$153,858 to the Authority for 10 consecutive years beginning on January 1, 2015. The amount outstanding on the loan as of September 30, 2022 is \$305,423 with no additional funds available for Middletown Borough to borrow.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8: INFRASTRUCTURE BANK (CONTINUED)

Loans Receivable (Continued)

On August 7, 2014, the County entered into a loan agreement with West Hanover Township in the amount of \$825,000 at a fixed interest rate of 0.50%. The agreement allows for West Hanover Township to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires West Hanover Township to make annual principal and interest payments of \$84,533 to the Authority for 10 consecutive years beginning on January 1, 2015. The amount outstanding on the loan as of September 30, 2022 is \$167,806 with no additional funds available for West Hanover Township to borrow.

On May 1, 2015, the County entered into a loan agreement with the Township of Swatara in the amount of \$1,500,000 at a fixed interest rate of 0.50%. The agreement allows for the Township of Swatara to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires the Township of Swatara to make annual principal and interest payments of \$153,900 to the Authority for 10 consecutive years beginning on January 1, 2016. The amount outstanding on the loan as of September 30, 2022 is \$457,122 with an additional \$27,084 available for Swatara Township to borrow.

On May 15, 2015, the County entered into a loan agreement with the Township of Lower Swatara in the amount of \$500,000 at a fixed interest rate of 0.50%. The agreement allows for the Township of Lower Swatara to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires the Township of Lower Swatara to make annual principal and interest payments of \$51,290 to the Authority for 10 consecutive years beginning on January 1, 2016. The amount outstanding on the loan as of September 30, 2022 is \$152,344 with no additional funds available for Lower Swatara Township to borrow.

On June 15, 2015, the County entered into a loan agreement with the Township of Susquehanna in the amount of \$4,800,000 at a fixed interest rate of 0.50%. The agreement allows for the Township of Susquehanna to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires the Township of Susquehanna to make annual principal and interest payments of \$492,181 to the Authority for 10 consecutive years beginning on January 1, 2016. The amount outstanding on the loan as of September 30, 2022 is \$1,461,899 with no additional funds available for Susquehanna Township to borrow.

On December 22, 2020, the County entered into a loan agreement with Hawthorne SPE in the amount of \$5,822,550 at a fixed interest rate of 1.00%. The agreement allows for Hawthorne SPE to draw funds and make payments similar to a line of credit arrangement with a structure payment schedule. The agreement requires Hawthorne SPE to make annual principal and interest payments to the Authority for 10 consecutive years beginning on November 15, 2021. The amount outstanding as of September 30, 2022 is \$5,308,770 with an additional \$2,336,734 available for Hawthorne SPE to borrow.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 8: INFRASTRUCTURE BANK (CONTINUED)

Loans Receivable (Continued)

Loans Receivable at September 30, 2022 is as follows:

| | |
|--------------------|-----------------------------|
| | Infrastructure Bank Fund |
| Displayed as: | |
| Current Portion | \$ 1,544,893 |
| Noncurrent Portion | <u>4,133,013</u> |
| | <u>\$ 5,677,906</u> |

Due to Related Party

Through the creation of the Infrastructure Bank, Dauphin County established an MOU with the Authority in which the Authority acts as the administrator of the program. Although the MOU gives the administrative rights to the Authority, the debt remains in the name of Dauphin County. As the debt service payments from the Municipalities are collected by the Authority, they will be applied against the County loan. As of September 30, 2022, \$8,685,842 is due to Dauphin County for the repayment of the Infrastructure Bank loan.

Due to Other Governments

On May 21, 2014, the County entered into a loan agreement with Derry Township in the amount of \$256,960 at a fixed interest rate of 0.50%. The agreement allows for Derry Township to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires Derry Township to make annual principal and interest payments of \$26,357 to the Authority for 10 consecutive years beginning on January 1, 2015. Derry Township has made regularly scheduled payments in excess of the amounts previously drawn and is currently owed \$16,136 which is included in Due to Other Governments.

On May 11, 2016, the County entered into a loan agreement with the Township of Middle Paxton in the amount of \$1,212,000 at a fixed interest rate of 0.50%. The agreement allows for the Township of Middle Paxton to draw funds and make payments similar to a line of credit arrangement with a structured payment schedule. The agreement requires the Township of Middle Paxton to make annual principal and interest payments of \$124,334 to the Authority for 10 consecutive years beginning on January 1, 2017. The Township of Middle Paxton has made regularly scheduled payments in excess of the amounts previously drawn and is currently owed \$259,745 which is included in Due to Other Governments.

On December 23, 2019, the County entered into a loan agreement with the Township of Susquehanna in the amount of \$1,550,000 at a fixed interest rate of 2.33%. Of the proceeds, \$1,502,500 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for the Township of Susquehanna to draw funds from the Authority for project expenditures. The agreement requires the Township of Susquehanna to make annual principal and semi-annual interest payments to PNC Bank for 10 consecutive years beginning on June 1, 2020. As of September 30, 2022, \$1,488,595 is available for the Township of Susquehanna to borrow.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(COMPONENT UNIT OF DAUPHIN COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8: INFRASTRUCTURE BANK (CONTINUED)

Due to Other Governments (Continued)

On December 23, 2019, the County entered into a loan agreement with the Borough of Royalton in the amount of \$1,818,000 at a fixed interest rate of 2.33%. Of the proceeds, \$1,768,000 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for the Borough of Royalton to draw funds from the Authority for project expenditures. The agreement requires the Borough of Royalton to make annual principal and semi-annual interest payments to PNC Bank for 10 consecutive years beginning on June 1, 2020. As of September 30, 2022, \$50,865 is available for the Borough of Royalton to borrow.

On April 2, 2021, the County entered into a loan agreement with Conewago Township in the amount of \$387,217 at a fixed interest rate of 2.15%. Of the proceeds, \$329,952 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for Conewago Township to draw funds from the Authority for project expenditures. The agreements requires Conewago Township to make annual principal and semi-annual interest payments to Orrstown Bank for 10 consecutive years beginning on October 1, 2020. As of September 30, 2022, \$64,174 is available for Conewago Township to borrow.

On April 2, 2021, the County entered into a loan agreement with East Hanover Township in the amount of \$287,400 at a fixed interest rate of 2.15%. Of the proceeds, \$243,836 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for East Hanover Township to draw funds from the Authority for project expenditures. The agreements requires East Hanover Township to make annual principal and semi-annual interest payments to Orrstown Bank for 10 consecutive years beginning on October 1, 2020. As of September 30, 2022, \$59,560 is available for East Hanover Township to borrow.

On April 2, 2021, the County entered into a loan agreement with Jackson Township in the amount of \$198,426 at a fixed interest rate of 2.15%. Of the proceeds, \$166,972 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for Jackson Township to draw funds from the Authority for project expenditures. The agreements requires Jackson Township to make annual principal and semi-annual interest payments to Orrstown Bank for 10 consecutive years beginning on October 1, 2020. As of September 30, 2022, \$40,609 is available for Jackson Township to borrow.

On April 2, 2021, the County entered into a loan agreement with Londonderry Township in the amount of \$326,956 at a fixed interest rate of 2.15%. Of the proceeds, \$277,920 were used to fund the project, while the remaining funds were used to pay closing costs on the loan. The agreement allows for Londonderry Township to draw funds from the Authority for project expenditures. The agreements requires Londonderry Township to make annual principal and semi-annual interest payments to Orrstown Bank for 10 consecutive years beginning on October 1, 2020. As of September 30, 2022, \$176,074 is available for Londonderry Township to borrow.

DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (COMPONENT UNIT OF DAUPHIN COUNTY)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE 9: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2022. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10: INTERFUND RECEIVABLES / PAYABLES

Interfund receivables / payables are for interfund loans.

| | <u>Due From</u> | <u>Due To</u> |
|--|-----------------|---------------|
| Enterprise Funds: | | |
| Revolving Loan Fund | \$ - | \$ 14,597 |
| Infrastructure Bank Fund | 61,000 | - |
| Financing Fund | 14,597 | 61,000 |
| Total Interfund Receivables / Payables | \$ 75,597 | \$ 75,597 |

NOTE 11: COMMITMENTS

The Authority has Gaming grant contractual commitments at September 30, 2022, of \$10,060,140 of which \$7,250,233 is currently available for projects directly assisting businesses and municipalities county-wide in the areas of both economic and community development.

NOTE 12: SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through the report issuance date. No matters of audit significance have been noted.