Redevelopment Authority of the County of Lebanon

Financial Statements with Required Supplementary Information and Supplementary Information

Year Ended June 30, 2019 with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

Board of Directors
Redevelopment Authority
of the County of Lebanon

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Redevelopment Authority of the County of Lebanon (Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Lebanon Valley Non-Profit Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
March 19, 2020

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF NET POSITION

JUNE 30, 2019

Assets and Deferred Outflows of Resources	Community Development Block Grant	HOME	Affordable Housing
Current assets:			
Cash and cash equivalents	$ 36,318	$ 476,402	$ 2,006,143
Accounts receivable, net of allowances for doubtful accounts:			
Other governments	234,838	-	19,684
Related parties	-	-	-
Miscellaneous	-	28,503	-
Internal balances	(88,267)	(31,276)	(70,389)
Due from component unit	-	-	-
Total current assets	182,889	473,629	1,955,438
Noncurrent assets:			
Furniture, equipment, and machinery - administration	-	-	-
Accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	-	-	-
Accounts receivable - Habitat for Humanity	-	-	90,000
Notes receivable - limited partnership	-	-	100,000
Notes receivable - housing partnerships	-	-	802,500
Total noncurrent assets	-	-	992,500
Total Assets	182,889	473,629	2,947,938
Deferred Outflows of Resources:			
Deferred outflows related to other post-employment benefits	-	-	-
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	$ 182,889	$ 473,629	$ 2,947,938

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
$ 469,085	$ 170,567	$ 3,158,515
40,173	-	294,695
83,224	-	83,224
91,693	-	120,196
189,932	-	-
357	-	357
874,464	170,567	3,656,987
47,172	-	47,172
(46,190)	-	(46,190)
982	-	982
-	-	90,000
-	-	100,000
29,000	-	831,500
29,982	-	1,022,482
904,446	170,567	4,679,469
4,341	-	4,341
4,341	-	4,341
$ 908,787	$ 170,567	$ 4,683,810

(Continued)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF NET POSITION

JUNE 30, 2019
(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Community Development Block Grant	HOME	Affordable Housing
Liabilities:			
Current liabilities:			
Accounts payable	$ 8,913	$ -	$ 6,488
Accrued wages payable	-	-	-
Accounts payable - related parties	-	-	-
Accounts payable - due to other governments	-	292,827	-
Accrued compensated absences - current	-	-	-
Unearned revenue	173,976	180,802	-
Total current liabilities	182,889	473,629	6,488
Noncurrent liabilities:			
Accrued compensated absences - noncurrent	-	-	-
Other post-employment benefits	-	-	-
Total Liabilities	182,889	473,629	6,488
Deferred Inflows of Resources:			
Deferred inflows related to other post-employment benefits	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Net investment in capital assets	-	-	-
Restricted	-	-	2,941,450
Unrestricted	-	-	-
Total Net Position	-	-	2,941,450
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 182,889	$ 473,629	$ 2,947,938

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
$ 174,570	$ 15,248	$ 205,219
5,765	-	5,765
309,510	-	309,510
498	-	293,325
1,913	-	1,913
-	-	354,778
492,256	15,248	1,170,510
17,216	-	17,216
51,187	-	51,187
560,659	15,248	1,238,913
10,948	-	10,948
10,948	-	10,948
982	-	982
-	-	2,941,450
336,198	155,319	491,517
337,180	155,319	3,433,949
$ 908,787	$ 170,567	$ 4,683,810

(Concluded)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

	Community Development Block Grant	HOME	Affordable Housing
Operating Revenues:			
Government grants	$ 587,525	$ -	$ 208,779
Other revenue	81,843	427,762	-
Investment income	200	3,590	53,963
Total operating revenues	669,568	431,352	262,742
Operating Expenses:			
Administrative:			
Administrative salaries	-	-	-
Employee benefit contributions	-	-	-
Other operating	123,096	487	25,084
Ordinary maintenance and operations:			
Materials and other	56,470	89,309	-
Contract costs	460,355	-	123,977
Total operating expenses	639,921	89,796	149,061
Operating Income (Loss)	29,647	341,556	113,681
Non-Operating Revenues (Expenses):			
Refund of prior year expenditures	(45,239)	(292,827)	-
Depreciation and amortization expense	-	-	-
Income (loss) before transfers	(15,592)	48,729	113,681
Transfers in (out)	15,592	(48,729)	(104,644)
Change in Net Position	-	-	9,037
Net Position:			
Beginning of year, as restated	-	-	2,932,413
End of year	$ -	$ -	$ 2,941,450

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

State and Local Fund	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
$ 62,390	$ -	$ 858,694
3,288	-	512,893
5,638	4,364	67,755
71,316	4,364	1,439,342
177,629	-	177,629
71,406	-	71,406
82,393	3,930	234,990
-	-	145,779
-	-	584,332
331,428	3,930	1,214,136
(260,112)	434	225,206
(498)	-	(338,564)
(1,493)	-	(1,493)
(262,103)	434	(114,851)
177,266	(39,485)	-
(84,837)	(39,051)	(114,851)
422,017	194,370	3,548,800
$ 337,180	$ 155,319	$ 3,433,949

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Community Development Block Grant	HOME	Affordable Housing
Cash Flows From Operating Activities:			
Operating grants received	$ 685,708	$ 138,427	$ 208,779
Other receipts	81,843	165,819	534
Payments for goods and services	(781,840)	(88,937)	(140,106)
Payments to employees and employee benefits	-	-	-
Net cash and cash equivalents provided by (used in) operating activities	(14,289)	215,309	69,207
Cash Flows From Investing Activities:			
Proceeds from maturity of investments	-	-	-
Interest and dividends on investments	200	3,590	43,963
Net cash and cash equivalents provided by investing activities	200	3,590	43,963
Cash Flows From Noncapital Financing Activities:			
Transfers for administrative services	15,592	(48,729)	(59,405)
Net cash and cash equivalents provided by (used in) noncapital financing activities	15,592	(48,729)	(59,405)
Net Increase (Decrease) in Cash and Cash Equivalents	1,503	170,170	53,765
Cash and Cash Equivalents:			
Beginning of year	34,815	306,232	1,952,378
End of year	$ 36,318	$ 476,402	$ 2,006,143

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

State and Local Funds	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
$ 62,390	$ -	$ 1,095,304
24,681	-	272,877
(174,894)	(15,926)	(1,201,703)
(252,588)	-	(252,588)
(340,411)	(15,926)	(86,110)
-	150,000	150,000
5,638	4,364	57,755
5,638	154,364	207,755
275,757	(39,485)	143,730
275,757	(39,485)	143,730
(59,016)	98,953	265,375
528,101	71,614	2,893,140
$ 469,085	$ 170,567	$ 3,158,515

(Continued)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(Continued)

	Community Development Block Grant	HOME	Affordable Housing
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by (Used in) Operating Activities:			
Operating income (loss)	$ 29,647	$ 341,556	$ 113,681
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:			
Interest and dividends on investments	(200)	(3,590)	(53,963)
Change in assets and liabilities:			
Accounts receivable	(30,554)	(28,503)	534
Due from component unit	-	-	-
Prepaid expenses	-	-	-
Deferred outflows of resources related to other post-employment benefits	-	-	-
Internal balances	(148,438)	31,276	6,472
Accounts payable and accrued liabilities	6,519	(1,914)	2,483
Deferred revenue	128,737	(123,516)	-
Other post-employment benefits	-	-	-
Deferred inflows of resources related to other post-employment benefits	-	-	-
Total adjustments	(43,936)	(126,247)	(44,474)
Net cash and cash equivalents provided by (used in) operating activities	$ (14,289)	$ 215,309	$ 69,207

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

State and Local Funds	Lebanon Valley Non-Profit Housing Development Corporation	Total Reporting Entity
$ (260,112)	$ 434	$ 225,206
(5,638)	(4,364)	(67,755)
21,393	-	(37,130)
8,003	-	8,003
1,139	-	1,139
(322)	-	(322)
(52,330)	-	(163,020)
(51,098)	(11,996)	(56,006)
-	-	5,221
(604)	-	(604)
(842)	-	(842)
(80,299)	(16,360)	(311,316)
$ (340,411)	$ (15,926)	$ (86,110)

(Concluded)

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND

JUNE 30, 2019

Assets	
Cash and cash equivalents	$ 1,188,906
Liabilities	
Due to Lebanon County Stormwater Consortium	$ 1,188,906

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

1. Summary of Significant Accounting Policies

Reporting Entity

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

1. The elimination of slums and blight and the prevention of blighting influences and the deterioration of property, neighborhood, and community facilities of importance to the welfare of the community, principally for persons of low and moderate income;

2. The elimination of conditions which are detrimental to health, safety, and public welfare through code enforcement, demolition, interim rehabilitation assistance, and related activities;

3. The conservation and expansion of the nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

4. The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

5. A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

6. The reduction of the isolation of lower income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities and persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

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

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

1. Provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

2. Encourages community development activities, which are consistent with comprehensive local and area-wide development planning;

3. Furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

4. Fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

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

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

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

In March 2017, the City of Lebanon approved the creation of the City of Lebanon Land Bank (Land Bank). The Land Bank will use available resources to facilitate the return of blighted, abandoned, and tax-delinquent properties to productive use. The initial members of the Board of Directors of the Land Bank will include three members of the Board of the Authority, and four additional members who will be appointed by the Mayor of the City of Lebanon and will consist of one representation from the Lebanon City Planning Commission, one representative from the Lebanon County Treasurer's office, one representative from the real estate/appraisal industry, and one resident of the City of Lebanon maintaining active membership in a recognized civic organization in the City of Lebanon. Each initial Board member of the Land Bank who serves on the Authority Board will serve the same terms as his/her term on the Authority Board. The Land Bank will be administered by the Authority. Based on the application of the criteria noted above, the Authority has determined that the Land Bank does not meet the criteria for reporting as a component unit.

Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions. The Authority's proprietary funds are enterprise funds, which are used to account for activities that are operated in a manner similar to those found in the private sector. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute a majority of the programs operated by the Authority. The funds included in this category are as follows:

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

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

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

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

The Authority's component unit has a December 31 fiscal year-end and, as such, the financial statements of the Authority as of and for the year ended June 30, 2019, include the fiscal activities of the component unit as of and for the year ended December 31, 2018.

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

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

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

There are no governmental funds included in these financial statements.

Fiduciary Fund Types

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

Use of Estimates

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

Statement of Cash Flows

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

Accounts Receivable

The Authority records the total amount of revenue billed or accrued in accounts receivable. The portion of accounts receivable not expected to be collected is offset by an allowance for doubtful accounts, estimated based on historical experience and in accordance with GAAP requirements. At June 30, 2019, the allowance for doubtful accounts was zero.

Internal Balances

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

Capital Assets

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

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

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

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

Maintenance and Repairs Expenses

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

Loans Receivable

As part of the Community Development Block Grant Program, the HOME Program, and the Affordable Housing Program, the Authority has made loans to eligible low-income individuals for the acquisition of real property or housing rehabilitation. The loans are either forgiven or repaid to the Authority upon sale of the property. The loans are interest-free, unsecured, and total $4,245,225 at June 30, 2019. Because of concerns regarding collectability, the loans are completely offset with an allowance for doubtful accounts at June 30, 2019.

In addition, the Authority has several notes receivable from housing partnerships and a limited partnership, with terms further discussed in Note 4. These receivables are considered fully collectible at June 30, 2019.

Deferred Inflows and Outflows of Resources Related to Other Post-Employment Benefits (OPEB)

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

Compensated Absences

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

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

Compensated absences activity for the year ended June 30, 2019 was as follows:

June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
$ 20,009	$ 12,601	$ (13,481)	$ 19,129	$ 1,913

Classification of Net Position

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

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- Restricted – This component of net position consists of funds to be used for affordable housing programs.

- Unrestricted – The component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Risk Management

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

Related Parties

The Authority purchases certain services and payroll related costs from the Housing Authority of the County of Lebanon (Housing Authority), on an as-needed basis. The Housing Authority also purchases certain services and payroll related costs from the Authority.

In addition, the Authority has four board members in common with the Housing Authority.

Unearned Revenue

Unearned revenue includes grant proceeds and program income that have not yet been used for their intended purposes.

Pending Changes in Accounting Principles

In January of 2017, the GASB issued Statement No. 84, *"Fiduciary Activities."* This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the Authority's June 30, 2020 financial statements.

2. Deposits and Investments

Redevelopment Authority of the County of Lebanon

Deposits

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

At June 30, 2019, the deposits of the Authority were as follows:

Enterprise funds	$ 2,987,948
Agency fund	1,188,906
	$ 4,176,854

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

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

As of June 30, 2019, the Authority's book balance was $4,176,854 and the bank balance was $4,239,319. Of the bank balance, $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits and to have the collateral held by an approved custodian in the institution's name.

Lebanon Valley Non-Profit Housing Development Corporation (LVNHDC)

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

As of December 31, 2018, LVNHDC's book and bank balances were $170,567. The entire bank balance was insured by the FDIC.

3. Accounts Receivable - Habitat for Humanity

In November 2008, the Authority advanced $106,038 to Habitat for Humanity to purchase 2.38 acres of land in North Lebanon Township for the construction of single-family homes. Due to unexpected development and infrastructure costs, these homes were never built, and the funds are to be returned to the Authority. Repayment is due to the Authority upon sale of the land in North Lebanon Township. At June 30, 2019, the balance of the receivable was $90,000.

4. Notes Receivable – Housing Partnerships and Limited Partnership

In October 1998, the Authority loaned Annville Housing Limited Partnership (Annville) $200,000 using County Act 137 funds. No payment on this non-interest bearing loan is due until certain other loans of Annville have been repaid in full. Thereafter, principal shall be due in annual installments on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus any debt service on such certain other loans paid during the preceding year. Any unpaid balance is due at the end of the thirty-two (32) year term in October 2030.

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

In March 2009, the Authority loaned Mifflin Mills Housing Limited Partnership $500,000 using County Act 137 funds for the acquisition of land and the construction of 20 affordable housing residential units at an interest rate of two percent. The payment of principal plus all accrued interest on this loan is deferred until six months after the expiration of the fifteen-year tax credit compliance period. At June 30, 2019, the balance of the loan, including accrued interest, was $602,500.

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

In July 2015, the Authority loaned Kreider Commons Limited Partnership $100,000 using County Act 137 funds from the Affordable Housing Fund for the development and construction of 50 affordable rental housing units for people age 62 and older in Lebanon County. The loan bears interest at four percent per year on a simple interest basis, with monthly payments of $477 beginning July 1, 2015, provided that the limited partnership has sufficient cash flows to make the payments. In the event there is insufficient cash flow to make the entire monthly payments when due, monthly interest will accrue, but will not be compounded, and full monthly payments will begin at such time as there is sufficient cash flow. All unpaid principal and interest is due and payable in August 2045 and is subordinate to the loans of the four other parties to this transaction. At June 30, 2019, the balance of the loan was $100,000 and there was no accrued interest.

No repayments for notes receivable – housing partnerships and limited partnerships were received during the year ended June 30, 2019.

5. Pension Plan

The Authority has established a defined contribution pension plan and contributes 10.5% for eligible employees. Plan provisions and contribution amounts can be modified at the discretion of the Board of Directors. For the year ended June 30, 2019, the Authority's 10.5% portion amounted to $18,395, which has been charged to the employee fringe benefit account.

6. Other Post-Employment Benefit Plan

Plan Description

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

Eligibility of Benefits

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

Benefits Payable Upon Retirement

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

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

Plan Membership

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

Vested former participants	-
Retired participants	1
Active participants	4
	5

Proportionate Share

The Authority's proportion of the OPEB liability was determined based on individual calculations for each Authority employee. At June 30, 2019, the Authority reported a liability of $51,187 for its share of the OPEB liability.

Contributions

The Authority's contribution is based on projected pay-as-you-go financing requirements. The Authority funded the OPEB contributions and will continue to fund the annual OPEB costs on a pay-as-you-go basis. For the year ended June 30, 2019, the Authority contributed $4,046 to the OPEB plan.

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

At June 30, 2019, the Authority reported an OPEB liability of $51,187. The OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the Authority's proportionate share of the OPEB liability was determined by an actuarial valuation as July 1, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of $2,278.

At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources for OPEB	
Changes in assumptions	$ 295
Contributions subsequent to the measurement date	4,046
Total deferred outflows of resources for OPEB	$ 4,341
Deferred Inflows of Resources for OPEB	
Differences between expected and actual experience	$ 6,482
Changes of assumptions	4,466
Total deferred inflows of resources for OPEB	$ 10,948

Deferred outflows of resources related to Authority OPEB contributions subsequent to the measurement date totaling $4,046 will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources for OPEB will be recognized in pension expense as follows:

2020	$	(821)
2021		(821)
2022		(821)
2023		(821)
2024		(821)
Thereafter		(6,548)
	$	(10,653)

Actuarial Methods and Assumptions

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 14-year open amortization (fresh start each year)
Investment rate of return	2.98%
Projected salary increases	Average increase of 3.00%
Mortality rate	Projected RP-2014 Total Mortality Tables projected generationally using Scale MP-2017 to reflect mortality improvement
Healthcare trend increases:	6.0% in 2017 and 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Changes in Actuarial Assumptions

The interest rate was changed from 3.13% to 2.98%. The healthcare cost trend rates were also updated.

Discount Rate

The discount rate used to measure the total pension liability was 2.98%. The discount rate represents the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2018. Since the OPEB plan has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

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

The following presents the Authority's proportionate share of the OPEB liability calculated using the discount rate of 2.98%, as well as what the Authority's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate.

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Authority's proportionate share of the OPEB liability	$ 55,691	$ 51,187	$ 47,200

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

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

	1% Decrease	Current Trend Rate	1% Increase
Authority's proportionate share of the OPEB liability	$ 45,901	$ 51,187	$ 57,726

7. Restatement

The Authority's beginning net assets as of July 1, 2018 for the Community Development Block Grant Fund, HOME Fund, and State and Local Funds have been restated as follows:

	Community Development Block Grant	HOME	State and Local Fund	Total
Net position at July 1, 2018 - as originally stated	$ (187,810)	$ 304,318	$ 441,307	$ 557,815
Record receivable from other governments	168,520	-	-	168,520
Record internal balances	19,290		(19,290)	-
Record unearned revenue	-	(304,318)	-	(304,318)
Net position at July 1, 2018 - restated	$ -	$ -	$ 422,017	$ 422,017

8. Refund of Prior Year Expenditures

The Authority's grant programs are subject to review by the funding sources. Such reviews could result in amounts that may require repayment upon final settlement. In October 2017, the Authority received notification from DCED regarding a performance review of the Community Development Block Grant (CDBG) program for the fiscal years ending June 30, 2010 through 2013. A review was undertaken to determine the eligibility and fundability of the CDBG activities, to gauge the grantee's timeliness in carrying out these activities, and to evaluate the grantee's ability to administer the program in compliance with all applicable rules and regulations. As a result of the performance review, the Authority was required to repay $36,041 to CDBG fund by depositing the required amounts in the CDBG local cash account held by the Authority. The $36,041 is reported in unearned revenue in the statement of net position.

In July 2019, the Authority received notification from DCED of a requirement to repay $293,325 to DCED representing program income and recaptured homebuyers funds on hand at the expiration of the Authority's 2010 HOME Investment Partnership Program (Home) contract, as well as program income and recaptured homebuyers funds received after the expiration of the 2010 Home contract and before the start of the 2018 HOME contract. The $293,325 is reported in Due to Other Governments in the statement of net position.

9. Commitments and Contingencies

At June 30, 2019, the Authority had construction commitments related to demolition, street improvements, reconstruction, and rehabilitation. The outstanding commitment under these contracts at June 30, 2019 was $229,274. The projects are funded with Community Development Block Grant funds.

10. Related Party Transactions

The Authority purchases certain services and payroll related costs from the Housing Authority, on an as-needed basis. The Housing Authority also purchases certain services and payroll related costs from the Authority. At June 30, 2019, the Authority is due $83,224 from the Housing Authority and $309,510 is due from the Authority to the Housing Authority.

In addition, the Authority has an administrative services contract with Brick Properties, LLC, related to bookkeeping fees. The total amount paid to Brick Properties, LLC for the year ended June 30, 2019 totaled $16,356. There are no amounts due to Brick Properties, LLC at June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AUTHORITY OF
THE COUNTY OF LEBANON

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

YEAR ENDED JUNE 30, 2019

	2019*	2018*
Authority's proportion of the collective OPEB liability	16.62%	16.42%
Authority's proportionate share of the collective OPEB liability	$ 51,187	$ 51,791
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

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

See accompanying notes to required supplementary information - OPEB

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS

YEAR ENDED JUNE 30, 2019

	2019*	2018*
Contractually required contribution	$ 4,046	$ 4,019
Contributions in relation to the contractually required contribution	4,046	4,019
Contribution deficiency (excess)	$ -	$ -

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

See accompanying notes to required supplementary information - OPEB

1. Changes of Assumptions

Since the Authority has insufficient assets to meet future years' projected benefit payments, as prescribed by Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75, the discount rate will be based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2018. The discount rate was 2.98% as of June 30, 2019 and 3.13% as of June 30, 2018. The healthcare cost trend rates were also updated.

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

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 14-year open amortization (fresh start each year)
Investment rate of return	2.98%
Projected salary increases	Average increase of 3.00%
Mortality rate	Projected RP-2014 Mortality Tables projected generationally using Scale MP-2017 to reflect mortality improvement
Healthcare trend increases:	6.0% in 2017 and 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

SUPPLEMENTARY INFORMATION

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Grant Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Passed through Commonwealth of Pennsylvania Department of Community and Economic Development				
Passed through County of Lebanon:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	See * below	$ 768,059	$ 63,105
HOME Investment Partnership Program	14.239		138,525	-
Total U.S. Department of Housing and Urban Development			906,584	63,105
Total Expenditures of Federal Awards			$ 906,584	$ 63,105

* C000059075; C000061770; C000064195; C000066181; C000067297; C000070900

See accompanying notes to schedule of expenditures of federal awards.

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (Schedule) for the year ended June 30, 2019 includes the federal grant activity of the Redevelopment Authority of the County of Lebanon (Authority) and is presented using the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2. Summary of Significant Accounting Policies

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Such expenditures are recognized following, as applicable, either the cost principles in the U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Redevelopment Authority of the County of Lebanon

Independent Auditor’s Reports
Required by the Uniform Guidance

Year Ended June 30, 2019

MaherDuessel

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Redevelopment Authority
of the County of Lebanon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Redevelopment Authority of the County of Lebanon (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 19, 2020. The financial statements of the Lebanon Valley Non-Profit Housing Development Corporation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Lebanon Valley Non-Profit Housing Development Corporation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

The Authority's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
March 19, 2020

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Redevelopment Authority of the County of Lebanon

Report on Compliance for the Major Federal Program

We have audited the Redevelopment Authority of the County of Lebanon's (Authority) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii as described in finding 2019-002 for Program Income. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2019.

Other Matters

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2019-002, that we consider to be a material weakness.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
March 19, 2020

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

   Material weakness(es) identified? ☒ yes ☐ no
   Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

   Material weakness(es) identified? ☒ yes ☐ no
   Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Qualified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☒ yes ☐ no

7. Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	CDBG/State's Program and Non-Entitlement Grants in Hawaii

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2019-001: Improving Financial Reporting

Condition: During the audit process, various material adjustments were proposed to the Redevelopment Authority of the County of Lebanon's (Authority's) records by the auditors. These adjustments were necessary to restate beginning of year net position in Community Development Block Grant (CDBG), HOME, and State and Local Funds, to properly report grants receivable and internal balances in the CDBG Fund, to properly report unearned revenue in the HOME Fund, and to properly report internal balances in the State and Local Fund. In addition, current year material adjustments were made to properly reflect grants receivable, internal balances, unearned revenue, grant revenue, and transfers in the CDBG Fund, and internal balances and transfers in the Affordable Fund and State and Local Fund.

Criteria: The Authority produce its financial statements in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities (GAAP).

Cause: Proper controls were not in place to ensure that all activity was properly recorded as of June 30, 2019.

Effect: If the entity relies upon its auditors to assist them in producing GAAP financial statements, the auditor is required to communicate a significant deficiency or material weakness related to financial reporting.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: We recommend that the Authority evaluate their current internal controls over financial reporting and identify areas for improvement that are most important for consistent and accurate financial reporting throughout the year.

Views of Responsible Officials: Management agrees with finding. See separate corrective action plan.

III. Findings and questioned costs for federal awards.

Finding 2019-002: Program Income

U.S. Department of Housing and Urban Development – Community Development Block Grants (CDBG)/State's Program and Non-Entitlement Grants in Hawaii (CFDA #14.228)

Condition: The Authority did not properly receipt program income in Integrated Disbursement and Information System (IDIS).

Criteria: The Code of Federal Regulations (2 CFR 200.307(e)) requires program income to be disbursed for eligible activities before additional cash withdrawals are made. In addition, per 24 CFR section 570 and the OMB compliance supplement, an accurate account of program income generated from the use of CDBG funds must be maintained and those funds must be treated as additional CDBG funds which are subject to all program income rules.

Cause: The Authority does not have controls in place to ensure that all program income is receipted in the IDIS and to ensure proper tracking and spending of program income received.

Effect: The Authority is not in compliance with program income requirements. Failure to comply with grant award requirements could jeopardize future funding.

Questioned Costs: Unknown.

Recommendation: The Authority should implement procedures to ensure that all program income is properly reported in IDIS and to ensure the proper monitoring and usage of program income throughout the year.

Views of Responsible Officials: Management agrees with finding. See separate corrective action plan.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF LEBANON

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

NO PRIOR YEAR SINGLE AUDIT NOTED.