

**REDEVELOPMENT AUTHORITY OF THE CITY OF YORK  
(A Component Unit of the City of York, Pennsylvania)**

**ANNUAL FINANCIAL REPORT**

***Years Ended December 31, 2012 and 2011***



*Certified Public Accountants and Business Consultants*

# **REDEVELOPMENT AUTHORITY OF THE CITY OF YORK**

**(A Component Unit of the City of York, Pennsylvania)**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

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## ***Independent Auditors' Report***

To the Members of the Board  
Redevelopment Authority of the City of York  
York, Pennsylvania

We have audited the accompanying financial statements of the Redevelopment Authority of the City of York (a component unit of the City of York, Pennsylvania), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinion.

To the Member of the Board  
Redevelopment Authority of the City of York  
York, Pennsylvania

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Authority of the City of York as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### *Required Supplementary Information*

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.

*Maillie LLP*

Oaks, Pennsylvania  
April 11, 2014

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

## STATEMENTS OF NET POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,044,086	\$ 827,934
Accounts receivable	43,025	108,420
Loans receivable	1,034,340	1,034,340
Due from other governments (less allowance of \$644,643 for 2012 and 2011 for RACP grant - See Note 5)	1,732,931	2,779,492
Prepaid expenses	1,240	1,201
Capital assets, net of accumulated depreciation of \$1,410,030 for 2012 and \$1,269,027 for 2011	2,115,035	2,256,038
Financing costs, net of accumulated amortization of \$45,391 for 2012 and \$41,250 for 2011	<u>58,122</u>	<u>62,263</u>
<b>Total Assets</b>	<u>6,028,779</u>	<u>7,069,688</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	5,138	3,700
Accrued interest payable	7,911	-
Due to primary government	2,000	2,000
Due to other governments	104,157	104,157
Unearned revenues	42,000	76,207
Line of credit	19,169	3,462,712
Current portion of loan payable	2,450,000	-
Current portion of bonds payable	120,000	115,000
Note payable	500,000	-
Bonds payable	<u>2,725,000</u>	<u>2,845,000</u>
<b>Total Liabilities</b>	<u>5,975,375</u>	<u>6,608,776</u>
<b>Net Position</b>		
Net investment in capital assets	(671,843)	(641,699)
Restricted:		
Debt service	20,001	19,169
Revolving loans	1,000,000	1,000,000
Unrestricted	<u>(294,754)</u>	<u>83,442</u>
<b>Total Net Position</b>	<u>\$ 53,404</u>	<u>\$ 460,912</u>

See accompanying notes to basic financial statements.

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Charges for service	\$ 307,529	\$ 272,924
Grants and contributions	<u>149,596</u>	<u>2,413,265</u>
Total operating revenues	<u>457,125</u>	<u>2,686,189</u>
<b>Operating Expenses:</b>		
Community development and planning	531,910	538,560
Depreciation	<u>141,003</u>	<u>141,003</u>
Total operating expenses	<u>672,913</u>	<u>679,563</u>
<b>Operating Income (Loss)</b>	<u>(215,788)</u>	<u>2,006,626</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	30,334	33,376
Interest expense	(262,634)	(176,400)
Miscellaneous income	44,721	28,111
Amortization of bond issuance costs and discount	<u>(4,141)</u>	<u>(4,141)</u>
Total non-operating revenues (expenses)	<u>(191,720)</u>	<u>(119,054)</u>
<b>Change in Net Position</b>	<u>(407,508)</u>	<u>1,887,572</u>
<b>Net Position:</b>		
Beginning of year	<u>460,912</u>	<u>(1,426,660)</u>
End of year	<u><u>\$ 53,404</u></u>	<u><u>\$ 460,912</u></u>

See accompanying notes to basic financial statements.

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and grantor agencies	\$ 1,534,874	\$ 1,813,459
Cash paid for community development and planning	(530,511)	(687,290)
Net cash provided by operating activities	1,004,363	1,126,169
<b>Cash Flows From Investing Activities:</b>		
Interest received	30,334	33,376
Net cash provided by investing activities	30,334	33,376
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal paid on bonds payable	(115,000)	(105,000)
Interest paid	(254,723)	(247,729)
Proceeds from line of credit	599	305,131
Payments on line of credit	(3,444,142)	(1,312,816)
Proceeds from note payable	500,000	-
Proceeds from loan payable	2,450,000	-
Miscellaneous income	44,721	28,111
Net cash used in capital and related financing activities	(818,545)	(1,332,303)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	216,152	(172,758)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	827,934	1,000,692
End of year	\$ 1,044,086	\$ 827,934
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating income (loss)	\$ (215,788)	\$ 2,006,626
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	141,003	141,003
Change in assets and liabilities:		
Accounts receivable	65,395	(47,608)
Loans receivable	-	59,000
Due from other governments	1,046,561	(718,329)
Prepaid expenses	(39)	2,442
Land held for development	-	125,000
Accounts payable and accrued expenses	1,438	4
Unearned revenues	(34,207)	(165,793)
Environmental remediation liability	-	(276,176)
Total adjustments	1,220,151	(880,457)
Net cash provided by operating activities	\$ 1,004,363	\$ 1,126,169

See accompanying notes to basic financial statements.

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Purpose*

The Redevelopment Authority of the City of York (Authority) was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law – 991, as amended). A five-member board administers the Authority, all of who are appointed by the City of York (City) Mayor. The Authority strategically acquires underutilized, blighted, and vacant parcels throughout the City for the purpose of promoting residential, commercial, and industrial redevelopment projects in the municipality. The Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage.

#### *Reporting Entity*

The Authority is a component unit of the City reporting entity. Criteria considered in making this determination include appointment of the Authority's Board, financial interdependence, and the Authority's potential to provide specific financial benefits to, or impose specific financial burdens on, the City.

#### *Basis of Accounting*

The accounting records of the Authority are maintained on the accrual basis and its operations are accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Authority is operating grants and contributions and parking fee income. Operating expenses include the costs associated with community development and planning. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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# **REDEVELOPMENT AUTHORITY OF THE CITY OF YORK**

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

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of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into “net investment in capital assets”, “restricted”, and “unrestricted” components.

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

For the purposes of the statement of cash flows, the Authority considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

### ***Allowance on Due from Other Governments***

The Authority has estimated the allowance for uncollectible amounts based upon currently known facts and circumstances.

### ***Capital Assets***

Capital assets are carried at cost or at estimated fair value, if donated. Depreciation has been provided using the straight-line method over the expected economic useful life of the assets (25 years). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Donated fixed assets are valued at their estimated fair value on the date received. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 or in the aggregate, and an estimated useful life in excess of two years.

Because the mission of the Authority is to acquire blighted residential, commercial, and former industrial properties for the City to land bank, rehabilitate, or strategically purchase for future redevelopment projects ranging from for sale low-to moderate income home buyers or market rate mixed use development projects, which it does at little or no profit, such purchases are expensed at the time of acquisition.

### ***Nonrecourse Debt Issues***

The Authority participates in several bond issues for which it has no liability. Acting solely in an agent capacity, the Authority serves as a tax-exempt financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although

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# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's statements of net position. The amount of nonrecourse debt issues is unavailable at December 31, 2012 and 2011.

### *Financing Costs*

Financing costs are recorded as assets and are being amortized over the life of the Series of 2002 Revenue Bonds, using a straight-line method.

### *Net Position*

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. The restricted classification presents net position with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted consists of all other net position not included in the above categories.

### *Restricted Resources*

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.

### *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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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### ***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. The Authority purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

### ***Pending Changes in Accounting Principles***

In April of 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for the Authority's December 31, 2013 financial statements. The effect of implementation of this Statement has not yet been determined.

## **2. DEPOSITS AND INVESTMENTS**

The deposit and investment policy of the Authority adheres to state statutes, prudent business practices, and the applicable trust indentures. The Authority deposits cash in local financial institutions.

### **Deposits**

*Custodial Credit Risk* - The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2012 and 2011, the Authority's book balances were \$1,024,085 and \$808,764, respectively, and the bank balances were \$1,024,085 and \$808,764, respectively. A total of \$801,741 of the bank balance was covered by federal depository insurance at December 31, 2012, and the remaining \$222,344 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly Act, 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. A total of \$719,702 of the bank balance was covered by federal depository insurance at December 31, 2011, and the remaining \$89,062 was collateralized under the Act, 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.

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# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

### Investments

At December 31, 2012 and 2011, the fair value of the Authority's investment in money market funds was \$20,001 and \$19,170, respectively.

*Credit risk* – The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2012 and 2011, the money market funds were rated AAAM by Standard & Poor's.

*Interest rate risk* – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's money market funds had a weighted average maturity of less than one year.

### 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(1,269,027)	(141,003)	-	(1,410,030)
Capital assets, net	<u>\$ 2,256,038</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,115,035</u>

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(1,128,024)	(141,003)	-	(1,269,027)
Capital assets, net	<u>\$ 2,397,041</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,256,038</u>

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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## NOTES TO BASIC FINANCIAL STATEMENTS

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### 4. LOANS RECEIVABLE

Loans receivable in the amount of \$1,034,340 at December 31, 2012 and 2011 are composed of:

	<u>2012</u>	<u>2011</u>
The following loans were made utilizing funds received from the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) for Housing and Redevelopment and Assistance program (HRA):		
HRA 2009 loan bearing interest at 5% per annum with interest only paid annually until maturity date in 2018, at which time the entire \$500,000 is due	\$ 500,000	\$ 500,000
HRA 2010 loan bearing interest at rates varying from 1% to 3% per annum paid annually until maturity date in 2020, at which time the entire \$500,000 is due	500,000	500,000
Multiple revolving loans made under a United States Department of Agriculture grant program with varying terms	<u>34,340</u>	<u>34,340</u>
Total loans receivable	<u>\$ 1,034,340</u>	<u>\$ 1,034,340</u>

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## NOTES TO BASIC FINANCIAL STATEMENTS

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### 5. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$1,732,931 and \$2,779,492 at December 31, 2012 and 2011, respectively, is composed of governmental grants as detailed below:

	<u>2012</u>	<u>2011</u>
Redevelopment Assistance Capital Program – Renovation and Construction of Northwest Triangle Project – Commonwealth of Pennsylvania, net of allowance of \$644,643 for 2012 and 2011	<u>\$ 1,732,931</u>	<u>\$ 2,779,492</u>

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

#### ***Redevelopment Assistance Capital Program Renovation – Northwest Triangle Project***

The Northwest Triangle (Triangle) project is an urban revitalization project that covers more than 45 acres. The Triangle encompasses an underutilized, largely heavy industrial zoning district within a rail corridor. The goal of the project is to acquire, assemble, remediate, and make 'shovel ready' land within the redevelopment area. Once this separate and distinct project is complete, the City's hope is that it will be revitalized into a mixed-use neighborhood development that will include residential, recreation, and commercial office space components.

The Authority has entered into a Redevelopment Assistance Capital Program (RACP) grant agreement with the Commonwealth of Pennsylvania to provide assistance for the acquisition of land and related infrastructure improvements that are required to get the land ready for future reuse. The discrete horizontal portion of the project has an approximate estimated cost of \$14,650,000, of which \$7,000,000 is earmarked as RACP assistance and the remaining portion is to be provided from a local match.

The grant receivable at December 31, 2012, in the net amount of \$1,732,931, is based on the costs incurred to date which are expected to be reimbursed under the RACP grant. In order for the Authority to receive the full amount of the reimbursement, the local match requirement must be satisfied in accordance with the grant agreement. The

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## NOTES TO BASIC FINANCIAL STATEMENTS

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matching fund requirement for the Authority is \$7,000,000, as outlined in the grant guidelines. As of the report date, the Authority believes they will secure the local match fund commitments required to meet the conditions of the grant. The City and the Authority currently have a planned local match of \$7,650,000.

At December 31, 2012 and 2011, an allowance in the amount of \$644,643 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania. Total amounts received under the RACP grant during the years ended December 31, 2012 and 2011 amounted to \$1,046,561 and \$1,118,989, respectively.

Reimbursements under the grant are based upon the satisfaction of various special conditions of the grant and the Commonwealth of Pennsylvania's approval of the reimbursement requests.

Grants received or amounts expected to be received are subject to audit and adjustment by the Commonwealth of Pennsylvania. Any disallowed claims may constitute a liability or reduction of a receivable. The amount, if any, of expenditures that may be disallowed by the Commonwealth of Pennsylvania cannot be determined at this time. However, the Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

The Authority has incurred costs on behalf of this project and utilized a non-revolving line of credit to fund the costs. This line of credit had a balance of \$3,424,135 as of December 31, 2011. During the year ended December 31, 2012, this line of credit was paid in full with loan proceeds borrowed in the form of a non-revolving time loan, which has a balance of \$2,450,000 as of December 31, 2012. It is the Authority's intention to use future reimbursements from the RACP grant to pay the outstanding balance on the loan.

### **6. LONG-TERM LIABILITIES**

#### ***Redevelopment Authority Series of 2002 Revenue Bonds***

In January of 2002, the Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

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## NOTES TO BASIC FINANCIAL STATEMENTS

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The Bonds are not general obligations of the Authority and do not pledge the taxing power of the City of York. The principal and interest on these Bonds is payable only from certain receipts including net parking rentals, rates, and other charges collected by the Authority for the use of the parking facility.

The Authority entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. managed and operated the parking facilities on behalf of the Authority. Under the agreement, the Manager, on behalf of the Authority, collected all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager deposited receipts in a segregated account to be used to pay costs, fees, and expenses incurred by the Manager in the performance of its duties under the management agreement. In addition, the Manager, on behalf of the Authority, paid amounts due to the trustee. Effective February 2009, Creekside Investors, L.P. submitted a Parking Assignment Agreement to the Authority since Creekside Investors, L.P. dissolved. The assignment is to Susquehanna Commerce Center Condominium Association, Inc. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

The Bonds initially bear interest at a variable rate, determined by the Remarketing Agent (Agent). The rate is based on a minimum rate that, in the judgment of the Agent, taking into account prevailing market conditions, would enable the Agent to sell all of the Bonds on the adjustment date at a price equal to the principal plus accrued interest. The Issuer may from time to time, with written consent of the Credit Facility Provider, change the interest rate on the Bonds from a variable to a fixed rate over one or more consecutive fixed rate periods.

The Authority bonds payable at December 31, 2012 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
			Variable (0.20% at 12-31-12)	
2002 Revenue Bonds	\$ 3,725,000	Thru 2027		<u>\$ 2,845,000</u>



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(A Component Unit of the City of York, Pennsylvania)

## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Bonds payable activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	\$ 2,960,000	\$ -	\$ (115,000)	\$ 2,845,000	\$ 120,000

Bonds payable activity for the year ended December 31, 2011 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	\$ 3,065,000	\$ -	\$ (105,000)	\$ 2,960,000	\$ 115,000

The annual principal and interest requirements for amounts due from the Authority under the 2002 Revenue Bonds using the 0.20% interest rate in effect at December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 120,000	\$ 5,640
2014	130,000	5,396
2015	135,000	5,134
2016	145,000	4,860
2017	155,000	4,565
2018-2022	925,000	17,715
2023-2027	1,235,000	7,195
	<u>\$ 2,845,000</u>	<u>\$ 50,505</u>

### ***2012 Note and Loan Payables***

In May 2012, the Authority entered into a promissory note agreement whereby the Authority borrowed \$500,000 with interest at 5% per annum, with interest only paid annually until the maturity date in 2018, at which time the entire \$500,000 is due. The note payable is secured by a pledge of installment payments of principal and interest for which the Authority is owed under the 2009 HRA loan, as referenced in Note 4. \$500,000 remains outstanding as of December 31, 2012.

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In October of 2012, the Authority borrowed \$2,450,000 in the form of a non-revolving time loan, for a period of 12 months, with the option to extend for one additional 12-month period, bearing interest at an annual rate of 3.75%, to be repaid with RACP grant funding. The loan proceeds were utilized to pay off the original non-revolving line of credit agreement entered in November 2006 to finance the Northwest Triangle Project, as indicated in Note 7. \$2,450,000 remains outstanding as of December 31, 2012 and it is the Authority's intention to use the future reimbursements from the RACP grant to pay the outstanding balance on the loan.

Note and loan payable activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
2012 Promissory Note	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ -
Non-revolving RACP Loan	\$ -	\$ 2,450,000	\$ -	\$ 2,450,000	\$ 2,450,000

### 7. REDEVELOPMENT AUTHORITY LINE OF CREDIT

In November 2006, the Authority entered into a \$5.5 million non-revolving line of credit agreement with a local bank through November 2009. In March 2008, a loan modification agreement was approved to extend the line of credit up to \$7 million. Fixed interest of 6.4% was payable monthly. On December 21, 2009, a loan modification agreement was approved to extend the maturity date of the line of credit to December 5, 2012 and to reduce the interest rate to 5.4%, commencing the day after the bank receives a payment of no less than \$1 million from the RACP grant proceeds. Such a payment was received in 2011, in the amount of \$1,118,989. Payments received in 2012 amounted to \$1,046,561. The line of credit has paid the expenses associated with the Authority's RACP grant funded by the Commonwealth of Pennsylvania. During the year ended December 31, 2012, the line of credit was paid in full, as indicated in Note 6. As of December 31, 2012 and 2011, the balance outstanding on the line of credit was zero and \$3,424,135, respectively.

On January 16, 2009, the Authority entered into a \$750,000 revolving line of credit agreement with a local bank through June 30, 2010. In June 2010, a modification agreement was approved, which extended the maturity date to June 30, 2011. During 2011, the local bank allowed an extension of the maturity date though no modification agreements were officially approved by the bank. Variable interest of prime plus 0.50%,

# REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

not to exceed 5.75%, is payable monthly. The line of credit has been paying for expenses associated with construction costs relative to the environmental remediation of the Northwest Triangle Project. The amount drawn shall never exceed the amount remaining under the Authority's \$1,050,000 Growing Greener II Grant (Growing Greener), funded by the Commonwealth of Pennsylvania. As of December 31, 2012 and 2011, the balance outstanding on the line of credit was \$19,169 and \$38,577, respectively.

Line of credit activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
RACP Line of Credit	\$ 3,424,135	\$ -	\$ (3,424,135)	\$ -
Growing Greener Line of Credit	38,577	599	(20,007)	19,169
Total	<u>\$ 3,462,712</u>	<u>\$ 599</u>	<u>\$ (3,444,142)</u>	<u>\$ 19,169</u>

Line of credit activity for the year ended December 31, 2011 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
RACP Line of Credit	\$ 4,470,397	\$ 72,727	\$ (1,118,989)	\$ 3,424,135
Growing Greener Line of Credit	-	232,404	(193,827)	38,577
Total	<u>\$ 4,470,397</u>	<u>\$ 305,131</u>	<u>\$ (1,312,816)</u>	<u>\$ 3,462,712</u>

### 8. CONTINGENT LIABILITY

The Authority is involved with litigation regarding a property that was condemned and obtained by eminent domain. The owner is challenging the valuation of the property. As the case is under appeals and a final valuation has not been decided, no liability has been recorded at this time.