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

ANNUAL FINANCIAL REPORT

Years Ended December 31, 2014 and 2013

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REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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
March 22, 2016

REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

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

STATEMENTS OF NET POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 1,018,511	$ 1,027,869
Cash and cash equivalents - restricted	213,352	21,672
Accounts receivable	-	65,640
Loans receivable	1,013,491	1,056,988
Due from other governments (less allowance of $100,000 and $644,643 for 2014 and 2013 for RACP grant - See Note 5)	2,277,574	1,732,931
Prepaid expenses	1,977	962
Capital assets, net of accumulated depreciation of $1,692,036 for 2014 and $1,551,033 for 2013	1,833,029	1,974,032
Total Assets	6,357,934	5,880,094
Liabilities		
Accounts payable and accrued expenses	153,146	8,571
Accrued interest payable	12,656	17,099
Settlement payable	970,000	-
Due to primary government	2,000	2,000
Due to other governments	106,973	104,157
Unearned revenues	138,919	42,000
Current portion of loan payable	-	2,450,000
Current portion of bonds payable	135,000	130,000
Loan payable	2,450,000	-
Note payable	1,000,000	500,000
Bonds payable	2,460,000	2,595,000
Total Liabilities	7,428,694	5,848,827
Net Position		
Net investment in capital assets	(761,971)	(750,968)
Restricted:		
Debt service	213,352	21,672
Revolving loans	1,000,000	1,000,000
Unrestricted	(1,522,141)	(239,437)
Total Net Position	$ (1,070,760)	$ 31,267

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, 2014 AND 2013

	2014	2013
Operating Revenues:		
Service revenue	$ 72,791	$ 706,059
Charges for service	107,715	379,390
Grants and contributions	1,038,919	85,002
Total operating revenues	1,219,425	1,170,451
Operating Expenses:		
Community development and planning	2,078,789	848,285
Depreciation	141,003	141,003
Total operating expenses	2,219,792	989,288
Operating Income (Loss)	(1,000,367)	181,163
Non-Operating Revenues (Expenses):		
Interest income	45,777	30,866
Interest expense	(147,437)	(237,666)
Miscellaneous income	-	3,500
Total non-operating revenues (expenses)	(101,660)	(203,300)
Change in Net Position	(1,102,027)	(22,137)
Net Position:		
Beginning of year	31,267	53,404
End of year	$ (1,070,760)	$ 31,267

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, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash received from customers and grantor agencies	$ 832,971	$ 1,125,188
Cash paid for community development and planning	(918,989)	(835,386)
Net cash provided by (used in) operating activities	(86,018)	289,802
Cash Flows From Investing Activities:		
Interest received	45,777	30,866
Net cash provided by investing activities	45,777	30,866
Cash Flows From Capital and Related Financing Activities:		
Principal paid on bonds payable	(130,000)	(120,000)
Proceeds from promissory note	500,000	-
Interest paid	(147,437)	(179,544)
Payments on line of credit	-	(19,169)
Miscellaneous income	-	3,500
Net cash provided by (used in) capital and related financing activities	222,563	(315,213)
Net Increase in Cash and Cash Equivalents	182,322	5,455
Cash and Cash Equivalents:		
Beginning of year	1,049,541	1,044,086
End of year	$ 1,231,863	$ 1,049,541
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	$ (1,000,367)	$ 181,163
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	141,003	141,003
Bad debt expense	50,683	-
Change in assets and liabilities:		
Accounts receivable	65,640	(22,615)
Loans receivable	(7,186)	(22,648)
Due from other governments	(544,643)	-
Due to other governments	2,816	-
Prepaid expenses	(1,015)	278
Accounts payable and accrued expenses	140,132	12,621
Settlement payable	970,000	-
Unearned revenues	96,919	-
Total adjustments	914,349	108,639
Net cash provided by (used in) operating activities	$ (86,018)	$ 289,802

See accompanying notes to basic financial statements.

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 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.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable trust indentures or other agreements.

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 asset (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 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, 2014 and 2013.

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.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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.

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.

<u>Deposits</u>

Custodial Credit Risk - The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2014 and 2013, the Authority's book balances were $1,018,511 and $1,027,869, respectively, and the bank balances were $1,018,511 and $1,027,869, respectively. A total of $691,604 of the bank balance was covered by federal depository insurance at December 31, 2014, and the remaining $326,907 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 $593,497 of the bank balance was covered by federal depository insurance at December 31, 2013, and the remaining $434,372 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.

<u>Investments</u>

At December 31, 2014 and 2013, the fair value of the Authority's investment in money market funds was $213,352 and $21,672, 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, 2014 and 2013, 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, 2014 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	(1,551,033)	(141,003)	-	(1,692,036)
Capital assets, net	$ 1,974,032	$ (141,003)	$ -	$ 1,833,029

Capital asset activity for the year ended December 31, 2013 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	(1,410,030)	(141,003)	-	(1,551,033)
Capital assets, net	$ 2,115,035	$ (141,003)	$ -	$ 1,974,032

4. LOANS RECEIVABLE

Loans receivable in the amount of $1,013,491 and $1,056,988 at December 31, 2014 and 2013, respectively, are composed of:

	2014	2013
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 grant programs with varying terms	13,491	56,988
Total loans receivable	$ 1,013,491	$ 1,056,988

5. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of $2,277,574 and $1,732,931 at December 31, 2014 and 2013 is composed of governmental grants as detailed below:

	2014	2013
Redevelopment Assistance Capital Program – Renovation and Construction of Northwest Triangle Project – Commonwealth of Pennsylvania, net of allowance of $100,000 and $644,643 for 2014 and 2013	$ 2,277,574	$ 1,732,931

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, 2014, in the amount of $2,277,574, is based on the costs incurred to date which are expected to be reimbursed under the RACP grant. Subsequent to December 31, 2014, a total of $2,277,574 was received from the

Commonwealth of Pennsylvania and the remaining $100,000 will be paid to the Authority upon completion of the closeout audit.

At December 31, 2014 and 2013, an allowance in the amount of $100,000 and $644,643 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania.

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, 2014 and 2013. It is the Authority's intention to use future reimbursements from the RACP grant to pay the outstanding balance on the loan. The City agrees to assist the Authority with any remaining balance on the loan.

6. LONG-TERM LIABILITIES

Redevelopment Authority Series of 2002 Revenue Bonds

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

The 2002 Revenue 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 2002 Revenue

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 was to end January 1, 2016. In November 2015, the Authority's Board approved to extend the agreement through October 1, 2027.

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, 2014 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	$ 3,725,000	Thru 2027	Variable (0.15% at 12-31-14)	$ 2,595,000

Bonds payable activity for the year ended December 31, 2014 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	$ 2,725,000	$ -	$ (130,000)	$ 2,595,000	$ 135,000

Bonds payable activity for the year ended December 31, 2013 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	$ 2,845,000	$ -	$ (120,000)	$ 2,725,000	$ 130,000

The annual principal and interest requirements for amounts due from the Authority under the 2002 Revenue Bonds using the 0.15% interest rate in effect at December 31, 2014 are as follows:

Years Ending December 31,	Principal	Interest
2015	$ 135,000	$ 3,850
2016	145,000	3,645
2017	155,000	3,424
2018	165,000	3,188
2019	175,000	2,938
2020-2024	1,035,000	10,394
2025-2027	785,000	2,162
	$ 2,595,000	$ 29,601

2012 Promissory 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, 2014.

In October 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. In November 2013, the non-revolving time loan was extended until October 26, 2014. In December 2014, the non-revolving time loan was extended through January 31, 2015. In March 2015, the non-revolving time loan was extended through January 31, 2016 and the non-revolving time loan was paid in full by January 31, 2016. At the maturity date, the entire unpaid principal balance plus all accrued and outstanding interest is due and payable. $2,450,000 remains outstanding as of December 31, 2014 and it is the Authority's intention to use the future reimbursements from the RACP grant to pay the outstanding balance on the loan. The City agrees to assist the Authority with any remaining balance on the loan.

2014 Promissory Note Payable

In July 2014, the Authority entered into a promissory note agreement in the amount of $500,000. Interest is due annually at the rate of 2% from 2014 through 2017, with interest increasing to 3% per annum until the note is paid in full on the maturity date of December 31, 2020, 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 2010 HRA loan, as referenced in Note 4. The amount outstanding on this promissory note payable totaled $500,000 as of December 31, 2014.

Note and loan payable activity for the year ended December 31, 2014 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Promissory Notes	$ 500,000	$ 500,000	$ -	$ 1,000,000	$ -
Non-revolving RACP Loan	$ 2,450,000	$ -	$ -	$ 2,450,000	$ -

Note and loan payable activity for the year ended December 31, 2013 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

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%, 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. During the year ended December 31, 2013, the line of credit was paid in full.

Line of credit activity for the year ended December 31, 2013 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
Growing Greener Line of Credit	$ 19,169	$ -	$ (19,169)	$ -

8. Settlement Payable

The Authority was involved with litigation regarding a property that was condemned and obtained by eminent domain. The owner was challenging the valuation of the property. During 2015, this case was settled in the amount of $970,000 and funded by the short-term loan referenced in Note 10. As the settlement relates to events occurring prior to December 31, 2014, the $970,000 is reflected as a liability as of December 31, 2014, and the expense is included in the community development and planning operating expenses for the year ended December 31, 2014.

9. Contract Commitment

During 2014, the Authority entered into a contract for property renovations in the amount of $264,041. At December 31, 2014, $153,081 was included in accounts payable. The commitment remaining on the contract at December 31, 2014 was $110,960.

10. SUBSEQUENT EVENT

In September 2015, the Authority's Board approved a short-term loan in the amount of $970,000, for the purpose of funding the settlement as disclosed in Note 8. Loan payments are to be paid quarterly, interest only, beginning on March 16, 2016, with all unpaid principal and accrued interest to be paid in full on or before November 30, 2016. Variable interest is based on the prime rate with a floor of 3.25%. The Authority must apply the net proceeds from the pending sale of three large properties to the outstanding principal of the loan.

11. NEGATIVE NET POSITION

The Authority had negative net position as of December 31, 2015 in the amount of $1,070,760. This negative net position is attributable to holding and subsequent transfer of properties to developers in the City as a means to help subsidize projects. There are certain properties in the Authority's possession that have high carrying cost, including but not limited to insurance, utilities, and maintenance. The Authority plans to address the liquidity issues with the disposition of held projects once construction plans have been finalized, thereby reducing, if not eliminating, all carrying costs and resolving its liquidity issue.