

# Lancaster Downtown Investment District Authority

Years Ended April 30, 2020 and 2019

For Discussion Purposes Only

# Lancaster Downtown Investment District Authority

## Financial Statements with Supplementary Information

Years Ended April 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Lancaster Downtown Investment District Authority**  
Lancaster, Pennsylvania

We have audited the accompanying financial statements of **Lancaster Downtown Investment District Authority** (the Authority), a component unit of the City of Lancaster, as of and for the years ended April 30, 2020 and 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.

### **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 auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Lancaster Downtown Investment District Authority** as of April 30, 2020 and 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Lancaster Downtown Investment District Authority's** basic financial statements. The concise statements for publication are presented for purposes of additional analysis and are not a required part of 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. In our opinion, the concise statements for publication are fairly stated, in all material respects, in relation to the basic financials statements as a whole.

Month XX, 2020

Lancaster, Pennsylvania

# Lancaster Downtown Investment District Authority

## STATEMENTS of NET POSITION

April 30, 2020 and 2019

<b>ASSETS</b>		
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 228,943	\$ 238,619
Accounts Receivable	901	11,909
Assessments Receivable	58,698	55,639
Prepaid Expenses	<u>22,628</u>	<u>1,479</u>
<b>Total Current Assets</b>	<b>311,170</b>	<b>307,646</b>
<b>CAPITAL ASSETS</b>		
Equipment - Appearance	21,000	21,000
Equipment - Operations	<u>1,958</u>	<u>1,958</u>
	22,958	22,958
Accumulated Depreciation	<u>(22,958)</u>	<u>(22,958)</u>
<b>Net Capital Assets</b>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>311,170</u></b>	<b><u>307,646</u></b>
<b>LIABILITIES and NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	-0-	620
Unearned Revenues	<u>11,300</u>	<u>11,800</u>
<b>TOTAL LIABILITIES</b>	<b><u>11,300</u></b>	<b><u>12,420</u></b>
<b>NET POSITION</b>		
Unrestricted	<u>299,870</u>	<u>295,226</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 299,870</u></b>	<b><u>\$ 295,226</u></b>

See notes to financial statements.

**Lancaster Downtown Investment District Authority**  
 STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION  
 Years Ended April 30, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Assessments	\$ 377,142	\$ 364,645
Contributions	77,151	73,661
Contracted Services	4,867	4,903
Marketing Income	<u>27,790</u>	<u>31,460</u>
<b>Total Operating Revenues</b>	<b>486,950</b>	<b>474,669</b>
<b>OPERATING EXPENSES</b>		
Safety	186,804	181,881
Appearance	132,205	132,525
Marketing	47,794	37,845
General and Administrative	<u>115,503</u>	<u>111,510</u>
<b>Total Operating Expenses</b>	<b>482,306</b>	<b>463,761</b>
<b>Operating Income</b>	<b>4,644</b>	<b>10,908</b>
<b>NET POSITION</b>		
Beginning of Year	<u>295,226</u>	<u>284,318</u>
End of Year	<u><b>\$ 299,870</b></u>	<u><b>\$ 295,226</b></u>

See notes to financial statements.

# Lancaster Downtown Investment District Authority

STATEMENTS of CASH FLOWS  
Years Ended April 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from Assessments	\$ 374,083	\$ 368,490
Receipts from Customers and Users	43,165	28,605
Contributions	71,306	68,116
Payments to Suppliers for Goods and Services	<u>(498,230)</u>	<u>(450,142)</u>
<b>INCREASE (DECREASE) in CASH and CASH EQUIVALENTS</b>	<b>(9,676)</b>	<b>15,069</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning of Year	<u>238,619</u>	<u>223,550</u>
<b>End of Year</b>	<b><u>228,943</u></b>	<b><u>238,619</u></b>
<b>RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
Operating Income	<b>4,644</b>	<b>10,908</b>
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
(Increase) Decrease in		
Accounts Receivable	11,008	(11,458)
Assessments Receivable	(3,059)	3,845
Prepaid Expenses	(21,149)	13,994
Increase (Decrease) in		
Accounts Payable	(620)	(5,920)
Unearned Revenues	<u>(500)</u>	<u>3,700</u>
<b>Total Adjustments</b>	<b><u>(14,320)</u></b>	<b><u>4,161</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (9,676)</u></b>	<b><u>\$ 15,069</u></b>
<b>SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION</b>		
Noncash Donations of Professional Services	5,845	5,545

See notes to financial statements.

# Lancaster Downtown Investment District Authority

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The **Lancaster Downtown Investment District Authority** (the Authority) was organized on August 13, 1991, by the City of Lancaster under the Municipality Authorities Act of 1945 and the Central Business District Authority Act of 1980. The Authority was organized for the purpose of providing and funding administrative services and business improvements to benefit the City of Lancaster's Downtown Investment District.

#### Reporting Entity

As required by accounting principles generally accepted in the United States of America (US GAAP), the financial statements of the reporting entity include those of the **Lancaster Downtown Investment District Authority** and any component units. Component units are separate legal entities that (1) elected officials of a primary government are financially accountable for or (2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

This report includes the enterprise fund of the **Lancaster Downtown Investment District Authority** based on the above criteria. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. The Authority is a component unit of the City of Lancaster on the basis of such criteria.

#### Basic Financial Statements

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

Required Supplementary Information:

Management's Discussion and Analysis

Enterprise Fund Financial Statements:

Statements of Net Position

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

• Notes to Financial Statements

#### Basis of Accounting

The Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing and funding administrative services and business improvements to benefit the City of Lancaster's Downtown Investment District. The principal operating revenues of the Authority are assessments to property owners. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# Lancaster Downtown Investment District Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Basis of Accounting (Continued)

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.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Assessments Receivable

The assessments receivable balance of \$58,698 and \$55,639 as of April 30, 2020 and 2019, respectively, have been reviewed by management and, except for some possible immaterial amounts, the accounts due appear collectible. See Note 3 for collection periods and lien procedures. All outstanding assessments are accompanied by liens on real estate and collected upon sale of the property, if not prior to sale. Therefore, there is no allowance for uncollectible accounts.

#### Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at cost.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	5 to 7

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

#### Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

#### Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

#### Use of Estimates

The process of preparing financial statements in conformity with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts. The most significant estimate used in preparation of these financial statements is unearned revenue, representing an estimate of gift certificates sold to be redeemed in future periods.

**Lancaster Downtown Investment District Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term United States and Pennsylvania government obligations, certain high-quality bank and corporate instruments, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the years ended April 30, 2020 and 2019, that were in violation of either the state statutes or the policy of the Authority.

**Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of April 30, 2020 and 2019, none of the Authority's bank balance was exposed to custodial credit risk.

**NOTE 3 - ASSESSMENTS RECEIVABLE**

The Authority issues assessments to property owners within the district. The bills are mailed at the beginning of the fiscal year with the following terms:

2% Discount Period	May 1 to June 30
Face Amount Period	July 1 to August 31
10% Penalty Period	September 1 and Thereafter

If payment for the current year is not received by the Authority prior to December 31, a final delinquency notice is sent to the property owner. As of May 15<sup>th</sup> of the subsequent year, all unpaid delinquent assessments have liens filed against their property.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the years ended April 30, 2020 and 2019, follows:

	<b>Balance</b>			<b>Balance</b>
	<b>May 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>April 30, 2020</b>
Equipment	22,958	-0-	-0-	22,958
Accumulated Depreciation	<u>(22,958)</u>	<u>-0-</u>	<u>-0-</u>	<u>(22,958)</u>
<b>Net Capital Assets</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

# Lancaster Downtown Investment District Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - CAPITAL ASSETS (Continued)

	Balance May 1, 2018	Increases	Decreases	Balance April 30, 2019
Equipment	22,958	-0-	-0-	22,958
Accumulated Depreciation	<u>(22,958)</u>	<u>(-0-)</u>	<u>-0-</u>	<u>(22,958)</u>
<b>Net Capital Assets</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

### NOTE 5 - UNEARNED REVENUES

Unearned revenues of \$11,300 and \$11,800 represents the estimate of future obligations for gift certificates sold but not yet redeemed as of April 30, 2020 and 2019, respectively.

### NOTE 6 - DONATED SERVICES and RELATED PARTY TRANSACTIONS

The Authority has recognized \$5,845 and \$5,545 in contributed professional services for the years ended April 30, 2020 and 2019, respectively. The Authority receives police patrol services and billing and collection services from the City of Lancaster, a related party, at no cost to the Authority. The Authority receives contributed management and marketing services from the Lancaster City Alliance at a reduced cost to the Authority. The value of these services has not been determined and is not reflected in the accompanying financial statements.

### NOTE 7 - RISK MANAGEMENT

The Authority maintains insurance contracts to deal with the risk of loss arising from theft of, damage to, or destruction of assets, and errors and omissions. During the year ended April 30, 2020, and the previous two years, no settlements exceeded insurance coverage.

### NOTE 8 - COMMITMENTS and CONTINGENCIES

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result of the pandemic, Authority management has adjusted the terms of assessment collections for the year ending April 30, 2021:

2% Discount Period	May 1 to September 30
Face Amount Period	October 1 to April 30

The 10% penalty period has been waived for the year ending April 30, 2021. In addition, some of the Authority's administrative and business improvement services to benefit the City of Lancaster's Downtown Investment District have been postponed or temporarily suspended. Authority management is monitoring the evolving situation and adapting operations and decision making as necessary.