

Lancaster Downtown Investment District Authority

Years Ended April 30, 2021 and 2020

Lancaster Downtown Investment District Authority

Financial Statements with Supplementary Information

Years Ended April 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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.



August 10, 2021
Lancaster, Pennsylvania

Lancaster Downtown Investment District Authority

MANAGEMENT'S DISCUSSION and ANALYSIS Years Ended April 30, 2021 and 2020

The **Lancaster Downtown Investment District Authority** (the Authority) was created in 1991 with its mission to ensure economic vitality and the highest quality of life in the Downtown Investment District.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended April 30, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director at 115 E King St, Lancaster, PA 17602.

Financial Highlights

- The assets of the Authority were greater than its liabilities as of April 30, 2021 and 2020, by \$305,255 and \$299,870 (net position), respectively.
- The Authority's cash balance as of April 30, 2021 and 2020, was \$263,385, and \$228,943, respectively, representing an increase of \$34,442 from 2020 to 2021.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statements of Net Position - reports the Authority's current financial resources (short-term spendable resources) with capital assets.
- Statements of Revenues, Expenses, and Changes in Net Position - reports the Authority's operating and nonoperating revenues by major source along with operating and nonoperating expenses.
- Statements of Cash Flows - reports cash flows from operating, financing, and investing activities.

The most important question asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned and incurred regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes in it. The Authority's net position represents the difference between what the Authority owns (assets) and what the Authority owes (liabilities). An analysis of the changes in net position will assist the reader with measuring the health or financial position of the Authority over time.

Significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating.

Lancaster Downtown Investment District Authority

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Years Ended April 30, 2021 and 2020

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Authority's budget for the fiscal years ending April 30, 2021 and 2020:

1. Reflecting the management agreement between the Authority and the Lancaster City Alliance.
2. A continued conservative outlook on receipt of assessments and contributions in lieu of assessments, given an ongoing tight economic climate and an equally conservative expectation of expenses.
3. Contractual obligations to vendors, specifically Block by Block, Inc., which manages our Bike Ambassadors and Clean Team.

Analysis of Net Position

Net position at April 30, 2021 and 2020, was \$305,255 and \$299,870, respectively. This represents an increase of \$5,385 from 2020 to 2021.

- Cash increased by \$34,442 from 2020 to 2021 and decreased by \$9,676 from 2019 to 2020.
- Other current assets increased by \$13,007 from 2020 to 2021 and increased by \$13,200 from 2019 to 2020.
- Capital assets, net of depreciation, remained unchanged from 2020 to 2021, and remained unchanged from 2019 to 2020.
- Current liabilities increased by \$42,064 from 2020 to 2021 and decreased by \$1,120 from 2019 to 2020.

The following table illustrates our analysis.

	2021	2020	2019
Cash and Cash Equivalents	263,385	228,943	238,619
Other Current Assets	95,234	82,227	69,027
Capital Assets, net of Accumulated Depreciation	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	358,619	311,170	307,646
Current Liabilities	53,364	11,300	12,420
Noncurrent Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	53,364	11,300	12,420
Net Investment in Capital Assets	-0-	-0-	-0-
Unrestricted Net Position	<u>305,255</u>	<u>299,870</u>	<u>295,226</u>
Total Net Position	305,255	299,870	295,226
Total Liabilities and Net Position	358,619	311,170	307,646

Lancaster Downtown Investment District Authority

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Years Ended April 30, 2021 and 2020

Analysis of Revenues

Total revenues for the years ended April 30, 2021 and 2020, were \$487,139 and \$486,950, respectively. The change from 2020 to 2021 is primarily attributable to an increase in taxable properties.

Analysis of Expenses

Total expenses decreased by \$552 for the year ended April 30, 2021, as compared to the year ended April 30, 2020, primarily as a result of a decrease in marketing costs and an increase in safety costs. Total expenses decreased by \$18,545 for the year ended April 30, 2020, as compared to the year ended April 30, 2019. The Authority staff have approached any non-contractually obligated expenses prudently in an effort to continue managing costs.

	2021	2020	2019
Revenues:			
Assessments	392,409	377,142	364,645
Contributions	62,227	77,151	73,661
Contracted Services	7,731	4,867	4,903
Marketing Income	<u>24,772</u>	<u>27,790</u>	<u>31,460</u>
Total Revenues	487,139	486,950	474,669
Expenses:			
Safety	195,246	186,804	181,881
Appearance	141,488	132,205	132,525
Marketing	22,627	47,794	37,845
General and Administrative	<u>122,393</u>	<u>115,503</u>	<u>111,510</u>
Total Expenses	481,754	482,306	463,761
Changes in Net Position	5,385	4,644	10,908

Lancaster Downtown Investment District Authority

STATEMENTS of NET POSITION

April 30, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 263,385	\$ 228,943
Accounts Receivable	853	901
Assessments Receivable	92,836	58,698
Prepaid Expenses	<u>1,545</u>	<u>22,628</u>
Total Current Assets	358,619	311,170
CAPITAL ASSETS		
Equipment - Appearance	21,000	21,000
Equipment - Operations	<u>-0-</u>	<u>1,958</u>
	21,000	22,958
Accumulated Depreciation	<u>(21,000)</u>	<u>(22,958)</u>
Net Capital Assets	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	<u>358,619</u>	<u>311,170</u>

LIABILITIES and NET POSITION

CURRENT LIABILITIES		
Accounts Payable	26,564	-0-
Unearned Revenues	<u>26,800</u>	<u>11,300</u>
TOTAL LIABILITIES	<u>53,364</u>	<u>11,300</u>
NET POSITION		
Unrestricted	<u>305,255</u>	<u>299,870</u>
TOTAL NET POSITION	<u>\$ 305,255</u>	<u>\$ 299,870</u>

See notes to financial statements.

Lancaster Downtown Investment District Authority
 STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION
 Years Ended April 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Assessments	\$ 392,409	\$ 377,142
Contributions	62,227	77,151
Contracted Services	7,731	4,867
Marketing Income	<u>24,772</u>	<u>27,790</u>
Total Operating Revenues	487,139	486,950
OPERATING EXPENSES		
Safety	195,246	186,804
Appearance	141,488	132,205
Marketing	22,627	47,794
General and Administrative	<u>122,393</u>	<u>115,503</u>
Total Operating Expenses	<u>481,754</u>	<u>482,306</u>
Operating Income	5,385	4,644
NET POSITION		
Beginning of Year	<u>299,870</u>	<u>295,226</u>
End of Year	<u>\$ 305,255</u>	<u>\$ 299,870</u>

See notes to financial statements.

Lancaster Downtown Investment District Authority

STATEMENTS of CASH FLOWS
Years Ended April 30, 2021 and 2020

	2021	2020
CASH FLOWS from OPERATING ACTIVITIES		
Receipts from Assessments	\$ 358,271	\$ 374,083
Receipts from Customers and Users	48,051	43,165
Contributions	54,468	71,306
Payments to Suppliers for Goods and Services	<u>(426,348)</u>	<u>(498,230)</u>
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	34,442	(9,676)
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>228,943</u>	<u>238,619</u>
End of Year	<u>263,385</u>	<u>228,943</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES		
Operating Income	5,385	4,644
ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
(Increase) Decrease in		
Accounts Receivable	48	11,008
Assessments Receivable	(34,138)	(3,059)
Prepaid Expenses	21,083	(21,149)
Increase (Decrease) in		
Accounts Payable	26,564	(620)
Unearned Revenues	<u>15,500</u>	<u>(500)</u>
Total Adjustments	<u>29,057</u>	<u>(14,320)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,442</u>	<u>\$ (9,676)</u>
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Noncash Donations of Professional Services	7,759	5,845

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.

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.

Lancaster Downtown Investment District Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$92,836 and \$58,698 as of April 30, 2021 and 2020, 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	10

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, 2021 and 2020, 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, 2021, \$13,380 of the Authority’s bank balance of \$263,380 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Financial Institution’s Trust Department not in the Authority’s Name	13,380
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Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	13,380
Insured Amount	<u>250,000</u>
Bank Balance	263,380
Outstanding Checks	(70)
Deposit in Transit	-0-
Petty Cash	<u>75</u>
Total Cash and Cash Equivalents per Financial Statements	263,385

At April 30, 2020, none of the Authority’s bank balance was exposed to custodial credit risk as it was insured by FDIC coverage.

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

For the year ended April 30, 2021, in response to the COVID-19 pandemic, the Board of the Authority approved extending the discount period to September 30, 2020, extending the face period to April 30, 2021, and waiving penalties.

Lancaster Downtown Investment District Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - ASSESSMENTS RECEIVABLE (Continued)

As of May 15th 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, 2021 and 2020, follows:

	Balance May 1, 2020	Increases	Decreases	Balance April 30, 2021
Equipment	22,958	-0-	1,958	21,000
Accumulated Depreciation	<u>(22,958)</u>	<u>-0-</u>	<u>(1,958)</u>	<u>(21,000)</u>
Net Capital Assets	-0-	-0-	-0-	-0-

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

NOTE 5 - UNEARNED REVENUES

Unearned revenues of \$26,800 and \$11,300 represents the estimate of future obligations for gift certificates sold but not yet redeemed as of April 30, 2021 and 2020, respectively.

NOTE 6 - DONATED SERVICES and RELATED PARTY TRANSACTIONS

The Authority has recognized \$7,759 and \$5,845 in contributed professional services for the years ended April 30, 2021 and 2020, 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.

The Authority received contributions of \$5,846 and \$4,583 during the years ended April 30, 2021 and 2020, respectively, from an entity in which a member of management is an officer of the Authority. The Authority earned contracted services revenue of \$2,966 and \$2,746 during the years ended April 30, 2021 and 2020, respectively, from an entity in which an officer is an officer of the Authority.

Lancaster Downtown Investment District Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

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, 2021, and the previous two years, no settlements exceeded insurance coverage.

NOTE 8 - UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result of the pandemic, Authority management adjusted the terms of assessment collections for the year ended April 30, 2021 (see Note 3). In addition, some of the Authority's administrative and business improvement services to benefit the City of Lancaster's Downtown Investment District were postponed or temporarily suspended. Authority management is monitoring the evolving situation and adapting operations and decision making as necessary.

Lancaster Downtown Investment District Authority

CONCISE STATEMENTS for PUBLICATION

STATEMENTS of NET POSITION

April 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 263,385	\$ 228,943
Accounts Receivable	853	901
Assessments Receivable	92,836	58,698
Other Assets	<u>1,545</u>	<u>22,628</u>
TOTAL ASSETS	<u>358,619</u>	<u>311,170</u>
LIABILITIES		
Accounts Payable	26,564	-0-
Unearned Revenues	<u>26,800</u>	<u>11,300</u>
TOTAL LIABILITIES	<u>53,364</u>	<u>11,300</u>
NET POSITION - UNRESTRICTED	<u>305,255</u>	<u>299,870</u>

STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION

Years Ended April 30, 2021 and 2020

OPERATING REVENUES	487,139	486,950
OPERATING EXPENSES	<u>481,754</u>	<u>482,306</u>
Operating Income	5,385	4,644
NET POSITION		
Beginning	<u>299,870</u>	<u>295,226</u>
Ending	<u>\$ 305,255</u>	<u>\$ 299,870</u>

See independent auditors' report.