

**REDEVELOPMENT AUTHORITY OF  
THE COUNTY OF CUMBERLAND**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
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**YEARS ENDED JUNE 30, 2020 AND 2019**

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**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors  
Redevelopment Authority of the County of Cumberland:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Redevelopment Authority of the County of Cumberland (the "Authority") as of and for the years ended June 30, 2020 and 2019, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2020 and 2019, and the changes in its net 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 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Novogradac & Company LLP*

May 13, 2021  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

As management of the Redevelopment Authority of Cumberland County (the "Authority"), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal years ending June 30, 2020 and 2019. 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 request for additional information should be addressed to the Authority's Executive Director or the Finance Director.

**FINANCIAL HIGHLIGHTS AS OF JUNE 30, 2020**

In addition to the following highlights, more description and explanations of the following items are contained throughout this report:

- The assets of the Authority exceeded its liabilities as of June 30, 2020 by \$7,077,932 (net position)
- The Authority's operating cash balance increased by \$532,461 from \$2,138,571 as of June 30, 2019 to \$2,671,032 as of June 30, 2020
- Total assets increased by \$550,793 from \$7,859,478 as of June 30, 2019 to \$8,420,271 as of June 30, 2020
- Total liabilities decreased by \$19,071 from \$1,361,411 as of June 30, 2019 to \$1,342,340 as of June 30, 2020
- Total revenues increased by \$942,137 from \$4,072,459 as of June 30, 2019 to \$5,014,596 as of June 30, 2020
- Total expenses increased by \$829,001 from \$3,605,731 as of June 30, 2019 to \$4,434,732 as of June 30, 2020
- The revenues exceeded expenses by \$579,864 for the fiscal year ending June 30, 2020
- Business Activities revenues were \$3,261,024 or 65% of total revenues

**FINANCIAL HIGHLIGHTS AS OF JUNE 30, 2019**

In addition to the following highlights, more description and explanations of the following items are contained throughout this report:

- The assets of the Authority exceeded its liabilities as of June 30, 2019 by \$6,498,067 (net position)
- The Authority's operating cash balance increased by \$419,752 from \$1,718,819 as of June 30, 2018 to \$2,138,571 as of June 30, 2019
- Total assets increased by \$499,767 from \$7,359,711 as of June 30, 2018 to \$7,859,478 as of June 30, 2019
- Total liabilities increased by \$33,039 from \$1,328,372 as of June 30, 2018 to \$1,361,411 as of June 30, 2019
- Total revenues decreased by \$1,744,969 from \$5,817,428 as of June 30, 2018 to \$4,072,459 as of June 30, 2019

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**FINANCIAL HIGHLIGHTS AS OF JUNE 30, 2019 (continued)**

- Total expenses decreased by \$1,699,323 from \$5,305,054 as of June 30, 2018 to \$3,605,731 as of June 30, 2019
- The revenues exceeded expenses by \$466,728 for the fiscal year ending June 30, 2019
- Business Activities revenues were \$2,153,168 or 53% of total revenues

**PROGRAM SUMMARIES**

Programs of the Authority include:

**Business Activities**

These include activities such as special grants, property management, and property development. New business activities are generated each year while some are completed and closed. Several revolving loan programs currently are reported in Business Activities. Assets included in the revolving loans programs are notes receivables and loan repayments from previously loaned Pennsylvania Department of Community and Economic Development grant funds or loans funded from the Community Development Block Grant (CDBG) program. In addition, current assets for Business Activities include unrestricted cash generated from services provided by the Authority related to housing for homeless and special needs, local housing options, supporting downtown communities, development and management of several low income, subsidized senior housing properties.

**CDBG – Entitlement**

These funds are federal CDBG funds received annually by the Borough of Carlisle and Cumberland County (under the classification of an Urban County) directly from HUD. The Authority is designated as the “Secondary Payee” for these funds. This means that requisitioned funds come directly to the Authority for expenditures rather than through the Municipality or County. This is done to expedite payments to vendors.

**Other – Federal HOME Program**

The Authority administers Federal HOME Program funds on behalf of Municipalities and Cumberland County. These funds appear on the Authority’s audit report because the grantees again have designated the Authority as the “Secondary Payee”.

**CDBG – State**

Cumberland County, Shippensburg Borough, and Shippensburg Township received federal CDBG funds through the Pennsylvania Department of Community and Economic Development on an annual basis through the 2004 grant year. While no new funding is available through this program, cash remains from loan repayments and lien proceeds to fund future projects.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**I. OVERVIEW OF FINANCIAL STATEMENTS**

**A. ANALYSIS OF ASSETS AND LIABILITIES**

A summary of the Authority's Statement of Net Position as of June 30, 2020 and 2019 is as follows:

**ASSETS**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2020	June 30, 2019
Cash	2,243,750	0	427,282	0	2,671,032	2,138,571
Accounts Rec/ Due From	112,129	0	0	0	112,129	194,193
Other Current Assets	358,675	0	0	0	358,675	111,183
Total Current Assets	2,714,554	0	427,282	0	3,141,836	2,443,947
Restricted Cash	0	1,162,421	0	44,572	1,206,993	963,561
Non-current Fixed Assets	113,716	0	0	0	113,716	103,130
Notes/Mortgages Rec	3,747,726	0	0	210,000	3,957,726	4,348,840
Total Non-Current Assets	3,861,442	1,162,421	0	254,572	5,278,435	5,415,531
Total Assets	6,575,996	1,162,421	427,282	254,572	8,420,271	7,859,478

**ASSETS AS OF JUNE 30, 2020**

The Authority's unrestricted cash balance in Business Activities increased \$667,105 (from \$1,576,645 to \$2,243,750), primarily due to the Authority receiving Other Governmental Grants (PHFA and Carlisle Events) in the amount of \$907,043.

The Authority acts as a lender of public financing to a variety of community development and/or housing projects. These loans are reflected under the asset category, notes and mortgages receivable. The outstanding current and non-current notes and mortgages receivable decreased by \$136,913 from the previous year (from \$4,429,206 to \$4,292,293).

**ASSETS**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2019	June 30, 2018
Cash	1,576,645	0	561,926	0	2,138,571	1,718,819
Accounts Rec/ Due From	194,193	0	0	0	194,193	153,755
Other Current Assets	111,183	0	0	0	111,183	153,908
Total Current Assets	1,882,021	0	561,926	0	2,443,947	2,026,482
Restricted Cash	0	918,989	0	44,572	963,561	862,512
Non-current Fixed Assets	103,130	0	0	0	103,130	112,101
Notes/Mortgages Rec	4,138,840	0	0	210,000	4,348,840	4,358,616
Total Non-Current Assets	4,241,970	918,989	0	254,572	5,415,531	5,333,229
Total Assets	6,123,991	918,989	561,926	254,572	7,859,478	7,359,711



**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**ASSETS AS OF JUNE 30, 2019**

The Authority acts as a lender of public financing to a variety of community development and/or housing projects. These loans are reflected under the asset category, notes and mortgages receivable. The outstanding current and non-current notes and mortgages receivable decreased by \$14,008 from the previous year (from \$4,443,214 to \$4,429,206).

**LIABILITIES AND EQUITY**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2020	June 30, 2019
Current Liabilities	247,907	14,337	317	0	262,561	309,553
Non-Current Liabilities	869,779	0	0	210,000	1,079,779	1,051,858
Total Liabilities	1,117,686	14,337	317	210,000	1,342,340	1,361,411
Total Equity	5,637,935	1,017,107	378,317	44,572	7,077,931	6,498,067

**LIABILITIES AND EQUITY AS OF JUNE 30, 2020**

Liabilities for the period ending June 30, 2020, totaled \$1,342,340, an decrease of \$19,071 from the previous year. No additional debt service was incurred in the current fiscal year, therefore, the total liabilities reflect little variance from the previous year.

**LIABILITIES AND EQUITY**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2019	June 30, 2018
Current Liabilities	300,009	9,227	317	0	309,553	271,931
Non-Current Liabilities	841,858	0	0	210,000	1,051,858	1,056,441
Total Liabilities	1,141,867	9,227	317	210,000	1,361,411	1,328,372
Total Equity	4,982,124	909,762	561,609	44,572	6,498,067	6,031,339

**LIABILITIES AND EQUITY AS OF JUNE 30, 2019**

Liabilities for the period ending June 30, 2019, totaled \$1,361,411, an increase of \$33,039 from the previous year. No additional debt service was incurred in the current fiscal year, therefore, the total liabilities reflect little variance from the previous year.

**B. ANALYSIS OF OVERALL REVENUES AND EXPENDITURES**

A summary of the Authority's Statement of Income and Expenses as of June 30, 2020 and 2019 is as follows:

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**REVENUES**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2020	June 30, 2019
Tenant Revenue	72,996	0	0	0	72,996	72,528
HUD Grants	134,259	1,298,254	75,794	0	1,508,307	1,647,102
Other Gov't Grants	1,254,593	0	0	0	1,254,593	463,717
Investment Income	26,329	14,126	54	0	40,509	38,601
Other Revenue	1,772,847	348,105	17,239	0	2,138,191	1,850,511
<b>Total Revenues</b>	<b>3,261,024</b>	<b>1,660,485</b>	<b>93,087</b>	<b>0</b>	<b>5,014,596</b>	<b>4,072,459</b>

**REVENUES FOR THE YEAR ENDED JUNE 30, 2020**

Revenues for the period totaled \$5,014,596, an increase of \$942,137 from the previous year. Both Carlisle and Urban County CDBG Entitlement revenues (reported as HUD Grants) increased in the current fiscal year, while the Federal HOME funds decreased. There was an increase in Business Activities-Other Government Grants due to receipt of grant funds from the PA Housing Affordability & Rehabilitation Enhancement (PHARE) for the Blight Revolving Loan Fund, and both Redevelopment Assistance Capital Program (RACP) and Industrial Sites Reuse Program (ISRP) for Carlisle Events during the current fiscal year. Other Revenue totaled \$2,138,191 for the year ending June 30, 2020, an increase of \$287,680 from the prior fiscal year. A few of the revenue items included in the other revenues include fees from property management activities, an annual grant from Cumberland County for housing support services to the county's special needs population, and program income from CDBG funded loans.

**REVENUES**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2019	June 30, 2018
Tenant Revenue	72,528	0	0	0	72,528	83,446
HUD Grants	135,501	1,174,381	337,220	0	1,647,102	1,770,876
Other Gov't Grants	463,717	0	0	0	463,717	2,086,298
Investment Income	24,020	14,482	99	0	38,601	34,893
Other Revenue	1,457,402	255,405	137,704	0	1,850,511	1,841,915
<b>Total Revenues</b>	<b>2,153,168</b>	<b>1,444,268</b>	<b>475,023</b>	<b>0</b>	<b>4,072,459</b>	<b>5,817,428</b>

**REVENUES FOR THE YEAR ENDED JUNE 30, 2019**

Revenues for the period totaled \$4,072,459, a decrease of \$1,744,969 from the previous year. Both Carlisle and Urban County CDBG Entitlement revenues (reported as HUD Grants) decreased in the current fiscal year due to less CDBG spending, while the Federal HOME funds also decreased. The decrease in Business Activities-Other Government Grants is due to receipt of grant funds from the PA Housing Affordability & Rehabilitation Enhancement (PHARE) and the Redevelopment Assistance Capital Program (RACP) for Shippensburg Library in the fiscal year ending June 30, 2018. Other Revenue totaled \$1,850,511 for the year ending June 30, 2019, an increase of \$8,596 from the prior fiscal year. A few of the revenue items included in the other

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

revenues include fees from property management activities, an annual grant from Cumberland County for housing support services to the county's special needs population, and program income from CDBG funded loans.

**EXPENSES**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2020	June 30, 2019
Admin	1,586,818	307,937	91,998	0	1,986,753	1,819,239
Utilities	16,530	0	0	0	16,530	15,568
Ordinary Maintenance	13,246	0	0	0	13,246	12,657
General	129,769	0	0	0	129,769	14,202
Total Operating Expense	1,746,363	307,937	91,998	0	2,146,298	1,861,666
Extraordinary Maint	979,987	1,127,148	166,937	0	2,274,072	1,731,317
Depreciation	14,049	0	0	0	14,049	12,748
Interest Expense	313	0	0	0	313	0
Total Expense	2,740,712	1,435,085	258,935	0	4,434,732	3,605,731
Excess Rev over Exp	520,312	225,400	(165,848)	0	579,864	466,728

**EXPENSES FOR THE YEAR ENDED JUNE 30, 2020**

Administrative expenses for the year ending June 30, 2020, totaled \$1,986,753 or 93% of all operating expenses. This percentage tends to be in this range historically because of the salaries and expenses related to property management (\$1,049,566). Extraordinary Maintenance includes expenditures related to community development activities such as housing rehabilitation, public facility improvements, and commercial redevelopment as well as any pass-through grant funds (i.e. RACP and ISRP grant funds). In the current fiscal year, the Business Activities Extraordinary Maintenance line item also included \$292,312 developer fee reinvestment as a capital contribution into the Carlisle Townhomes project. As explained in the revenues narrative, the significant increase in expenditures was also a direct result of the RACP and ISRP funding for Carlisle Events in the fiscal year ending June 30, 2020.

**EXPENSES**

	Business Activities	CDBG - Entitlement	Federal HOME	CDBG - State	June 30, 2019	June 30, 2018
Admin	1,495,788	273,164	50,287	0	1,819,239	1,882,711
Utilities	15,568	0	0	0	15,568	18,273
Ordinary Maintenance	12,657	0	0	0	12,657	11,516
General	14,202	0	0	0	14,202	23,080
Total Operating Expense	1,538,215	273,164	50,287	0	1,861,666	1,935,580
Extraordinary Maint	465,518	906,770	359,029	0	1,731,317	3,344,434
Depreciation	12,748	0	0	0	12,748	25,015
Interest Expense	0	0	0	0	0	25
Total Expense	2,016,481	1,179,934	409,316	0	3,605,731	5,305,054
Excess Rev over Exp	136,687	264,334	65,707	0	466,728	512,374

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**EXPENSES FOR THE YEAR ENDED JUNE 30, 2019**

Administrative expenses for the year ending June 30, 2019, totaled \$1,819,239 or 98% of all operating expenses. This percentage tends to be in this range historically because of the salaries and expenses related to property management (\$1,087,446). Extraordinary Maintenance includes expenditures related to community development activities such as housing rehabilitation, public facility improvements, and commercial redevelopment as well as any pass-through grant funds (i.e. RACP grant funds). As explained in the revenues narrative, the significant decrease in expenditures was a direct result of the PHARE and RACP funding for Shippensburg Library in the fiscal year ending June 30, 2018.

**C. DISCUSSION OF ACTUAL VERSUS BUDGETED REVENUES/EXPENSES FOR MAJOR PROGRAMS-YEAR ENDING JUNE 30, 2020**

Program budgets for the Authority are developed at program inception and monthly statements are generated to track actual versus budgeted expenses. The statements are generated until the project ends (the earlier of project completion or expiration of the grant contract). Because of state and federal regulations and policies related to budgets, budget line items may only be adjusted (except for variations in the 10-15% range for line items) if a budget modification is approved by a funding agency or municipality as the grantee. A number of budget modifications were processed and approved in the past year.

**II. DESCRIPTION OF CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

The administrative offices at 114 N. Hanover Street, Carlisle, as well as the adjoining building at 108 N. Hanover Street, appear as fixed assets on the Authority's balance sheet. There is currently no mortgage on either building.

**III. DESCRIPTION OF EFFECT ON INFRASTRUCTURE ASSETS**

There was no known effect either positive or negative, on the Authority's infrastructure assets during the period ending June 30, 2020.

**IV. DESCRIPTION OF ANY CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS EXPECTED TO HAVE A SIGNIFICANT EFFECT ON NEXT YEAR AND BEYOND**

The ongoing cuts to the federal budget for community development activities have negatively impacted the funding to the local boroughs, municipalities, and other community partners of the Authority. As a result, the administrative fees available to the Authority for administering the CDBG programs have also decreased over the years. This makes it important for the Authority to continue to diversify funding in the future.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

The possibility of managing additional senior and affordable housing properties is always another viable possibility for increasing revenues. The Authority has partnered with the Housing Authority and PIRHL to develop 52 units of multi-family housing on the old Carlisle Tire & Wheel site in the Borough of Carlisle. The Authority will receive developer fees

from this project in the future. The Authority also anticipates partnering with other developers on future affordable housing projects funded through Pennsylvania Housing Finance Agency's Multifamily Housing program.

## **FINANCIAL STATEMENTS**

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2020 AND 2019**

ASSETS		2020	2019
Current assets:			
Cash and cash equivalents	\$	2,671,032	\$ 2,138,571
Accounts receivable		112,129	194,193
Notes receivable, current		334,567	80,366
Prepaid expenses		<u>24,108</u>	<u>30,817</u>
Total current assets		<u>3,141,836</u>	<u>2,443,947</u>
Non-current assets:			
Restricted cash and cash equivalents		1,206,993	963,561
Notes receivable, net of current portion		3,957,726	4,348,840
Capital assets, net		<u>113,716</u>	<u>103,130</u>
Total non-current assets		<u>5,278,435</u>	<u>5,415,531</u>
Total assets		<u>8,420,271</u>	<u>7,859,478</u>
LIABILITIES			
Current liabilities:			
Accounts payable- HUD and other government		14,337	9,227
Accrued expenses		7,729	8,076
Accrued compensated absences		3,792	3,035
Current portion of loans and notes payable		6,257	1,600
Other current liabilities		<u>235,103</u>	<u>287,615</u>
Total current liabilities		<u>267,218</u>	<u>309,553</u>
Non-current liabilities:			
Loans and notes payable, net of current portion		1,040,996	1,024,545
Accrued compensated absences, non current		<u>34,126</u>	<u>27,313</u>
Total non-current liabilities		<u>1,075,122</u>	<u>1,051,858</u>
Total liabilities		<u>1,342,340</u>	<u>1,361,411</u>
NET POSITION			
Net position:			
Net investment in capital assets		91,008	103,130
Unrestricted		<u>6,986,923</u>	<u>6,394,937</u>
Total net position	\$	<u>7,077,931</u>	\$ <u>6,498,067</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating income:		
Tenant revenue	\$ 72,996	\$ 72,528
HUD operating grants	1,508,307	1,647,102
Other governmental operating grants	1,254,593	463,717
Other revenue	<u>2,138,191</u>	<u>1,850,511</u>
Total operating income	<u>4,974,087</u>	<u>4,033,858</u>
Operating expenses:		
Administrative	1,986,753	1,819,239
Utilities	16,530	15,568
Ordinary repairs and maintenance	13,246	12,657
Insurance	7,479	2,495
General	122,290	11,707
Extraordinary maintenance	2,274,072	1,731,317
Depreciation	<u>14,049</u>	<u>12,748</u>
Total operating expenses	<u>4,434,419</u>	<u>3,605,731</u>
Net operating income	<u>539,668</u>	<u>428,127</u>
Non-operating revenues (expenses):		
Investment income	40,509	38,601
Interest expense	<u>(313)</u>	<u>-</u>
Net non-operating revenue	<u>40,196</u>	<u>38,601</u>
Change in net position	579,864	466,728
Net position, beginning of year	<u>6,498,067</u>	<u>6,031,339</u>
Net position, end of year	<u>\$ 7,077,931</u>	<u>\$ 6,498,067</u>

See accompanying notes to financial statements.



**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from tenants	\$ 72,649	\$ 72,528
Cash received from grantors	2,762,900	2,110,819
Cash received from managed properties	2,220,255	1,810,073
Cash paid to suppliers	(3,866,287)	(1,705,721)
Cash paid to employees	<u>(587,206)</u>	<u>(1,814,130)</u>
Net cash provided by operating activities	<u>602,311</u>	<u>473,569</u>
Cash Flows from Capital and Related Financing Activities:		
Property and equipment purchases	-	(3,777)
Payments on capital debt	(3,527)	(1,600)
Interest paid on capital debt	<u>(313)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(3,840)</u>	<u>(5,377)</u>
Cash Flows from Investing Activities:		
Repayments on notes receivable	177,302	84,008
Advances on notes receivable	(40,389)	(70,000)
Interest income	<u>40,509</u>	<u>38,601</u>
Net cash provided by investing activities	<u>177,422</u>	<u>52,609</u>
Net increase in cash, cash equivalents, and restricted cash	775,893	520,801
Cash, cash equivalents, and restricted cash, beginning of year	<u>3,102,132</u>	<u>2,581,331</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,878,025</u>	<u>\$ 3,102,132</u>
	<u>2020</u>	<u>2019</u>
Schedule of non-cash capital and related financing activities:		
Financed acquisition	<u>\$ 24,635</u>	<u>\$ -</u>

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**STATEMENTS OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	\$ 539,668	\$ 428,127
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	14,049	12,748
Bad debt expense - other	90,761	-
Changes in operating assets and liabilities:		
Accounts receivable	(8,697)	(40,438)
Accrued compensated absences	7,570	(3,314)
Prepaid expenses	6,709	38,493
Accounts payable	5,110	5,109
Other liabilities	<u>(52,859)</u>	<u>32,844</u>
Net cash provided by operating activities	<u>\$ 602,311</u>	<u>\$ 473,569</u>

	<u>2020</u>	<u>2019</u>
A reconciliation of cash and cash equivalents to the Statements of Net Position is as follows:		
Cash and cash equivalents	\$ 2,671,032	\$ 2,138,571
Restricted cash and cash equivalents	<u>1,206,993</u>	<u>963,561</u>
	<u>\$ 3,878,025</u>	<u>\$ 3,102,132</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Redevelopment Authority of the County of Cumberland (the "Authority") is an autonomous organization established by ordinance on March 26, 1956 under the Urban Redevelopment Law enacted by the Commonwealth of Pennsylvania. The Authority is, by virtue of the Pennsylvania Redevelopment Law, Act of 1945, authorized to issue its revenue bonds in order to undertake programs for the voluntary repair, rehabilitation and conversion of residential housing. The members of the Board are appointed by the Cumberland County Commissioners and are not affiliated with Cumberland County and its management.

The Authority is governed by a board of directors which is essentially autonomous but is responsible to the Cumberland County Commissioners. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

**B. Reporting Entity**

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year.

**C. Basis of Accounting / Financial Statement Presentation**

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting / Financial Statement Presentation (continued)**

The Authority has also adopted GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"). GASB 33 establishes accounting and financial reporting standards for nonexchange transactions including financial or capital resources. The Authority's primary source of nonexchange revenues relate to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

**D. Description of Programs**

Business Activities

The Authority administers state grants, property management fees, property development, and rental properties. State grants and other government grants are used for the housing counseling programs, emergency repair programs, down payment and closing costs assistance for first-time homebuyers, as well as expansion and renovation of redevelopment properties in local communities. In addition, services are provided by the Authority related to housing for homeless and special needs, local housing options, supporting downtown communities, and managing several low income, subsidized senior housing properties.

Community Development Block Grants - Entitlements Grants

The CDBG program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1,180 general units of local government and states.

The CDBG entitlement program allocates annual grants to larger cities and urban counties to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low and moderate-income persons.

Federal HOME Grants

HOME provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to people.

Emergency Solutions Grants

The Emergency Solutions Grants (ESG) Program is designed to help improve the quality of existing emergency shelters for homeless individuals and families, make available additional emergency shelters, and meet the costs of operating emergency shelters and of providing essential social services to homeless individuals and families. The goal is for homeless persons to have access not only to safe and sanitary shelters for the homeless but also to the supportive services and other kinds of assistance they need to increase their self-sufficiency. The program is also intended to restrict the increase of homelessness through the funding of preventive programs and activities.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and Cash Equivalents**

HUD requires authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization in accordance and HUD requirements.

**F. Accounts Receivable**

Accounts receivable consists of HUD revenues, governmental grants and other receivables. The Authority expects to receive substantially all of these receivables, and accordingly no allowance for doubtful accounts has been established.

**G. Allowance for Doubtful Accounts**

Management evaluates the collectability of outstanding receivables on a regular basis and establishes an allowance for doubtful accounts based on its assessment of outstanding accounts.

**H. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**I. Capital Assets**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Buildings 40 Years
- Furniture and Equipment 3 - 5 Years

The Authority has established a capitalization threshold of \$5,000.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Impairment of Long Lived Assets**

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. For the years ended June 30, 2020 and 2019, no impairment losses were recognized.

**K. Notes Receivable**

The Authority has utilized development funds in accordance with HUD and State of Pennsylvania, Department of Community and Economic guidelines to assist in the construction and redevelopment of numerous low-income residential and commercial projects through the issuance of mortgage notes. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property's ability to generate positive cash flow; and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

**L. Inter-Program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of management utilizing the administrative fund, as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes.

**M. Taxes**

The Authority is a unit of local government and is exempt from real estate, sales and income taxes.

**N. Compensated Absences**

The Authority uses the vesting method for the recording of compensated absences. Benefits are accrued as of the statement of net position date for which payment is probable. Compensated absences are those absences for which employees will be paid, such as sick and vacation leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights and benefits.

**O. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Use of Management Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

**Q. Equity Classifications**

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

**R. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All appropriations lapse at HUD's program year end or at the end of grant periods.

**S. Risk Management**

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2. CASH DEPOSITS**

At June 30, 2020 and 2019, the Authority had funds on deposit in checking accounts and the carrying amount of the Authority's cash (including restricted cash) was \$3,878,025 and \$3,102,132, respectively, and the bank balances were \$3,911,305 and \$3,222,959, respectively.

Of the bank balances, \$500,005 and \$500,000 were covered by federal depository insurance and the remaining \$3,411,300 and \$2,722,959 were collateralized with the pledging financial institution as of June 30, 2020 and 2019, respectively.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2020 and 2019, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable consists of program receivables from the Housing Authority of the County of Cumberland (the "Housing Authority") and other managed properties, and is recorded net of an allowance for doubtful accounts of \$90,761 and \$- as of June 30, 2020 and 2019, respectively.

**NOTE 4. RESTRICTED CASH AND RESTRICTED NET POSITION**

Restricted cash and restricted net position consist of unspent grant funds that are restricted for various projects in accordance with various grant agreements.

**NOTE 5. RELATED PARTY TRANSACTIONS**

The sole related party associated with the Authority is the Housing Authority, which is a distinct and separate entity under common control. There is an administrative agreement for the Housing Authority to utilize Authority employees. The Housing Authority reimburses the Authority on a monthly basis as it is the Authority's policy to settle these outstanding obligations monthly. Any outstanding advances are interest free, unsecured and due upon demand.



**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 6. CAPITAL ASSETS, NET**

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

Description	June 30, 2019	Additions	Disposals	Transfers	June 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 28,001	\$ -	\$ -	\$ -	\$ 28,001
<u>Depreciable capital assets:</u>					
Buildings and improvements	677,702	24,635	-	-	702,337
Less: accumulated depreciation	(602,573)	(14,049)	-	-	(616,622)
Net capital assets	\$ 103,130	\$ 10,586	\$ -	\$ -	\$ 113,716

Description	June 30, 2018	Additions	Disposals	Transfers	June 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 28,001	\$ -	\$ -	\$ -	\$ 28,001
<u>Depreciable capital assets:</u>					
Buildings and improvements	673,925	3,777	-	-	677,702
Less: accumulated depreciation	(589,825)	(12,748)	-	-	(602,573)
Net capital assets	\$ 112,101	\$ (8,971)	\$ -	\$ -	\$ 103,130

Depreciation expense for the years ended June 30, 2020 and 2019, amounted to \$14,049 and \$12,748, respectively.

**NOTE 7. PENSION PLAN**

The Authority provides a defined contribution pension plan (the "Plan") for eligible full-time employees under Section 401(a) of the Internal Revenue Code. An employee may begin contributing to the Plan immediately upon hire. After one year of employment, the Authority contributes 20% of the employee's annual contribution to the Plan. After two years of employment, the Authority contributes 50% of the employee's annual contribution to the Plan. The Authority will match up to a maximum of 7% of gross wages. For the years ended June 30, 2020 and 2019, the Authority's portion amounted to \$53,814 and \$57,234, respectively, which has been charged to the employee fringe benefit account.

**NOTE 8. NOTES RECEIVABLE**

Notes receivable at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note receivable from Middlesex Ltd. Ptr. at 0% interest. The principal balance is due in full January 31, 2026. The note is secured by a second mortgage on real property.	\$ 210,000	\$ 210,000

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. NOTES RECEIVABLE (continued)**

	<u>2020</u>	<u>2019</u>
Note receivable from Hanover Street Senior Apartments in the amount of \$500,000 at 0% interest. Principal is due in full on December 31, 2036. The note is secured by real property.	500,000	500,000
Note receivable from Enola Senior Housing, LP in the amount of \$62,500 at 0% interest. The principal is due in one lump sum on December 31, 2038. The note is secured by real property.	62,500	62,500
Note receivable from Enola Limited Partnership at 0% interest. Payments are made from surplus cash. The principal is due in full December 31, 2022 and secured by real property.	101,267	108,500
Note receivable from Middlesex Ltd. Ptr. at 0% interest. The note is due in full September 1, 2025 and secured by real property.	535,961	535,961
Note receivable from American House at 0% interest. The balance is due in full on November 13, 2039 and secured by real property.	171,900	171,900
Mortgage loan receivable from Buhrig in the amount of \$40,000 at 3% interest and secured by real property. Monthly payments of \$386.24 and the loan matures on August 29, 2021.	5,307	9,711
Note receivable from Hanover Street Senior Apartments, LP in the amount of \$154,955 at 0% interest. Principal is due in one lump sum on December 31, 2037. The note is secured by real property.	154,955	154,955
Note receivable from Enola Chapel, LP in the amount of \$248,500 at 0% interest. Principal is due in one lump sum on December 31, 2037. The note is secured by real property.	248,450	248,450
Note receivable in the amount of \$400,000 from 3T Investors at 0% interest. Monthly payments of \$666 began on April 20, 2010 with the balance due April 20, 2030. The note is secured by real property.	318,667	327,334
Note receivable from 3T Investors in the amount of \$40,000 at 0% interest. Monthly payments of \$133.33 originally beginning on August 14, 2003 with balance due July 14, 2028. The note is secured by real property.	14,533	14,533

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. NOTES RECEIVABLE (continued)**

	<u>2020</u>	<u>2019</u>
Note receivable from 3T Investors in the amount of \$200,000 at 0% interest. Monthly payments of \$333.33 began on October 12, 2012 with the balance due January 8, 2029. The note is secured by real property.	161,000	165,333
Note receivable from 3T Investors in the amount of \$250,000 at 0% interest. Monthly payments of \$1,389 originally beginning on August 14, 2013, have been deferred, with the balance due July 14, 2028. The note is secured by real property.	133,123	152,778
Note receivable from individual at 0% interest. Monthly payments of \$70 began October 1, 2005 with the balance due September 1, 2030 and secured by real property.	8,260	9,100
Note receivable from individual at 2% interest. Monthly payments of \$64.35 began December 17, 2005 with the balance due on November 17, 2020 and secured by real property.	-	856
Note receivable from individual at 3% interest. Monthly payments of \$42.39 began May 28, 2006 with the balance due on January 28, 2036 and secured by real property.	6,298	6,982
Note receivable from individual at 3% interest. Monthly payments of \$42.39 began May 28, 2006 with the balance due on January 28, 2036 and secured by real property.	14,407	14,122
Note receivable from Hanover Street Senior Apartments, LP in the amount of \$26,685 at 0% interest to assist in funding major maintenance to property. Principal repayment is due upon the sale of the property and is secured by the underlying real property.	26,685	26,685
Note receivable from individual in the amount of \$20,000 at a 2% interest rate for a 25 year term ballooning at ten years, beginning June 18, 2009 with payments of \$89.01 due monthly. The entire principal balance is due 10 years from the closing date and the note is secured by real property.	-	3,812
Note receivable from Carlisle High Street Holdings, LLC in the amount of \$30,000 at a 0% interest rate for a 50 year term, beginning May 18, 2011 with payments of \$50 due monthly. The entire principal balance, plus any outstanding interest was originally due on April 18, 2021. On March 18, 2021, the loan was extended for an additional 10 years at an interest rate of 2%, with a new maturity date of April 18, 2031. The note is secured by real property.	24,500	25,100

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. NOTES RECEIVABLE (continued)**

	<u>2020</u>	<u>2019</u>
<p>Note receivable from 3-T Investors, L.P. in the amount of \$100,000 at a 2% interest rate with a 25 year amortization period, beginning on March 8, 2011 with payments of \$423.85 due monthly. The principal balance plus any outstanding interest was originally due on February 8, 2021. On February 25, 2021, the maturity date was extended to February 8, 2031. The loan is secured by real property.</p>	68,362	72,464
<p>Note receivable from Everett R. Kane and Billie Jo Kane in the amount of \$6,500 at an interest rate of 2% with a 7 year amortization period beginning March 22, 2011, with payments of \$82.99 due monthly. The balance is due February 22, 2021 and the note is secured by real property. The Authority has established an allowance for doubtful accounts for the full amount of \$5,272.</p>	5,272	5,167
<p>Note receivable from Carlisle High Street Holdings, LLC in the amount of \$248,000 at a 0% interest rate for a 50 year term, beginning May 18, 2011 with payments of \$413.33 due monthly. The balance was originally due on April 18, 2021. On March 18, 2021, the loan was extended for an additional 10 years at an interest rate of 2%, with a new maturity date of April 18, 2031. The note is secured by real property.</p>	202,533	207,493
<p>Note receivable from Hanover Street Senior Apartments in the amount of \$70,000, with monthly payments of \$296.70 including interest at 2% with the balance due on December 1, 2032. The note is secured by real property.</p>	39,306	42,068
<p>On June 2, 2014, the Authority entered into a loan agreement with Sandra J. Hoffman in the amount of \$60,000. The loan bears 3% interest with monthly payments of \$579.36. The loan will become due in full on June 24, 2024. The note is secured by real property.</p>	25,731	32,359
<p>On July 30, 2014, the Authority entered into a loan agreement with Donald Eric Klinedinst and Elaine L. Lemmon in the amount of \$23,000. The loan bears 2% interest with monthly payments of \$97.49 for a 25 year amortization period. The entire principal balance plus any remaining interest is due in full on July 30, 2024. The note is secured by real property.</p>	18,342	19,137
<p>On March 6, 2015, the Authority entered into a loan agreement with Hoffman-Roth Funeral Home &amp; Crematory, Inc. in the amount of \$100,000. The note bears 3.5% interest with monthly payments of \$291.67 for the first 12 months, then increasing to \$1,541.84 for the remainder of the loan. The entire principal balance of \$57,952 was paid off during the fiscal year, prior to the maturity date of March 6, 2022. The note was secured by real property.</p>	-	57,952

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. NOTES RECEIVABLE (continued)**

	<u>2020</u>	<u>2019</u>
On July 1, 2016, the Authority entered into a loan agreement with Derek & Taylor Eisenberger in the amount of \$35,000. The loan bears 2.00% interest with monthly payments of \$148.35 beginning August 1, 2016. The entire principal balance is due in July 2026. The note is secured by real property.	30,602	31,758
On July 1, 2016, the Authority entered into a loan agreement with Derek & Taylor Eisenberger in the amount of \$60,000. The loan bears 3.00% interest with monthly payments of \$579.36 beginning August 1, 2016. The entire principal balance is due in July, 2026. The note is secured by real property.	38,609	44,310
On September 29, 2014, the Authority entered into an agreement with Shepherd's Crossing, L.P. in the amount of \$576,418. The loan bears 0% interest, is payable from available cash flow and matures in December, 2045. The note is secured by real property.	534,665	551,903
On September 14, 2017, the Authority entered into a loan agreement with Carlisle Townhomes, LP (the "Maker") in the amount of \$500,000. The loan bears 2.82% and repayment of the loan and any interest due shall be paid on an annual basis from the net cash flow of the Maker. All unpaid principal is due on the later of 30 years from completion of construction or January 1, 2049. The note is secured by real property.	500,000	500,000
On September 14, 2017, the Authority entered into a second loan agreement with the Maker in the amount of \$50,000. The loan bears no interest and repayment of the loan shall be paid on an annual basis from the net cash flow of the Maker. All unpaid principal is due on the later of 30 years from completion of construction or January 1, 2049. The note is secured by real property.	50,000	50,000
On July 20, 2018, the Authority entered into a loan agreement with Robert L. Buhrig, Jr. in the amount of \$40,000. The loan bears 3% interest with monthly payments of \$276.23. The loan will become due in full on July 20, 2028. The note is secured by real property.	33,167	36,781
On December 20, 2018, the Authority entered into a loan agreement with Smoke & Pickles, Ltd. in the amount of \$30,000. The loan bears interest at 3% interest with monthly payments of \$207.17. The loan will become due in full on December 20, 2028. The note is secured by real property.	27,570	29,202

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. NOTES RECEIVABLE (continued)**

	<u>2020</u>	<u>2019</u>
On June 16, 2020, the Authority entered into a loan agreement with Dalicia Limited Liability Company in the amount of \$40,000. The loan bears interest at 3% interest with monthly payments of \$276.23. The loan will mature June 16, 2030, and is secured by real property.	<u>40,000</u>	<u>-</u>
Total notes receivable	4,311,972	4,429,206
Less current portion	334,567	80,366
Less allowance for doubtful accounts	<u>19,679</u>	<u>-</u>
Notes receivable, net of current portion and allowance for doubtful accounts	<u>\$ 3,957,726</u>	<u>\$ 4,348,840</u>
Future maturities of notes receivable are as follows:		
June 30, 2021	334,557	
2022	64,414	
2023	160,711	
2024	60,065	
2025	74,830	
Thereafter	<u>3,617,395</u>	
	<u>\$ 4,311,972</u>	

**NOTE 9. OTHER CURRENT LIABILITIES**

In accordance with grant agreements, several of the projects maintain revolving cash accounts to pay for development and acquisition expenses. Cash held in the projects accounts is reflected as other current liabilities until such amounts are disbursed.

**NOTE 10. LONG-TERM DEBT**

	<u>2020</u>	<u>2019</u>
Mortgage payable to PA Dept. of Community and Economic Development. The mortgage is interest free with repayment of principal being deferred until January 31, 2026. At that time, the principal shall be paid in full. The loan is secured by the underlying real property.	\$ 210,000	\$ 210,000
Mortgage payable to Pennsylvania Department of Community & Economic Development at 0%. Payments are made from surplus cash, if available. Principal due in full 2035. The loan is secured by real property.	93,750	93,750
Mortgage payable to Pennsylvania Department of Community & Economic Development at 0%. Principal due in full September 1, 2025. The loan is secured by real property.	535,961	535,961

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 10. LONG-TERM DEBT (continued)**

	<u>2020</u>	<u>2019</u>
Mortgage payable to Pennsylvania Department of Community & Economic Development at 0%. Annual payments of \$3,440 scheduled to begin in 2010, have been deferred for an additional 15 years. Principal due in full in 2040. The loan is secured by real property.	171,900	171,900
Loan payable to Borough of Carlisle at 0% interest. Monthly payments of \$133 began August 13, 2003 with the balance due in full July 13, 2028 and secured by real property.	12,934	14,534
Loan payable with Belco Community Credit Union in the amount of \$24,635 at 3.49%. Monthly payments of \$448.06 begin on February 14, 2020, and the note matures on January 14, 2025. The loan is secured by real property.	<u>22,708</u>	<u>-</u>
Total long-term debt	1,047,253	1,026,145
Less: current portion of long-term debt	<u>6,257</u>	<u>1,600</u>
Long-term debt, net of current portion	<u>\$ 1,040,996</u>	<u>\$ 1,024,545</u>

Annual debt service for principal and interest over the next five years and in five year increments is as follows:

Year	Principal	Interest	Total
2021	\$ 6,257	\$ 720	\$ 6,977
2022	9,871	555	10,426
2023	10,033	384	10,417
2024	10,210	207	10,417
2025	754,058	36	754,094
2026-2030	22,134	-	22,134
2031-2035	110,950	-	110,950
2036-2040	<u>123,740</u>	<u>-</u>	<u>123,740</u>
	<u>\$ 1,047,253</u>	<u>\$ 1,902</u>	<u>\$ 1,049,155</u>

Non-current liabilities financial activity for the years ended June 30, 2020 and 2019, consisted of the following:

Description	June 30, 2019	Advances/ Increases	Principal Payments/ Adjustments	June 30, 2020	Due within One year
State CDBG Loan	\$ 210,000	\$ -	\$ -	\$ 210,000	\$ -
Butz House, LP Loan	93,750	-	-	93,750	-
Middlesex, LP Loan	535,961	-	-	535,961	-
American House, LP Loan	171,900	-	-	171,900	-
3T Investors, LP Loan	14,534	-	(1,600)	12,934	1,600
Belco Community	-	24,635	(1,927)	22,708	4,657
Compensated Absences	<u>30,348</u>	<u>7,570</u>	<u>-</u>	<u>37,918</u>	<u>3,792</u>
	<u>\$ 1,056,493</u>	<u>\$ 32,205</u>	<u>\$ (3,527)</u>	<u>\$ 1,085,171</u>	<u>\$ 10,049</u>

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 10. LONG-TERM DEBT (continued)**

Description	June 30, 2018	Advances	Principal Payments	June 30, 2019	Due Within One Year
State CDBG Loan	\$ 210,000	\$ -	\$ -	\$ 210,000	\$ -
Butz House, LP Loan	93,750	-	-	93,750	-
Middlesex, LP Loan	535,961	-	-	535,961	-
American House, LP Loan	171,900	-	-	171,900	-
3T Investors, LP Loan	16,134	-	(1,600)	14,534	1,600
Cornerstone Credit Union	2,814	-	(2,814)	-	-
Compensated Absences	<u>33,662</u>	<u>62,249</u>	<u>(65,563)</u>	<u>30,348</u>	<u>3,035</u>
	<u>\$ 1,064,221</u>	<u>\$ 62,249</u>	<u>\$ (69,977)</u>	<u>\$ 1,056,493</u>	<u>\$ 4,635</u>

**NOTE 11. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD.

As of June 30, 2020 and 2019, the Authority estimates that no material liabilities will result from such audits.

Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Authority’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority’s tenants, all of which are uncertain and cannot be predicted. The Authority’s future results could be adversely impacted by delays in rent and loan payment collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

**NOTE 12. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through May 13, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Redevelopment Authority of the County of Cumberland:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Redevelopment Authority of the County of Cumberland (the "Authority") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 13, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Novogradac & Company LLP*

May 13, 2021  
Toms River, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Redevelopment Authority of the County of Cumberland:

**Report on Compliance for Each Major Federal Program**

We have audited the Redevelopment Authority of the County of Cumberland's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



May 13, 2021  
Toms River, New Jersey

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of Housing and Urban Development: Pass-Through Programs From:				
Borough of Carlisle, Pennsylvania - CDBG Entitlement Grants: Carlisle Entitlement Grants	14.218	not available	\$ 251,705	\$ 368,698
County of Cumberland, Pennsylvania - CDBG Entitlement Grants: County Entitlement Grants	14.218	not available	670,338	929,556
County of Cumberland, Pennsylvania - HOME Program: Urban County	14.239		-	75,794
Commonwealth of Pennsylvania - Department of Community & Economic Development - Emergency Shelter/Solutions Grant Program: Emergency Solutions Grant	14.231		-	<u>134,259</u>
Subtotal Department of Housing and Urban Development: Pass-Through Programs			922,043	1,508,307
United States Environmental Protection Agency: Environmental Workforce Development and Job Training Cooperative Agreements	66.815		-	<u>22,007</u>
Total Expenditures of Federal Awards			<u>\$ 922,043</u>	<u>\$ 1,530,314</u>

See accompanying notes to schedule of expenditures of federal awards.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Redevelopment Authority of the County of Cumberland (the "Authority") under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COST RATE**

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

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**I. Summary of Auditors' Results**

Financial Statements

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued:  | Unmodified    |
| 2. | Internal control over financial reporting   |               |
|    | a. Material weakness(es) identified?  | No            |
|    | b. Significant deficiency(ies) identified not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the financial statements?                                 | No            |

Federal Awards

- |    |  |               |
|----|--|---------------|
| 1. | Internal Control over compliance:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified not considered to be a material weakness?                | None reported |
| 2. | Type of auditor's report on compliance for major programs:   | Unmodified    |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 4. | Identification of major programs:  |               |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants/Entitlement Grants

- |    |  |           |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee?                                   | No        |

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF CUMBERLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2020**

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

IV. Schedule of Prior Year Federal Audit Findings

None.