

**THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
JOHNSTOWN, PENNSYLVANIA**

Financial Statements

December 31, 2020

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Redevelopment Authority of the City of Johnstown
Johnstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Redevelopment Authority of the City of Johnstown, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise The Redevelopment Authority of the City of Johnstown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Redevelopment Authority of the City of Johnstown, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 Schedule of Changes in Authority's Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Return be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Redevelopment Authority of the City of Johnstown's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic 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 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, 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 basic 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 July 6, 2021, on our consideration of The Redevelopment Authority of the City of Johnstown'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 Redevelopment Authority of the City of Johnstown's internal control over financial reporting and compliance.



WESSEL & COMPANY
Certified Public Accountants

July 6, 2021

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 544,065	\$ 7,003,281	\$ 7,547,346
Restricted cash	-	1,251,516	1,251,516
Committed investments	64,308	-	64,308
Accounts receivable, net	5,720	2,381,343	2,387,063
Due from other funds	304,729	243,600	548,329
Prepaid expenses	24,459	50,321	74,780
Total Current Assets	943,281	10,930,061	11,873,342
Non-Current Assets:			
Fixed assets, net	2,780,202	64,339,170	67,119,372
Restricted investments	-	2,147,641	2,147,641
Total Non-Current Assets	2,780,202	66,486,811	69,267,013
Deferred Outflows:			
Defeased loss on bonds, net	-	245,669	245,669
Deferred pension outflow	15,940	-	15,940
Total Deferred Outflows	15,940	245,669	261,609
Total Assets & Deferred Outflows	\$ 3,739,423	\$ 77,662,541	\$ 81,401,964
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 35,953	\$ 869,380	\$ 905,333
Accrued benefits	46,462	-	46,462
Due to other funds	-	599,191	599,191
Notes payable	73,673	2,201,690	2,275,363
Bonds payable	-	355,000	355,000
Accrued interest	-	80,029	80,029
Total Current Liabilities	156,088	4,105,290	4,261,378
Non-Current Liabilities:			
Notes payable	870,204	34,192,649	35,062,853
Bonds payable	-	10,601,245	10,601,245
Net pension liability	24,791	-	24,791
Total Non-Current Liabilities	894,995	44,793,894	45,688,889
Deferred Inflows:			
Unearned revenues	421,722	52,956	474,678
Total Deferred Inflows	421,722	52,956	474,678
NET POSITION:			
Investments in capital assets, net of related debt	1,836,325	16,555,035	18,391,360
Unrestricted	430,293	10,007,725	10,438,018
Restricted	-	2,147,641	2,147,641
Total Net Position	2,266,618	28,710,401	30,977,019
Total Liabilities, Deferred Inflows and Net Position	\$ 3,739,423	\$ 77,662,541	\$ 81,401,964

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
Community development	\$ 1,953,429	\$ 1,035,947	\$ 1,230,555	\$ -	\$ 313,073	\$ -	\$ 313,073
Debt service	-	-	-	-	-	-	-
Unallocated depreciation	41,014	-	-	-	(41,014)	-	(41,014)
Total Governmental Activities	<u>1,994,443</u>	<u>1,035,947</u>	<u>1,230,555</u>	<u>-</u>	<u>272,059</u>	<u>-</u>	<u>272,059</u>
Business-type Activities:							
Regional Sewage	9,103,146	9,372,891	-	1,820,632	-	2,090,377	2,090,377
Center Town	71,869	78,076	-	-	-	6,207	6,207
Cambria Iron Works	321,796	158,519	-	-	-	(163,277)	(163,277)
Total Business-type Activities	<u>9,496,811</u>	<u>9,609,486</u>	<u>-</u>	<u>1,820,632</u>	<u>-</u>	<u>1,933,307</u>	<u>1,933,307</u>
Total Primary Government	<u>\$ 11,491,254</u>	<u>\$ 10,645,433</u>	<u>\$ 1,230,555</u>	<u>\$ 1,820,632</u>	<u>\$ 272,059</u>	<u>\$ 1,933,307</u>	<u>\$ 2,205,366</u>
General Revenues:							
Transfers in/(out)							
Unrestricted investment earnings						\$ -	\$ -
Disposal of capital assets					10,000	132,597	132,597
Other revenues					-	3,503	10,000
Total General Revenues and Transfers					<u>10,000</u>	<u>136,100</u>	<u>3,503</u>
Change in Net Position					282,059	2,069,407	2,351,466
Net Position - Beginning of Year					1,984,559	26,640,994	28,625,553
Net Position - End of Year					<u>\$ 2,266,618</u>	<u>\$ 28,710,401</u>	<u>\$ 30,977,019</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
(INCLUDING THE RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES)
DECEMBER 31, 2020

	Governmental Fund Types		
	General	Special Projects	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 67,016	\$ 477,049	\$ 544,065
Committed investments	64,308	-	64,308
Accounts receivable	5,720	-	5,720
Due from other funds	245,435	59,294	304,729
Prepaid expenses	24,459	-	24,459
	<u>\$ 406,938</u>	<u>\$ 536,343</u>	<u>\$ 943,281</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 18,817	\$ 17,136	\$ 35,953
Accrued benefits	46,462	-	46,462
Due to other funds	-	-	-
Deferred revenue	15,345	406,377	421,722
	<u>80,624</u>	<u>423,513</u>	<u>504,137</u>
 <u>FUND BALANCES</u>			
Fund Balance:			
Nonspendable	24,459	-	24,459
Unassigned	284,009	-	284,009
Committed	17,846	-	17,846
Assigned	-	112,830	112,830
	<u>326,314</u>	<u>112,830</u>	<u>439,144</u>
 Total Fund Balance	<u>326,314</u>	<u>112,830</u>	<u>439,144</u>
 Total Liabilities and Fund Balance	<u>\$ 406,938</u>	<u>\$ 536,343</u>	

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets in governmental activities are not financial resources and, therefore, are not reported in the funds	2,780,202
Long-term liabilities, pension obligations and other post employment benefits are not due and payable in the current period and therefore are not reported as a fund liability	<u>(952,728)</u>
Net position of governmental activities	<u>\$ 2,266,618</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Projects</u>	<u>Totals</u>
Revenues			
Charges for services	\$ 1,035,947	\$ -	\$ 1,035,947
Grants and joint projects	-	1,002,007	1,002,007
Rental income	215,320	-	215,320
Interest and investment income	4,013	3,715	7,728
Other income	5,500	-	5,500
Total Revenues	<u>1,260,780</u>	<u>1,005,722</u>	<u>2,266,502</u>
Expenditures			
Administration	889,138	-	889,138
Community development	-	1,064,291	1,064,291
Construction costs	375,191	-	375,191
Debt service	<u>638,803</u>	<u>-</u>	<u>638,803</u>
Total Expenditures	<u>1,903,132</u>	<u>1,064,291</u>	<u>2,967,423</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(642,352)</u>	<u>(58,569)</u>	<u>(700,921)</u>
Other Financing Sources/(Uses)			
Sale of Assets	10,000	-	10,000
Proceeds from issuance of debt	<u>873,851</u>	<u>-</u>	<u>873,851</u>
Total Other Financing Sources/(Uses)	<u>883,851</u>	<u>-</u>	<u>883,851</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>241,499</u>	<u>(58,569)</u>	<u>182,930</u>
Fund Balance - Beginning of Year	<u>84,815</u>	<u>171,399</u>	<u>256,214</u>
Fund Balance - End of Year	<u>\$ 326,314</u>	<u>\$ 112,830</u>	<u>\$ 439,144</u>

See Independent Auditor's Report and
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THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds (page 9)	\$	182,930
<p>Contributions to the pension plan are recognized as an expenditure in the governmental funds when they are due, and thus requires the use of current financial resources. The net pension liability and deferred inflows and outflows related to participation in the PMRS pension plan in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		-
<p>The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities.</p>		
		(235,048)
<p>The net effect of various transactions involving capital assets, (i.e. purchases, disposals, depreciation, etc.) is to increase net position.</p>		
		334,177
<hr style="border: 1px solid black;"/>		
Change in net position of governmental activities (page 7)	\$	<u><u>282,059</u></u>

See Independent Auditor's Report and
 Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Regional Sewage	Center Town	Cambria Iron Works	Totals
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 6,921,731	\$ 67,003	\$ 14,547	\$ 7,003,281
Restricted cash	1,251,516	-	-	1,251,516
Accounts receivable, net of allowance	2,187,005	-	194,338	2,381,343
Prepaid expenses	13,862	12,133	24,326	50,321
Due from other funds	243,600	-	-	243,600
Total Current Assets	<u>10,617,714</u>	<u>79,136</u>	<u>233,211</u>	<u>10,930,061</u>
Non-Current Assets				
Restricted investments	2,147,641	-	-	2,147,641
Fixed assets (net of accumulated depreciation)	62,170,745	336,957	1,831,468	64,339,170
Total Non-Current Assets	<u>64,318,386</u>	<u>336,957</u>	<u>1,831,468</u>	<u>66,486,811</u>
Deferred Outflows				
Deceased loss on bond, net	245,669	-	-	245,669
Total Deferred Outflows	<u>245,669</u>	<u>-</u>	<u>-</u>	<u>245,669</u>
Total Assets and Deferred Outflows	<u>\$ 75,181,769</u>	<u>\$ 416,093</u>	<u>\$ 2,064,679</u>	<u>\$ 77,662,541</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 699,498	\$ 1,949	167,933	\$ 869,380
Accrued interest	72,139	582	7,308	80,029
Notes payable	2,186,179	15,511	-	2,201,690
Bonds payable	355,000	-	-	355,000
Due to other funds	-	-	599,191	599,191
Total Current Liabilities	<u>3,312,816</u>	<u>18,042</u>	<u>774,432</u>	<u>4,105,290</u>
Non-Current Liabilities				
Notes payable	33,989,089	203,560	-	34,192,649
Bonds payable	10,601,245	-	-	10,601,245
Total Non-Current Liabilities	<u>44,590,334</u>	<u>203,560</u>	<u>-</u>	<u>44,793,894</u>
Deferred Inflows				
Unearned revenue	-	6,000	46,956	52,956
Total Deferred Inflows	<u>-</u>	<u>6,000</u>	<u>46,956</u>	<u>52,956</u>
Net Position:				
Investment in capital assets, net of related debt	15,212,762	117,304	1,224,969	16,555,035
Unrestricted	9,918,216	71,187	18,322	10,007,725
Restricted	2,147,641	-	-	2,147,641
Total Net Position	<u>27,278,619</u>	<u>188,491</u>	<u>1,243,291</u>	<u>28,710,401</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 75,181,769</u>	<u>\$ 416,093</u>	<u>\$ 2,064,679</u>	<u>\$ 77,662,541</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Regional Sewage	Center Town	Cambria Iron Works	Totals
Operating Revenues:				
Charges for service	\$ 9,372,891	\$ -	\$ -	\$ 9,372,891
Rental income	-	78,076	158,519	236,595
Other	3,503	-	-	3,503
Total Operating Revenues	<u>9,376,394</u>	<u>78,076</u>	<u>158,519</u>	<u>9,612,989</u>
Operating Expenses:				
Administrative expense	2,071,250	-	-	2,071,250
Bank fees	6,950	-	-	6,950
Insurance expense	49,479	8,679	93,398	151,556
Utilities	255,230	-	1,649	256,879
Real estate tax	-	23,380	-	23,380
Other taxes	-	608	-	608
Bond issuance costs	151,093	-	-	151,093
Subcontracted labor	2,193,392	-	-	2,193,392
Professional fees	230,675	-	35,634	266,309
Amortization	26,148	-	-	26,148
Materials and supplies	183,234	-	-	183,234
Chemicals	1,071,830	-	-	1,071,830
Hauling and pumping fees	22,474	-	-	22,474
Repairs and maintenance	-	18,319	26,290	44,609
Depreciation expense	1,701,918	11,529	157,451	1,870,898
Bad debt expense	336,262	-	-	336,262
Other	52,871	175	66	53,112
Total Operating Expenses	<u>8,352,806</u>	<u>62,690</u>	<u>314,488</u>	<u>8,729,984</u>
Operating Income/(Loss)	<u>1,023,588</u>	<u>15,386</u>	<u>(155,969)</u>	<u>883,005</u>
Non-Operating Revenues/(Expenses):				
Grant proceeds	1,820,632	-	-	1,820,632
Interest income	132,347	203	47	132,597
Interest expense	(750,340)	(9,179)	(7,308)	(766,827)
Total Non-Operating Revenues/(Expenses)	<u>1,202,639</u>	<u>(8,976)</u>	<u>(7,261)</u>	<u>1,186,402</u>
Income Before Transfers	<u>2,226,227</u>	<u>6,410</u>	<u>(163,230)</u>	<u>2,069,407</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,226,227	6,410	(163,230)	2,069,407
Net Position - Beginning of Year	<u>25,052,392</u>	<u>182,081</u>	<u>1,406,521</u>	<u>26,640,994</u>
Net Position - End of Year	<u>\$ 27,278,619</u>	<u>\$ 188,491</u>	<u>\$ 1,243,291</u>	<u>\$ 28,710,401</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Regional Sewage	Center Town	Cambria Iron Works	Totals
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,692,367	\$ 78,076	\$ (361)	\$ 8,770,082
Cash received from other sources	3,503	-	-	3,503
Internal activity - payments from/(to) other funds	60,000	-	295,591	355,591
Cash payments to subcontractors	(2,193,392)	-	-	(2,193,392)
Cash payments to suppliers for goods and services	(3,943,672)	-	-	(3,943,672)
Cash payments for other operating expenses	-	(55,355)	(15,398)	(70,753)
Net Cash Provided By Operating Activities	<u>2,618,806</u>	<u>22,721</u>	<u>279,832</u>	<u>2,921,359</u>
Cash Flows From Non-Capital Financing Activities				
Transfers to/(from) other funds	-	-	-	-
Net Cash Provided By/(Used For) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from issuance of notes payable	2,377,149	-	-	2,377,149
Proceeds from issuance of bonds	6,220,000	-	-	6,220,000
Bond Premium	295,077	-	-	295,077
Grant proceeds	1,820,632	-	-	1,820,632
Unearned revenue	-	6,000	-	6,000
Purchase of property and equipment	(3,953,396)	-	(291,523)	(4,244,919)
Payment on debt	(9,094,274)	(15,198)	-	(9,109,472)
Interest paid	(812,853)	(9,219)	-	(822,072)
Net Cash (Used For) Capital and Related Financing Activities	<u>(3,147,665)</u>	<u>(18,417)</u>	<u>(291,523)</u>	<u>(3,457,605)</u>
Cash Flows From Investing Activities				
Interest on cash equivalents	121,212	203	47	121,462
Net Cash Provided By Investing Activities	<u>121,212</u>	<u>203</u>	<u>47</u>	<u>121,462</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(407,647)	4,507	(11,644)	(414,784)
Cash and Cash Equivalents - Beginning of Year	8,580,894	62,496	26,191	8,669,581
Cash and Cash Equivalents - End of Year	<u>\$ 8,173,247</u>	<u>\$ 67,003</u>	<u>\$ 14,547</u>	<u>\$ 8,254,797</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 1,023,588	\$ 15,386	\$ (155,969)	\$ 883,005
Adjustments to reconcile operating income/(loss) to net cash provided by/(used for) operating activities:				
Depreciation and amortization	1,728,066	11,529	157,451	1,897,046
Changes in assets and liabilities:				
Accounts receivable	(344,262)	-	(158,880)	(503,142)
Accounts payable and other liabilities	152,026	(4,009)	145,841	293,858
Prepaid expense	(612)	(185)	(4,202)	(4,999)
Due to other funds	60,000	-	295,591	355,591
Total Adjustments	<u>1,595,218</u>	<u>7,335</u>	<u>435,801</u>	<u>2,038,354</u>
Net Cash Provided By Operating Activities	<u>\$ 2,618,806</u>	<u>\$ 22,721</u>	<u>\$ 279,832</u>	<u>\$ 2,921,359</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

THE REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Authority of the City of Johnstown (the "Authority") was incorporated in 1949 by the City of Johnstown under the Pennsylvania Urban Redevelopment Law of 1945. The Authority assists the City of Johnstown's Department of Community and Economic Development and other local economic development partners including state and federal agencies to maintain a vital downtown business center and attract new businesses into blighted and abandoned industrial properties. The Authority also owns the Regional Sewage Plant which provides sewage treatment to residents of the City and surrounding municipalities.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements.

The following is a summary of significant accounting policies of the Authority:

A. Financial Reporting Entity

The Authority implemented the Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and 34. The Authority's combined financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, it was determined that the Authority is a legally separate entity. In addition, it was determined that XENA Corporation is a blended component unit of the Authority.

B. Basis of Presentation

The Authority's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Authority that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements

During the year, the Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Authority are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Authority maintains the following governmental funds:

General Fund

The General Fund is the general operating fund of the Authority used to account for all financial resources, except those required to be accounted for in another fund. General revenues of the Authority, as well as other resources received and not designated for a specific purpose, are accounted for in the General Fund.

Special Revenue Fund

To account for the Authority's share of proceeds obtained from the sale of Johnstown Regional Energy in 2008. These funds are used to support other projects for the Authority.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Authority's proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services.

The following are the Authority's major proprietary funds:

Center Town Mall

The Center Town Mall fund is used to account for maintaining and operating the purchased land of the Center Town Mall with the intent of controlling the surrounding open vacant land to support the Renaissance Expansion Project.

Cambria Iron Works

In prior years, the Redevelopment Authority of the City of Johnstown received donated land and buildings in the Cambria Iron Works Complex. In 2004, the Authority established this fund to account for all activities related to operating the Cambria Iron Works Complex.

Regional Sewage

The Regional Sewage fund is used to account for the provision of sewage treatment to residents of the City and surrounding municipalities. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collection. Regional Sewage also includes PennVest Funds I, II, III, IV, V, VI and VII to account for loan proceeds.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements, and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of timing of related cash flows.

In accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority applies all GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Proprietary Fund Financial Statements

Like the government-wide financial statements, proprietary or enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Authority finances and meets the cash flow needs of its enterprise activities.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and non-capital financing activities and investing activities. The Authority's proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services.

E. Deposits and Investments

The Authority considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments of all funds are stated at fair value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.”

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”

G. Accounts Receivable

Receivables at December 31, 2020 consist of the following:

	Proprietary Funds		
	Regional Sewage	Cambria Iron Works	Total
Accounts Receivables	\$ 3,653,706	\$ 194,338	\$ 3,848,044
Less: Allowance for Uncollectibles	(1,466,701)	---	(1,466,701)
Accounts Receivable, Net	<u>\$ 2,187,005</u>	<u>\$ 194,338</u>	<u>\$ 2,381,343</u>

The Authority periodically reviews its accounts receivable for past due accounts and collection history to determine if an allowance for doubtful accounts is required. The Authority has provided an allowance for estimated uncollectible accounts for sewage treatment fees based upon the Authority's collection history and the judgment of management. The allowance for doubtful accounts for Regional Sewage amounted to \$1,466,701 at December 31, 2020.

H. Fixed Assets

Fixed assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Fixed assets are defined by the Authority as assets with an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated fixed assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The Authority depreciates assets on a straight line basis using the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Building & Permanent Fixtures	39 years
Building Improvements	10-15 years
Machinery & Equipment	5-7 years
Sewer Collection/Interceptors	50 years (average)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. It is the loss on bond defeasance reported in the government-wide and proprietary fund statement of net position. This amount is deferred and amortized over the life of the debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

J. Compensated Absences

Authority employees may accumulate unused sick and vacation days and earn the right to receive payment for certain of these days. Per the Authority's policy, upon retirement, which requires at least 20 years of service or age 55, or disability, employees are paid for up to 55 accumulated sick days at the rate applying when the sick leave was earned. In addition, employees are paid for a maximum of 30 vacation days that employees are permitted to carry over plus any unused days earned in the current calendar year. Accrued compensated absences recorded in the General Fund amounted to \$46,462 at December 31, 2020.

K. Restricted Net Position

The Regional Sewage Fund maintains a restricted net position balance in the amount equal to restricted cash and investments held for the purpose of debt service on the outstanding bonds, as well as, resources derived from the sanitary sewer upgrade surcharges which were assessed for the purpose of future upgrades to the sewer collection system. The Regional Sewage Fund maintains a restricted net position balance of 2,147,641.

L. Fund Balance

On January 1, 2010, the Authority early implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be reclassified into the following five new categories.

Nonspendable— fund balance permanently restricted and unavailable for current operations. The General Fund maintained a nonspendable fund balance of \$24,459 for prepaid expense.

Restricted— fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed— fund balance temporarily restricted for specified purposes established by a formal action by the Board of Directors. Formal action by the Board of Directors is also necessary to modify or rescind a fund balance commitment. The General Fund maintains a committed fund balance of \$17,846 to cover accrued benefits.

Assigned— fund balance intended for a specific purpose that does not meet the criteria to be classified as restricted or committed. The Board of Directors has authorized the Executive Director as the official authorized to assign fund balance to a specific purpose.

Unassigned— fund balance available for operations without any restriction. The General Fund maintained an unassigned fund balance of \$284,009 for operations.

The Board of Directors will spend the most restricted dollars before less restricted in the order as defined above.

M. Use of Estimates

Preparation of the Authority's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

N. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from/due to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

O. Budgetary Data

Administrative budgets are prepared; however they are not legally required and therefore are not presented. Each grant budget is prepared on a fiscal year basis that corresponds to the fiscal year of the individual grant or activity.

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Authority's Board of Directors approves all budgets and revisions. The level of budgetary responsibility varies, i.e. some on an object basis (salaries, fringes, etc.), some on a functional basis (training, administration, etc.), and some in total. Unused appropriations lapse at the end of the contract.

The Authority's primary funding source is federal and state grants, which have grant periods that may or may not coincide with the Authority's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Authority's dependency on federal and state grant revenues, revenue estimates are based upon the best available information as to potential sources of funding.

The Authority's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

The resulting annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards, which fail to materialize.

The Board of Directors formally approves the annual budget but, greater emphasis is placed on complying with the individual grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

P. GASB Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately. This statement postponed the effective dates of certain upcoming pronouncements due to the COVID-19 pandemic. The adoption of this statement had no effect on previously reported amounts.

Q. Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, *Leases*. The Authority is required to adopt Statement No. 87 for its 2022 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Authority is required to adopt Statement No. 88 for its 2021 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Authority is required to adopt Statement No. 89 for its 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Authority is required to adopt Statement No. 91 for its 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The Authority is required to adopt Statement No. 92 for its 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria*. The Authority is required to adopt Statement No. 97 for its 2022 financial statements.

The Authority has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2 DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured and 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, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. The deposits and investments of the Fiduciary Funds are administered by trustees and are held separately from those of other Authority funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 7,547,346
Restricted cash	1,251,516
Investments	<u>2,211,949</u>
Total Cash and Investments	\$ <u>11,010,811</u>

Cash and investments as of December 31, 2020 consist of the following:

Cash On Hand	\$ 650
Interest Bearing Cash	8,798,212
Certificates of Deposit (3 month maturity)	64,308
Investments	<u>2,147,641</u>
Total Cash and Investments	\$ <u>11,010,811</u>

Restrictions

Cash in the amount of \$1,251,516 is restricted in the Regional Sewage fund for the Fairfield Avenue Sewer Remediation Project Capitalization Grants for Clean Water State Revolving Fund proceeds received and not yet expended. It is expected that these funds will be applied towards future project costs.

Investments in the amount of are restricted for the Regional Sewage fund as follows:

Construction Fund	\$ 586,113
Debt Service Reserve Fund	1,058,096
Debt Service Fund	<u>503,432</u>
	<u>\$ 2,147,641</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by investing in short term highly liquid investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority is not exposed to this credit risk due to investment in highly liquid cash investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of December 31, 2020, the Authority’s bank balance was \$8,798,862 and \$7,307,547 of that amount was not insured by the FDIC. The Pennsylvania Government code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Pennsylvania Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool equal at least 110% of the total amount deposited by the public agencies.

As of December 31, 2020, Authority investments by the following investment types were invested primarily in short-term U.S. Treasury Securities backed by the Federal Government. No other collateral is provided for these investments.

<u>Investment Type</u>	<u>Book Amount</u>	<u>Bank Amount</u>
Regional Sewage – Unrated Treasury Trust Obligation through Local Financial Institution	\$ 2,147,641	\$ 2,147,641

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance at 12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 12/31/20</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,279,200	\$ ---	\$ ---	\$ 1,279,200
Construction in progress	---	---	---	---
Total	<u>1,279,200</u>	<u>---</u>	<u>---</u>	<u>1,279,200</u>
Capital assets being depreciated:				
Building	1,312,905	375,190	---	1,688,095
Site improvements	40,460	---	---	40,460
Total	<u>1,353,365</u>	<u>375,190</u>	<u>---</u>	<u>1,728,555</u>
Less: accumulated depreciation:				
Building	(182,087)	(38,316)	---	(220,403)
Site improvements	(4,453)	(2,697)	---	(7,150)
Total	<u>(186,540)</u>	<u>(41,013)</u>	<u>---</u>	<u>(227,553)</u>
Total Capital Assets being depreciated	<u>1,166,825</u>	<u>334,177</u>	<u>---</u>	<u>1,501,002</u>
Governmental Activities Net Capital Assets	<u>\$ 2,446,025</u>	<u>\$ 334,177</u>	<u>\$ ---</u>	<u>\$ 2,780,202</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Cambria Iron Works:				
Land	\$ 76,500	\$ ---	\$ ---	\$ 76,500
Construction in progress	---	291,524	---	291,524
Center Town Mall:				
Land	239,312	---	---	239,312
Regional Sewage:				
Land	18,559	---	---	18,559
Construction in progress	5,082,180	3,862,846	(4,433,568)	4,511,458
Total	<u>\$ 5,416,551</u>	<u>\$ 4,154,370</u>	<u>\$ (4,433,568)</u>	<u>\$ 5,137,353</u>

Capital assets being depreciated:

Cambria Iron Works:

Buildings	\$ 2,493,004	\$ ---	\$ ---	\$ 2,493,004
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Center Town Mall:

Buildings	244,726	---	---	244,726
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Regional Sewage:

Buildings and permanent fixtures	8,874,220	14,350	---	8,888,570
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Machinery and equipment	1,694,002	76,200	---	1,770,202
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Interceptor lines	55,450,437	4,433,568	---	59,884,005
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Total other fixed assets, at cost	<u>68,756,389</u>	<u>4,524,118</u>	<u>---</u>	<u>73,280,507</u>
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Less accumulated depreciation for:

Buildings and permanent fixtures	(3,801,177)	(450,011)	---	(4,251,188)
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Machinery and equipment	(2,475,072)	(56,342)	---	(2,531,414)
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Interceptor lines	<u>(5,931,544)</u>	<u>(1,364,544)</u>	<u>---</u>	<u>(7,296,088)</u>
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Total accumulated depreciation:	<u>(12,207,793)</u>	<u>(1,870,897)</u>	<u>---</u>	<u>(14,078,690)</u>
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Business-Type activities fixed assets, net	<u>\$ 61,965,147</u>	<u>\$ 6,807,591</u>	<u>\$ (4,433,568)</u>	<u>\$ 64,339,170</u>
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NOTE 4 LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Due Within One Year
Governmental Activities:					
Ameriserv Financial Bank Loan	\$ 598,829	\$ 6,540	\$ (605,369)	\$ ---	\$ ---
Cambria Rowe Building Loan	110,000	---	(5,792)	104,208	5,983
Ameriserv Financial Bank Loan - 4598000100	---	671,500	(15,418)	656,082	37,900
Ameriserv Financial Bank Loan - 4598100100	---	195,811	(12,224)	183,587	29,789
Governmental Activities Long-term Liabilities	\$ 708,829	\$ 873,851	\$ (638,803)	\$ 943,877	\$ 73,673
Business-type Activities:					
2014 Sewer Revenue Bonds	\$ 6,895,000	\$ ---	\$ (6,895,000)	\$ ---	\$ ---
2018 Sewer Revenue Bonds	4,565,000	---	(15,000)	4,550,000	15,000
2020 Sewer Revenue Bonds	---	6,220,000	---	6,220,000	340,000
2009 Pennworks Loan	1,317,513	---	(177,123)	1,140,390	165,501
2010 PennVest Loan	4,934,738	---	(292,468)	4,642,270	293,123
2012 PennVest Loan	3,695,786	---	(232,444)	3,463,342	234,960
2014 PennVest Loan	2,012,875	---	(116,811)	1,896,064	113,450
2015 PennVest Loan	4,107,573	---	(218,127)	3,889,446	220,318
2016 PennVest Loan	16,332,347	---	(847,912)	15,484,435	856,428
2017 PennVest Loan	3,581,563	---	(299,391)	3,282,172	302,399
2020 PennVest Loan	---	2,377,149	---	2,377,149	---
Center Town Mall Loan	234,268	---	(15,197)	219,071	15,511
Bond Discount	(117,434)	11,412	---	(106,022)	(11,369)
Bond Premium	---	292,267	---	292,267	292,267
Business-type Activities Long-term Liabilities	\$ 47,559,229	\$ 8,900,828	\$ (9,109,473)	\$ 47,350,584	\$ 2,837,588

Description of Debt

Pertinent information regarding general obligation debt outstanding is presented below:

Bonds Payable

Sewer Revenue Bonds, Series of 2014

During 2014, the Authority issued \$10,175,600 in Sewer Revenue Bonds with an interest rate of 3.09% to advance refund the remaining Sewer Revenue Bonds, Series A of 2004 and a portion of the Sewer Revenue Bonds, Series of 2007. The trustee deposited the proceeds into a separate trust fund for the 2004 and 2007 bonds. The proceeds placed in the trust were used to purchase U.S. Government Securities. The investments and fixed earnings from the investments are sufficient to fully secure the defeased debt until the debt is called or matures. The remaining portion of the bond proceeds were used to fund a portion of the Authority's capital projects and paying the issuing and insuring costs for the 2014 bond. The security for the bonds is the pledged revenues, rentals and moneys of the Authority derived from or in connection with the Sewer System. The economic gain resulting from this refunding was \$587,681, which results from the cash flow required to service the old debt (\$12,797,747) versus that required to service the new debt (\$12,797,504), discounted at the effective interest rate (3.09041%) of the new debt. During 2020, the remaining portion of the Sewer Revenue Bonds, Series of 2014, was refunded with the Sewer Revenue Bonds, Series of 2020.

Sewer Revenue Bonds, Series of 2018

During 2018, the Authority issued \$4,585,000 in Sewer Revenue Bonds with an average interest rate of 2.675% to refund, on a current basis, all of the outstanding principal and interest on the Authority's Sewer Revenue Bonds, Series of 2007 and pay all costs and expenses related to the issuance and sale of the Bonds. The security for the bonds is the pledged revenues, rentals and moneys of the Authority derived from or in connection with the Sewer System. The difference between the cash flows required to service old debt and the cash flows required to service the new debt amounts to \$558,345. The cumulative economic gain resulting from this transaction amounts to \$460,087.

Sewer Revenue Bonds, Series of 2020

During 2020, the Authority issued \$6,220,000 in Sewer Revenue Bonds with an average interest rate of 2.278% to refund, on a current basis, all of the outstanding principal and interest on the Authority's Sewer Revenue Bonds, Series of 2014 and pay all costs and expenses related to the issuance and sale of the Bonds. The security for the bonds is the pledged revenues, rentals, and moneys of the Authority derived from or in connection with the Sewer System. The difference between the cash flows required to service old debt and the cash flows required to service the new debt amounts to \$389,871. The cumulative economic gain resulting from this transaction amounts to \$388,642.

Notes Payable

Center Town Mall

In December 2012, the Authority, with Xena Corporation as a co-borrower, entered in a loan agreement with Somerset Trust Company to refinance the 1998 Center Town Mall Loan. The total loan amount was \$325,000. The loan bore an interest at 2.99% for three (3) years, with a balloon payment of \$289,665 due on December 19, 2015. The collateral for this loan was the first mortgage on Center Town Mall.

On December 23, 2015, the Authority refinanced this loan with a commercial mortgage totaling \$289,845, with an interest rate of 2.99% fixed for three years and reset every three years thereafter based on a three-year treasury plus 2.05% until maturity. The interest rate has a floor of 2.99% and a ceiling rate of 6.99%. The loan has a seventeen year term and a monthly payment of \$1,820, which will adjust with the rate. The collateral for this loan is a first lien position on 339 Walnut Street and a lot at 316 Vine Street, Johnstown, Pennsylvania, as well as, an assignment of leases and rent.

Regional Sewage

In September 2006, the Authority entered into an agreement with the Commonwealth of Pennsylvania Department of Community and Economic Development's Water Supply and Wastewater Infrastructure Program (PennWorks). The \$3,600,000 agreement consists of a grant in the amount of \$1,080,000 and a loan in the amount of \$2,520,000. The annual interest rate of the loan is 2%, and must be repaid over 20 years. The proceeds from the Department of Community and Economic Development were used to purchase a plant clarifier and its related costs. All grant funds were utilized. The balance due on the loan as of December 31, 2020 was \$1,140,390.

PennVest Loan 2010 – Regional Sewer Improvement Project

The Redevelopment Authority of the City of Johnstown was awarded a \$7.5 million loan from Pennsylvania Infrastructure Investment Authority. The terms of the loan are 40 months of principal and interest at a rate of 1%, and the remaining term of the loan is 180 months of principal and interest at a rate of 1.47%. The proceeds of the loan are to be used for the construction of 50 permanent flow meter manhole stations throughout the Authority's interceptor system, along with 3,900 linear feet of sanitary interceptor sewers in the Sell Street area of the City of Johnstown. The balance due on the loan as of December 31, 2020 was \$4,642,270.

PennVest Loan 2012 – Interceptor Rehabilitation and Storm Sewer Separation Project

In July 2012, the Redevelopment Authority of the City of Johnstown, was awarded a \$5.9 million loan from the Pennsylvania Infrastructure Investment Authority. The terms of the loan are 45 months of principal and interest at a rate of 1%, and the remaining term of the loan is 180 months of principal and interest at a rate of 1.077%. The proceeds of the loan are to be used for construction of 19,200 linear feet of replacement interceptor's sewers in the Roxbury, Moxham, Hornerstown and Walnut Grove areas of the Authority's interceptor system in the City of Johnstown. The balance due on the loan as of December 31, 2020 was \$3,463,342.

PennVest Loan 2014 – Franklin Street Interceptor Rehabilitation and Storm Water Separation Project

In July 2014, the Redevelopment Authority of the City of Johnstown was awarded a \$2.5 million loan from the Pennsylvania Infrastructure Investment Authority. The terms of the loan are 47 months of principal and interest at a rate of 1% and the remaining term of the loan is 180 months of principal and interest at a rate of 1.601%. The proceeds of the loan are to be used for construction of 5,700 feet of replacement interceptor sewer for the Franklin Street interceptor in the Roxbury area of the City of Johnstown. The balance due on the loan as of December 31, 2020 was \$1,896,064.

PennVest Loan 2015 – Woodvale/Oakhurst Interceptor Rehabilitation and Storm Water Separation Project

In April 2015, the Redevelopment Authority of the City of Johnstown was awarded project for a \$5.0 million loan from the Pennsylvania Infrastructure Investment Authority. The proceeds of the loan are to be used for construction of approximately 8,000 linear feet of sanitary sewers, 1,550 linear feet of slip liner along with related manhole rehabilitation, correct excessive infiltration and reduce sanitary sewer overflows in the Woodvale and Oakhurst areas of the City. The balance due on the loan as of December 31, 2020 was \$3,889,446.

PennVest Loan 2016 – Hornerstown/Industrial Park Interceptor Rehab and Storm Water Separation Project

In January 2016, the Redevelopment Authority of the City of Johnstown was awarded a \$18.3 million loan from the Pennsylvania Infrastructure Investment Authority. The proceeds of the loan are to be used for the construction of approximately 6,900 feet of replacement, 30 inch and 36 inch interceptor sewers in the Hornerstown area of the City of Johnstown. The balance due on the loan as of December 31, 2020 was \$15,484,435.

PennVest Loan 2017 – Hornerstown Street and Ohio Street Interceptor Rehab and Storm Water Separation Project

In April 2018, the Redevelopment Authority of the City of Johnstown was awarded a PennVest loan in the amount of \$6,049,158 with a maturity date of July 1, 2039 for the Hornerstown Street and Ohio Street Interceptor Rehab and Storm Water Separation Project. The balance due on the loan as of December 31, 2020 was \$3,282,172.

PennVest Loan 2020 – Fairfield Avenue Sewer Remediation Project

In March 2020, the Redevelopment Authority of the City of Johnstown was awarded a PennVest loan in the amount of \$5,146,282 with a maturity date of April 1, 2042 for the Fairfield Avenue Sewer Remediation Project. As of December 31, 2020, \$2,377,149 was disbursed to the Authority, with the remaining \$2,769,133 expected to be disbursed in 2021.

Cambria Rowe Building Loan

In December 2019, the Redevelopment Authority of the City of Johnstown entered into a loan agreement with Somerset Trust to finance the purchase of the Cambria Rowe Building located at 221 Central Avenue, Johnstown, PA. The total loan amount was \$110,000 with an interest rate of 3.30% and matures in December 2034. The balance due on the loan as of December 31, 2020 was \$104,208.

416 Main Street Building Buildout Loan

In October 2019, the Redevelopment Authority of the City of Johnstown entered into a loan agreement with Ameriserv Financial Bank to finance the renovations and build out of the 416 Main Street building. The total loan amount was \$630,000 with a fixed interest rate of 4.25% until October 3, 2024.

In July 2020, the Redevelopment Authority of the City of Johnstown entered into two (2) loan agreements with Ameriserv Financial Bank to finance the renovations and build out of the 416 Main Street Building. The loan agreements were agreed upon to refinance the loan that was obtained to finance the build out of the 416 Main Street building in October 2019. As of December 31, 2020, the balances due on the loans are \$656,082 and \$183,587, respectively.

Debt Maturity

An analysis of debt service requirements to maturity on these obligations follows:

2018 Sewer Revenue Bonds

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,000	\$ 145,720	\$ 160,720
2022	15,000	145,420	160,420
2023	15,000	145,101	160,101
2024	15,000	144,764	159,764
2025	15,000	144,370	159,370
2026 - 2030	890,000	715,520	1,605,520
2031 - 2034	<u>3,585,000</u>	<u>294,275</u>	<u>3,879,275</u>
	<u>\$ 4,550,000</u>	<u>\$ 1,735,170</u>	<u>\$ 6,285,170</u>

2020 Sewer Revenue Bonds

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 340,000	\$ 94,488	\$ 434,488
2022	675,000	135,525	810,525
2023	690,000	125,400	815,400
2024	710,000	104,700	814,700
2025	730,000	83,400	813,400
2026 - 2029	<u>3,075,000</u>	<u>155,200</u>	<u>3,230,200</u>
	<u>\$ 6,220,000</u>	<u>\$ 698,713</u>	<u>\$ 6,918,713</u>

2009 Penn Works LoanYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 165,501	\$ 19,533	\$ 185,034
2022	184,038	17,817	201,855
2023	187,753	14,102	201,855
2024	191,543	10,312	201,855
2025	195,409	6,446	201,855
2026 – 2027	<u>216,146</u>	<u>2,503</u>	<u>218,676</u>
	<u>\$ 1,140,390</u>	<u>\$ 70,740</u>	<u>\$ 1,211,130</u>

Center Town Mall LoanYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,511	\$ 6,333	\$ 21,844
2022	15,981	5,863	21,844
2023	16,466	5,378	21,844
2024	16,965	4,879	21,844
2025	18,009	3,835	21,844
2026 - 2030	95,671	13,548	109,219
2031 - 2032	<u>40,468</u>	<u>1,236</u>	<u>42,034</u>
	<u>\$ 219,071</u>	<u>\$ 41,072</u>	<u>\$ 260,473</u>

PennVest IYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 293,123	\$ 66,272	\$ 359,395
2022	297,461	61,934	359,395
2023	301,864	57,531	359,395
2024	306,331	53,064	359,395
2025	310,865	48,530	359,395
2026 - 2030	1,624,710	172,265	1,796,975
2031 - 2035	<u>1,507,916</u>	<u>49,460</u>	<u>1,557,376</u>
	<u>\$ 4,642,270</u>	<u>\$ 509,056</u>	<u>\$ 5,151,326</u>

PennVest IIYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 234,960	\$ 36,142	\$ 271,102
2022	237,503	33,599	271,102
2023	240,073	31,029	271,102
2024	242,672	28,430	271,102
2025	245,298	25,804	271,102
2026 - 2030	1,266,896	88,617	1,355,513
2031 - 2034	<u>995,940</u>	<u>20,693</u>	<u>1,016,633</u>
	<u>\$ 3,463,342</u>	<u>\$ 264,317</u>	<u>\$ 3,727,659</u>

PennVest IIIYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 113,450	\$ 29,526	\$ 142,976
2022	115,280	27,696	142,976
2023	117,139	25,837	142,976
2024	119,029	23,947	142,976
2025	120,948	22,028	142,976
2026 - 2030	634,638	80,243	714,881
2031 - 2035	<u>675,580</u>	<u>27,389</u>	<u>702,969</u>
	<u>\$ 1,869,064</u>	<u>\$ 236,667</u>	<u>\$ 2,132,731</u>

PennVest IVYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 220,318	\$ 37,887	\$ 258,205
2022	222,532	35,673	258,205
2023	224,767	33,438	258,205
2024	227,025	31,180	258,205
2025	229,306	28,899	258,205
2026 - 2030	1,181,549	109,475	1,291,024
2031 - 2035	1,242,104	48,922	1,291,024
2036 - 2037	<u>341,845</u>	<u>2,426</u>	<u>344,271</u>
	<u>\$ 3,889,446</u>	<u>\$ 327,900</u>	<u>\$ 4,217,346</u>

PennVest VYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 856,428	\$ 150,926	\$ 1,007,354
2022	865,032	142,322	1,007,355
2023	873,722	133,632	1,007,354
2024	882,499	124,855	1,007,354
2025	891,365	115,989	1,007,354
2026 - 2030	4,592,954	443,816	5,036,770
2031 - 2035	4,828,341	208,431	5,036,771
2036 - 2037	<u>1,694,094</u>	<u>15,127</u>	<u>1,709,221</u>
	<u>\$15,484,435</u>	<u>\$ 1,335,098</u>	<u>\$ 16,819,533</u>

PennVest VIYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 302,399	\$ 31,438	\$ 333,837
2022	305,436	28,401	333,836
2023	308,505	25,332	333,837
2024	311,604	22,233	333,837
2025	314,734	19,102	333,836
2026 - 2030	1,621,738	47,444	1,669,182
2031	<u>117,756</u>	<u>259</u>	<u>118,015</u>
	<u>\$ 3,282,172</u>	<u>\$ 174,208</u>	<u>\$ 3,456,380</u>

PennVest VIIYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ ---	\$ 23,764	\$ 23,764
2022	173,999	23,265	197,264
2023	263,182	20,827	284,009
2024	265,826	18,184	284,010
2025	268,497	15,513	284,010
2026 - 2030	1,383,488	36,560	1,420,048
2031	<u>22,157</u>	<u>18</u>	<u>22,175</u>
	<u>\$ 2,377,149</u>	<u>\$ 138,131</u>	<u>\$ 2,515,280</u>

Ameriserv Loan - 4598000100Years Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 37,900	\$ 15,967	\$ 53,867
2022	38,859	15,009	53,868
2023	39,842	14,026	53,868
2024	40,849	13,019	53,868
2025	41,882	11,986	53,868
2026 – 2030	225,843	43,495	269,338
2031 - 2035	<u>230,907</u>	<u>13,578</u>	<u>244,485</u>
	<u>\$ 656,082</u>	<u>\$ 127,080</u>	<u>\$ 783,162</u>

Ameriserv Loan - 4598100100Years Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 29,789	\$ 1,601	\$ 31,390
2022	30,606	4,249	34,855
2023	31,380	3,494	34,874
2024	32,173	2,720	34,893
2025	32,987	1,927	34,914
2026	<u>26,652</u>	<u>1,113</u>	<u>27,765</u>
	<u>\$ 183,587</u>	<u>\$ 15,104</u>	<u>\$ 198,691</u>

Somerset Trust LoanYears Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,983	\$ 3,349	\$ 9,332
2022	6,184	3,148	9,332
2023	6,391	2,941	9,332
2024	6,605	2,727	9,332
2025	6,827	2,506	9,333
2026 – 2030	37,720	8,942	46,662
2031 - 2033	<u>34,498</u>	<u>2,344</u>	<u>36,842</u>
	<u>\$ 104,208</u>	<u>\$ 25,957</u>	<u>\$ 130,165</u>

NOTE 5 LETTERS OF CREDIT

Letters of credit represent conditional obligations of First National Bank which guarantees the performance of the Authority to the Pennsylvania Department of Transportation. As of December 31, 2020, the Authority was party to one (1) \$20,000 irrevocable letter of credit that expired May 17, 2021. This letter of credit was subsequently renewed until May 17, 2022.

NOTE 6 PENSION PLAN

Plan administration

The Redevelopment Authority of the City of Johnstown Pension Plan is a single-employer defined benefit pension plan. The plan was established by Resolution No. 4230, effective April 1, 2016. The plan is governed by the Board of Directors of the Authority which may amend plan provisions, and which is responsible for the management of plan assets. The Board has delegated the authority to manage certain plan assets to PMRS. The plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2019.

Method used to value investments

Plan investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan membership

The plan covers all full-time employees. As of December 31, 2019, pension plan membership consisted of the following:

Active employees	3
Inactive employees and beneficiaries currently receiving benefits	1
Inactive employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>4</u>

Benefits provided

Membership for fulltime officers and employees is mandatory. Original members receive credited service for all years of prior service for determining the member's eligibility for benefits. Members are eligible for unreduced basic benefits upon attainment of age 62, and members vest at 20% per year through the first five years or credited service at which time members are fully vested. The basic benefits equals a single life annuity starting on the effective date of retirement with a present value of the member's deduction (which may be up to 20% of compensation) and the Authority's contribution (currently 9% of compensation) on behalf of the member.

Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Act 205 requires that annual contributions to the pension plan be based upon the minimum municipal obligation (MMO). The MMO is determined from the plan's latest actuarial valuation report along with estimates of payroll, employee contributions, and administrative costs. For the year ended December 31, 2019, the Authority's required contribution was \$16,823.

Employees are required to contribute to the plan in an amount to be determined from time to time. This contribution is governed by the plan's governing ordinances and collective bargaining. Contributions are currently 9.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the plan and funded through the MMO and/or plan earnings.

Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan's target asset allocation according to the PMRS investment policy adopted May 15, 2014, is as follows:

<u>Asset Class</u>	<u>Range</u>
Cash & Cash Equivalents	0%
Domestic equities	47.5%
International equities	25%
Real estate	12.5%
Fixed income	15%

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are included on the table below.

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was -4.57% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Authority's Plan

The components of the net pension liability of the Authority's plan at December 31, 2019, were as follows:

Total Pension Plan Liability	\$ 302,916
Plan Fiduciary Net Position	<u>278,125</u>
Net Pension Liability	\$ <u>24,791</u>

Plan Fiduciary Net Position as a percentage of the total pension liability is 91.82%.

Discount rate

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that Borough contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Authority, calculated using the discount rate of 5.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	-1% (4.25%)	Current Discount Rate (5.25%)	+1% (6.25%)
Net pension liability	\$53,887	\$24,791	\$(1,438)

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Components of Pension Expense	<u>12/31/19</u>
Service Cost	\$ 16,821
Interest on total pension liability	14,195
Expected return on assets	(13,331)
Change in benefit terms	3,108
Recognition of changes in assumptions	---
Employee contributions	---
Recognition of investment gains and losses	617
Recognition of liability gains and losses	1,094
Pension plan administrative expense	675
Other changes in fiduciary net position	---
Total pension expense	<u>\$ 23,179</u>

At December 31, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension expense from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between the Expected and actual experience	\$ 15,321	\$ ---
Changes of assumptions	---	---
Net difference between projected and actual earnings on plan investments	<u>619</u>	<u>---</u>
Total	<u>\$ 15,940</u>	<u>\$ ---</u>

Amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pension will be recognized in pension expense as follows:

Year ended		<u>Amount</u>
2019	\$	1,711
2020		1,712
2021		(987)
2022		2,559
2023		1,094
Thereafter		9,851

NOTE 7 POST EMPLOYMENT BENEFITS

Deferred Compensation Plan

The Authority established a deferred compensation plan, which was adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments.) A third-party firm administers the plan under a trust agreement.

The plan covers certain management employees of the Authority. The amounts required to be contributed are based on contractual amounts or percentages of compensation as provided in their employment contracts. All amounts of compensation deferred under the Plan and all income attributable to those amounts (until paid or made available to the employee or beneficiary) are solely the property and rights of the Authority; but are restricted for employees that participate in the Plan. The Authority must exercise due care as required of any ordinary prudent investor.

The plan is for eligible employees completing one year of service. Participants may defer income on a pre-tax basis through an elective contribution to the Plan, subject to limitations prescribed by the Internal Revenue Code. The Authority will match a percentage of each participant's contribution up to a maximum of 4% of gross compensation. Participants become immediately vested in the matching contribution. During the year ended December 31, 2020, the Authority's matching contribution to the Plan was \$12,440.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Grant Programs

The Authority participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

PA DEP – Consent Order

In August 2009, the Pennsylvania Department of Environmental Protections (PA DEP) imposed the final Consent Order on the Authority involving violations of NPDES permit limits. The consent order also contained a time table for general improvements in the system for removal of wet weather overflows with the interceptor system. In conjunction with the final Consent Order, the Authority agreed to pay \$45,000 in penalties to PA DEP over an 18 month period, in addition the time table set to accomplish the required improvements ends December 31, 2022.

Given the scope of the Order, the size of the Authority's sewer system, and the various conditions and/or deficiencies that may be discovered by the assessment, it is difficult to predict the total cost of compliance with the order. Moreover, it is difficult to predict what, if any, large scale and/or regional capital improvements may be required after the completion of the assessment to address wet weather sewer overflows. The Authority has hired an engineering firm to assist in the development of its plans to comply with the order. Costs associated with the order are capitalized as the improvements will improve the life and increase the operating effectiveness of the sewer system.

Litigation and Investigation

In the normal course of operations, the Authority is involved in various disputes and grievances. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the Authority's financial position.

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks or loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority utilizes commercial insurance policies for selected exposures.

NOTE 10 OPERATING LEASES AS LESSEE

The Authority leases equipment from various vendors under specific terms and conditions. The following is a schedule of future minimum lease payments required under non-cancellable operating leases for the years ending December 31: The Future minimum lease payments required under non-cancellable operating leases for the year ending December 31, 2021 is \$229.

NOTE 11 OPERATING LEASES AS LESSOR

The Authority leases both building and parking spaces to tenants under annual, month-to-month, and multiple year operating leases. Rent owed over next five years for multiple year leases is as follows:

2021	\$355,304
2022	352,426
2023	287,588
2024	110,672
2025	28,547

The cost of property held for leasing was \$2,052,672 while accumulated depreciation totaled \$540,668 as of December 31, 2020.

NOTE 12 SUBSEQUENT EVENTS

Subsequent events were considered through July 6, 2021, the date the financial statements were available to be issued.

In January 2021, the Authority received funding in the amount of \$1.4 million from the Redevelopment Assistance Capital Program for the Telehealth Suites project in the Cambria Rowe Building.

In February 2021, the Authority received a \$200,000 grant from DCED for demolition projects.

In February 2021, the Authority sold the 124 Iron Street property to Hydraulics of Johnstown, PA for \$15,000.

In March of 2021, the Authority entered into two new lease agreements at 414-418 Main Street property. The Authority also entered into a new lease with Telehealth Suite, LLC for the Cambria Rowe Building.

The Authority renewed a \$20,000 irrevocable letter of credit that expired May 17, 2021 until May 17, 2022.

In May 2021, the Authority received \$354,188 of Community Development Block Grant Program funding as a subrecipient from the County of Cambria to assist in the countywide Sewer Lateral Replacement Program.

In June 2021, the Authority sold the 108 Iron Street property to Hanging Gardens LLC in the amount of \$1,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

The Redevelopment Authority of the City of Johnstown
Pension Plan
Schedule of Changes in the Authority's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 16,821	\$ 12,382	\$ 7,808	\$ -	\$ -
Interest	14,195	7,071	9,705	-	-
Change in benefit terms	3,108	-	-	-	-
Differences between expected and actual experience	16,415	-	(1)	-	-
Change in assumptions	-	-	-	-	-
Transfers	-	-	261,804	-	-
Benefit payments, including refunds of member contributions	(23,196)	(23,196)	-	-	-
Net change in pension liability	27,343	(3,743)	279,316	-	-
Total pension liability/(asset) - beginning	275,573	279,316	-	-	-
Total pension liability/(asset) - ending (A)	<u>\$ 302,916</u>	<u>\$ 275,573</u>	<u>\$ 279,316</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position					
Contributions - employer	\$ 16,826	\$ 12,382	\$ 7,808	\$ -	\$ -
Contributions - PMRS assessment	80	80	40	-	-
Contributions - employee	-	-	-	-	-
Net investment income	6,014	24,752	(3,754)	-	-
Transfers	-	-	261,804	-	-
Benefit payments, including refunds of member contributions	(23,196)	(23,196)	-	-	-
Administrative expenses	(675)	(363)	(477)	-	-
Net change in plan fiduciary net position	(951)	13,655	265,421	-	-
Plan fiduciary net position - beginning	279,076	265,421	-	-	-
Plan fiduciary net position - ending (B)	<u>\$ 278,125</u>	<u>\$ 279,076</u>	<u>\$ 265,421</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's net pension liability/(asset) - ending (A-B)	<u>\$ 24,791</u>	<u>\$ (3,503)</u>	<u>\$ 13,895</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>91.82%</u>	<u>101.27%</u>	<u>95.03%</u>	<u>N/A</u>	<u>N/A</u>
Covered employee payroll	<u>\$ 186,904</u>	<u>\$ 107,000</u>	<u>\$ 86,754</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's net pension liability as a percentage of covered employee payroll	<u>13.26%</u>	<u>-3.27%</u>	<u>16.02%</u>	<u>N/A</u>	<u>N/A</u>

*The years presented in this schedule are all of the years in which information is available.

The Redevelopment Authority of the City of Johnstown
Pension Plan
Schedule of Contributions
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 16,901	\$ 12,422	\$ 7,808	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>16,906</u>	<u>12,462</u>	<u>7,848</u>	<u>-</u>	<u>-</u>
Contribution deficiency/(excess)	<u>\$ (5)</u>	<u>\$ (40)</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 186,904</u>	<u>\$ 107,000</u>	<u>\$ 86,754</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's contributions as a percentage of covered employee payroll	<u>9.05%</u>	<u>11.65%</u>	<u>9.05%</u>	<u>N/A</u>	<u>N/A</u>

Notes to Schedule:

Valuation Date: 1/1/2019 1/1/2018 1/1/2017

Methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Remaining amortization period	Based upon Act 205 amortization periods
Asset valuation method	Based upon municipal reserves
Inflation	3.0%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	5.25%
Retirement age	See accompanying footnotes to the financial statements
Mortality	See accompanying footnotes to the financial statements

Other:

*The years presented in this schedule are all of the years in which information is available.

See Independent Auditor's Report

The Redevelopment Authority of the City of Johnstown
Pension Plan
Schedule of Investment Return
Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	<u>-4.57%</u>	<u>17.84%</u>	<u>8.23%</u>	<u>N/A</u>	<u>N/A</u>

Note: The years presented in this schedule are all of the years in which information is available.

JOHNSTOWN REDEVELOPMENT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Grantor Program Title	Federal CFDA Number	Direct/ Indirect D / I	Pass Through Grantor's Number	Grant Period Beginning/ Ending Dates	Total Received For the Year	Accrued or (Deferred) Revenue at 12/31/2019	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 12/31/2020	Expenditures to Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY Passed through Pennsylvania Infrastructure Investment Authority										
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	P33003895-102	2020	\$ 2,377,149	\$ -	\$ 1,257,501	\$ 1,257,501	\$ (1,119,648)	\$ -
Total Passed through Pennsylvania Infrastructure Investment Authority					\$ 2,377,149	\$ -	\$ 1,257,501	\$ 1,257,501	\$ (1,119,648)	\$ -
U.S. DEPARTMENT OF DEFENSE Pass through U.S. Army Corps of Engineers										
South Central Pennsylvania Environmental Infrastructure (Section 313)	12.999	I		2020	\$ 1,820,632	\$ -	\$ 1,820,632	\$ 1,820,632	\$ -	\$ -
Total Passed through U.S. Army Corps of Engineers					\$ 1,820,632	\$ -	\$ 1,820,632	\$ 1,820,632	\$ -	\$ -
					\$ 4,197,781	\$ -	\$ 3,078,133	\$ 3,078,133	\$ (1,119,648)	\$ -
					Total Federal Awards					

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards

N/A = Information not available
 D = Direct Federal Funding
 I = Indirect Federal Funding

**REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Redevelopment Authority of the City of Johnstown under programs of the federal government for the year ended December 31, 2020. The information in this 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 the operations of the Redevelopment Authority of the City of Johnstown, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Redevelopment Authority of the City of Johnstown.

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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Redevelopment Authority of the City of Johnstown has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

The Redevelopment Authority of the City of Johnstown did not provide federal awards to subrecipients during the year ended December 31, 2020.

NOTE 4 MAJOR PROGRAM DETERMINATION

The major federal award programs selected for testing as determined by the auditor on a risk-based approach are as follows:

<u>Programs</u>	<u>CFDA #</u>	<u>Expenditures</u>
South Central Pennsylvania Environmental Infrastructure (Section 313)	12.999	\$ 1,820,632
Capitalization Grant for Clean Water State Revolving Funds	66.458	\$ <u>1,257,501</u>
Total federal awards selected for testing		\$ <u><u>3,078,133</u></u>
Total federal program awards		\$ 3,078,133
Percent of total federal expenditures tested		100.0%
Percent of total federal expenditures required to be tested		20.0%

INDEPENDENT AUDITOR'S 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
The Redevelopment Authority of the City of Johnstown
Johnstown, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Redevelopment Authority of the City of Johnstown, Pennsylvania, (Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 6, 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 opinions 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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002.

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WESSEL & COMPANY
Certified Public Accountants

July 6, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors
The Redevelopment Authority of the City of Johnstown
Johnstown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Redevelopment Authority of the City of Johnstown, Pennsylvania's (Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 on the Authority's compliance.

Basis for Qualified Opinion on Capitalization Grant for Clean Water State Revolving Funds (CFDA #66.458)

As described in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding CFDA #66.458 Capitalization Grant for Clean Water State Revolving Funds as described in finding number 2020-002 for Unallowable Costs. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to the program.

Qualified Opinion on Capitalization Grant for Clean Water State Revolving Funds (CFDA #66.458)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 #66.458 Capitalization Grant for Clean Water State Revolving Funds for the year ended December 31, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

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 each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of The Redevelopment Authority of the City of Johnstown 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 Redevelopment Authority of the City of Johnstown'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 Redevelopment Authority of the City of Johnstown's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 to be a material weakness.

The Authority's responses to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the Authority's basic financial statements which include the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon dated July 6, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic 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 basic financial statements as a whole.

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.



WESSEL & COMPANY
Certified Public Accountants

July 6, 2021

**REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified for South Central Pennsylvania Environmental Infrastructure (Section 313)

Qualified for Capitalization Grant for Clean Water State Revolving Funds

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grant for Clean Water State Revolving Funds

12.999

South Central Pennsylvania Environmental Infrastructure (Section 313)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

**REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL – MATERIAL WEAKNESS

FINDING 2020-001: Grant Management

Criteria: Grant management covers the processes related to the entire grant lifecycle. A grantee must exercise effective grants management strategies for a variety of reasons including loss of funding if the grantee is not effectively managing the grant. Grantees need to fully understand the relationship that they are entering into when they sign the award agreement.

Condition: During our audit procedures, we noted the Authority did not have adequate processes in place regarding grant management procedures.

Cause: The Authority's internal controls did not prevent the inadvertent duplication of expenses submitted for reimbursement.

Effect: Potential for questioned costs and non-compliance findings with federal regulations.

Questioned Cost: None noted

Recommendation: We recommend the Authority develop a grant management strategy to ensure compliance with grant agreements.

FINDINGS – MAJOR FEDERAL AWARDS PROGRAM

NON COMPLIANCE – MATERIAL WEAKNESS

FINDING 2020-002: Unallowable Costs

US Environmental Protection Agency (EPA)

CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds

Pennsylvania Infrastructure Investment Authority (PENNVEST)

Criteria: The same expenses cannot be claimed for as eligible expenses across multiple federal programs.

Condition: Our auditing procedures identified construction expenses were inadvertently submitted for reimbursement on two (2) federal programs, the Capitalization Grants for Clean Water State Revolving Funds Program and the South Central Pennsylvania Environmental Infrastructure (Section 313) Program.

Cause: The Authority’s internal controls did not prevent the inadvertent duplication of expenses submitted for reimbursement.

Effect: The Authority was reimbursed for the same expenses under two (2) federal programs, the Capitalization Grants for Clean Water State Revolving Funds program and the South Central Pennsylvania Environmental Infrastructure (Section 313) program.

Questioned Cost: \$1,251,516

Recommendation: We recommend the Authority initiate a process to submit and apply future eligible costs against the excess funds drawn on the Capitalization Grants for Clean Water State Revolving Funds program. We also recommend that the Authority thoroughly review invoices, prepared for submission by the Authority’s Engineering Firm, for PENNVEST Loan draws and grant reimbursement requests, prior to final submission.

**REDEVELOPMENT AUTHORITY OF THE CITY OF JOHNSTOWN, PENNSYLVANIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020**

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

FINDINGS – MAJOR FEDERAL AWARDS PROGRAM

NONE



Johnstown Redevelopment Authority

MSGR. RAYMOND BALTA
Chairman
MARK PASQUERILLA
Vice Chairman

416 Main Street
Suite 200
Johnstown, PA 15901

814-535-6564
Fax: 814-535-6567

CORRECTIVE ACTION PLAN

MELISSA KOMAR
Executive Director

CHERYL A. LABOSKY
Finance Director

MICHAEL GRANDINETTI
Maint. & Operations Mgr.

MICHELLE M. CHECHE
Office Administrator

The Redevelopment Authority of the City of Johnstown, Pennsylvania, ("the Authority") respectfully submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm:
Wessel & Company, 215 Main Street, Johnstown, PA 15901

Audit period: Year Ending December 31, 2020

The findings from the December 31, 2020, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING – FINANCIAL STATEMENT AUDIT

2020-001 – Grant Management

Recommendation: We recommend the Authority develop a grant management strategy to ensure compliance with grant agreements.

Action Taken or Planned: The Authority concurs with the finding. The Authority is in the process of developing adequate internal controls around their grant management procedures.

Contact Person: Melissa Komar
Dates for Completion: December 31, 2021

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

FINDING 2020-002 – Unallowable Costs

US Environmental Protection Agency (EPA)
CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds

Pennsylvania Infrastructure Investment Authority

Recommendation: We recommend the Authority initiate a process to submit and apply future eligible costs against the excess funds drawn on the Capitalization Grants for Clean Water State Revolving Funds program. We also recommend that the Authority thoroughly review invoices, prepared for submission by the Authority's Engineering Firm, for PENNVEST Loan draws and grant reimbursement requests, prior to final submission.

Action Taken or Planned: The Authority concurs with the finding and has taken the necessary initial steps to resolve this finding and is in the process of submitting eligible costs towards the excess funds drawn on the Capitalization Grants for Clean Water State Revolving Funds program.

Contact Person: Melissa Komar
Date for Completion: December 31, 2021

If the US Environmental Protection Agency (EPA) has questions regarding this plan, please call:

Melissa Komar
Executive Director
416 Main Street Suite 200
Johnstown PA, 15901
814-535-6564

Respectfully,

The Redevelopment Authority of the City of Johnstown



Melissa Komar
Executive Director