

**REDEVELOPMENT AUTHORITY
OF THE CITY OF WARREN
FINANCIAL STATEMENTS
Year Ended December 31, 2023**

**REDEVELOPMENT AUTHORITY
OF THE CITY OF WARREN**

**Table of Contents
December 31, 2023**

| | <u>Page</u> |
|-------------------------------|-------------|
| Independent Auditors' Report | 3-5 |
| Basic Financial Statements | |
| Statement of Net Position | 6 |
| Statement of Activities | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9-12 |



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

Members of the Redevelopment Authority
of the City of Warren
Warren, Pennsylvania

Opinion

We have audited the financial statements of the Redevelopment Authority of the City of Warren, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Authority of the City of Warren, Pennsylvania, as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Redevelopment Authority of the City of Warren and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

Independent Auditors' Report
(Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Redevelopment Authority of the City of Warren's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditors' Report
(Continued)

Other Matter

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

Felix and Gloekler, P.C.

Felix & Gloekler, P.C

September 1, 2024
Erie, Pennsylvania

REDEVELOPMENT AUTHORITY OF THE CITY OF WARREN
Statement of Net Position
December 31, 2023

| | <u>Business- Type Activities</u> |
|-------------------------------------------|------------------------------------------|
| Assets | |
| Current Assets | |
| Cash - NWSB operating fund | <u>\$ 51,253</u> |
| Total Current Assets | <u>51,253</u> |
| Non-Current Assets | |
| Assets held-for-sale | <u>55,811</u> |
| Total Non-Current Assets | <u>55,811</u> |
| Total Assets | <u><u>\$ 107,064</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | <u>5,043</u> |
| Total Current Liabilities | <u>5,043</u> |
| Total Liabilities | <u>5,043</u> |
| Net Position | |
| Unrestricted | <u>102,021</u> |
| Total Liabilities and Net Position | <u><u>\$ 107,064</u></u> |

See accompanying notes to the financial statements

REDEVELOPMENT AUTHORITY OF THE CITY OF WARREN
Statement of Activities
December 31, 2023

| | <u>Business- Type Activities</u> |
|--------------------------------------------------------|------------------------------------------|
| Operating Revenues | |
| Contributions | \$ 7,500 |
| Total Operating Revenue | <u>7,500</u> |
| Operating Expenditures | |
| Insurance | 3,629 |
| Legal and professional services | 6,641 |
| Property Maintenance | 5,702 |
| Miscellaneous | 15 |
| Property Taxes | <u>3,195</u> |
| Total Operating Expenditures | <u>19,182</u> |
| Operating Income (Loss) | <u>(11,682)</u> |
| Non-Operating Income/(Expenses) | |
| Interest income | 31 |
| Property contributions | 32,976 |
| Gain (Loss) on sale/disposal of assets held for resale | <u>(3,883)</u> |
| Total Non-Operating Income (Loss) | <u>29,124</u> |
| Change in Net Position | 17,442 |
| Net Position, Beginning of Year | <u>84,578</u> |
| Net Position, End of Year | <u><u>\$ 102,021</u></u> |

See accompanying notes to the financial statements

REDEVELOPMENT AUTHORITY OF THE CITY OF WARREN
Statement of Cash Flows
For the Year Ended December 31, 2023

| | |
|----------------------------------------------------------------------------------------------------|--------------------|
| Cash Flows From Operating Activities | |
| Cash received from contributions | \$ 7,500 |
| Cash payments to other suppliers for goods and services | <u>(19,471)</u> |
| Net Cash Used In Operating Activities | <u>(11,971)</u> |
| | |
| Cash Flows From Investing Activities | |
| Proceeds from assets held-for-sale | 1,000 |
| Interest earned | <u>31</u> |
| Net Cash Used In Investing Activities | <u>1,031</u> |
| | |
| Net Change In Cash and Cash Equivalents | (10,940) |
| | |
| Cash and Cash Equivalents, Beginning | <u>62,193</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 51,253</u> |
| | |
| Adjustments to reconcile net operating income (loss) to net cash provided by operating activities: | |
| Net operating profit | <u>(11,682)</u> |
| Changes in assets and liabilities: | |
| Increase (decrease) in accounts payable | <u>(289)</u> |
| Net Cash Used In Operating Activities | <u>\$ (11,971)</u> |
| | |
| Supplemental Disclosure of Non-Cash Information | |
| Property Contributions | <u>\$ 32,976</u> |

See accompanying notes to the financial statements

REDEVELOPMENT AUTHORITY OF THE CITY OF WARREN
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Redevelopment Authority of the City of Warren have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Redevelopment Authority of the City of Warren was incorporated in May of 2000, operating as an independent entity from the City of Warren. The Redevelopment Authority operates under a Board of Authority Members form of business and provides the following services as authorized by the City: The Authority is charged with the acquisition and sound replanning and redevelopment of properties which have been designated as blighted.

These financial statements only include the activities of the Redevelopment Authority. The operations of the City of Warren are addressed in a separate report, which may be obtained at the City of Warren's office, 318 West 3rd Avenue, Warren, PA 16365.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The business-type activity financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

C. Budgets and Budgetary Basis of Accounting

The Authority does not prepare legally appropriated budgets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Position

1. Cash, Cash Equivalents, and Investments

The Authority's cash as used in the statement of cash flows is considered to be cash on hand, demand deposits, and interest from Northwest Savings Bank.

2. Capital Assets

The Redevelopment Authority acquires and redevelops properties designated as blighted, as such all properties acquired are reported as capital assets on the balance sheet as Assets Held-for-Sale.

3. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

4. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are contributions from the City of Warren and miscellaneous revenues supporting the activity's purpose. Operating expenses are necessary costs that have been incurred in order to provide services that are the primary activity of the fund. Nonoperating revenues consist of interest income and property contributions/sales or disposals.

NOTE 2 – CASH AND CASH EQUIVALENTS

Deposits

As of December 31 2023, the Authority’s deposits were as follows:

| | <u>Bank Balance</u> | <u>Book Balance</u> |
|---------------------------|---------------------|---------------------|
| Unrestricted Cash: | | |
| Cash and Cash Equivalents | <u>\$ 51,253</u> | <u>\$ 51,253</u> |

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2023, the Authority’s entire bank balance was insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – ASSETS HELD FOR SALE

The Authority purchases blighted properties using contributions from the City of Warren. These properties are typically purchased with the intent of being resold in the near term. Many of these properties will undergo some amount of rehabilitation work prior to resale. Costs associated with the purchases of these properties are capitalized, not depreciated, and are reported at appraised or assessed value and not at cost.

Assets Held-for-Sale balance for the year ended December 31, 2023 was as follows:

| <u>Assets Held for Sale</u> | <u>Appraised or Assessed Value</u> |
|------------------------------|----------------------------------------|
| 702 West 5th Avenue | \$ 2,000 |
| 908 Pennsylvania Avenue East | 7,138 |
| 910 Pennsylvania Avenue East | 3,000 |
| 714 1/2 West 5th Street | 930 |
| 708 West 5th Avenue | 14,650 |
| 710 W 5th Ave | 7,092 |
| 325 Prospect Street | 21,001 |
| | <u>\$ 55,811</u> |

NOTE 4 – RELATED PARTY TRANSACTIONS

The following related party transactions were for services performed within the nature of the Organization.

The City of Warren paid the Redevelopment Authority of the City of Warren \$7,500 as part of their annual agreed contribution amount. The City of Warren also contributed three properties valued at \$32,976 during the year ended December 31, 2023.

Demo costs, legal fees, maintenance, and insurance premium expenses are provided by the City of Warren. Amounts paid for these expenses totaled \$10,972 for the year ended December 31, 2023.