Bethlehem Revitalization and Improvement Authority

Financial Statements

December 31, 2015

BAKER TILLY

Candor. Insight. Results.

Bethlehem Revitalization and Improvement Authority

Table of Contents
December 31, 2015

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Net Position - Modified Cash Basis	3
Statement of Revenues, Expenditures and Change in Net Position - Modified Cash Basis	4
Notes to Financial Statements	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*	7

BAKER TILLY

Baker Tilly Virchow Krause, LLP
220 Regent Ct, Ste C
State College, PA 16801-7969
tel 814 237 6586
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

Board of Directors
Bethlehem Revitalization and Improvement Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Bethlehem Revitalization and Improvement Authority (the "Authority"), which comprise the statement of net position - modified cash basis, as of December 31, 2015 and the related statements of revenues, expenditures and change in net position - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis as of December 31, 2015, and the respective changes in its net position - modified cash basis for the year then ended on the basis of accounting described in Note 1.

Other Matters

Basis of Accounting

We draw attention to the basis of accounting described under Management's Responsibility for the Financial Statements. The financial statements are prepared by the Authority, on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
May 11, 2016

Bethlehem Revitalization and Improvement Authority

Statement of Net Position - Modified Cash Basis
December 31, 2015

	Assets	
Current Assets		
Cash	$	11,370
	Liabilities and Net Position	
Net Position		
Unrestricted	$	11,370

See notes to financial statements

Bethlehem Revitalization and Improvement Authority

Statement of Revenues, Expenditures and Change in Net Position - Modified Cash Basis
Year Ended December 31, 2015

Revenues		
User charges	$	23,500
Government grants		20,103
Interest income		1
Total revenues		43,604
Expenditures		
Other costs		47,219
Deficit of revenues over expenditures		(3,615)
Net Position, Beginning		14,985
Net Position, Ending	$	11,370

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Bethlehem Revitalization and Improvement Authority ("BRIA") was established on November 6, 2013 by the City of Bethlehem of Lehigh and Northampton Counties, Pennsylvania. It is established as a Municipal Authority under the Pennsylvania Municipal Authorities Act. The Authority is governed by a 5 member appointed Board of Directors and was established to oversee and direct the activities of Bethlehem's City Revitalization and Improvement Zone ("CRIZ").

Reporting Entity

The reporting entity has been defined in accordance with Government Accounting Standards Board ("GASB") Statement 14, as amended by GASB Statements 39 and 61. The Authority's financial statements include the operations of all organizations for which the Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on the oversight criteria, the Authority has not been included or excluded as a component unit of any other entity.

Basis of Accounting, Measurement Focus

The accounting and reporting policies of the Authority relating to its proprietary fund type included in the accompanying basic financial statements conform to the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP") as applicable to local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"). The Authority applies the standards prescribed by the GASB with the constraints of the modified cash basis of accounting.

Accordingly, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable, amounts due to vendors and suppliers, accrued expenses and debt are not included in the financial statements.

Recent Accounting Standards

There were no recent accounting standards that had any impact on the Authority's financial statements at December 31, 2015.

2. Cash

Under the Municipality Authorities Act of 1945, the Authority can invest in U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations or their agencies or instruments and insured or collateralized time deposits and certificates of deposits.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2015, all of its deposits were covered by federal depository insurance.

3. Tax Revenue

The Authority receives revenue through State and local taxes. Currently, there are seven eligible State taxes and two out of four eligible local taxes are used to calculate revenue. No tax revenue was received in 2015.

4. Pending Change in Accounting Principles

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The primary objective of this statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles ("GAAP"). This statement reduces the GAAP hierarchy to two categories of authoritative literature and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Authority is required to adopt Statement No. 76 for its fiscal 2016 financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. The Authority is required to adopt Statement No. 80 for its fiscal 2017 financial statements.

Authority's management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

BAKER TILLY

Baker Tilly Virchow Krause, LLP
220 Regent Ct, Ste C
State College, PA 16801-7969
tel 814 237 6586
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Supervisors
Bethlehem Revitalization and Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bethlehem Revitalization and Improvement Authority (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 11, 2016. Our report communicated that the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was not modified with respect to this matter.

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

Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
May 11, 2016