REDEVELOPMENT AUTHORITY OF THE CITY OF YORK
(A Component Unit of the City of York, Pennsylvania)

ANNUAL FINANCIAL REPORT

Years Ended December 31, 2017 and 2016

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REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

YEARS ENDED DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

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Independent Auditors' Report

To the Members of the Board
Redevelopment Authority of the City of York
York, Pennsylvania

We have audited the accompanying financial statements of the Redevelopment Authority of the City of York (a component unit of the City of York, Pennsylvania), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Redevelopment Authority of the City of York'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

To the Members of the Board
Redevelopment Authority of the City of York
York, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Authority of the City of York as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

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.

Maillie LLP

Oaks, Pennsylvania
June 25, 2019

REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 862,697	$ 730,119
Cash and cash equivalents - restricted	72,304	167,248
Property sale receivable	-	75,000
Loans receivable	1,000,000	1,000,000
Capital assets, net of accumulated depreciation of $2,115,791 for 2017 and $1,974,042 for 2016	1,441,235	1,551,023
Total Assets	3,376,236	3,523,390
Liabilities		
Accounts payable and accrued expenses	4,214	43,211
Litigation payable	1,500,000	1,250,000
Due to primary government	2,000	2,000
Due to other governments	106,973	106,973
Unearned revenue	58,478	63,660
Current portion of loan payable	299,226	444,710
Current portion of bonds payable	165,000	155,000
Environmental remediation liability	1,744,000	-
Note payable	1,000,000	1,000,000
Bonds payable	1,995,000	2,160,000
Total Liabilities	6,874,891	5,225,554
Net Position		
Net investment in capital assets	(718,765)	(763,977)
Restricted:		
Debt service	72,304	167,248
Revolving loans	1,000,000	1,000,000
Unrestricted	(3,852,194)	(2,105,435)
Total Net Position	$ (3,498,655)	$ (1,702,164)

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating Revenues:		
Service revenue	$ 343,471	$ 737,806
Charges for service	165,756	194,209
Grants and contributions	295,218	715,389
Total operating revenues	804,445	1,647,404
Operating Expenses:		
Community development and planning	2,422,624	641,482
Depreciation	141,749	141,003
Total operating expenses	2,564,373	782,485
Operating Income (Loss)	(1,759,928)	864,919
Non-Operating Revenues (Expenses):		
Interest income	42,886	26,172
Interest expense	(79,449)	(75,912)
Total non-operating revenues (expenses)	(36,563)	(49,740)
Change in Net Position	(1,796,491)	815,179
Net Position:		
Beginning of year	(1,702,164)	(2,517,343)
End of year	$ (3,498,655)	$ (1,702,164)

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF YORK

(A Component Unit of the City of York, Pennsylvania)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Cash received from customers and grantor agencies	$ 874,263	$ 1,594,064
Cash paid for community development and planning	(467,621)	(690,009)
Net cash provided by operating activities	406,642	904,055
Cash Flows From Investing Activities:		
Interest received	42,886	36,172
Net cash provided by investing activities	42,886	36,172
Cash Flows From Capital and Related Financing Activities:		
Principal paid on bonds payable	(155,000)	(145,000)
Principal paid on loan payable	(145,484)	(697,716)
Interest paid	(79,449)	(81,451)
Purchase of capital assets	(31,961)	-
Net cash used in capital and related financing activities	(411,894)	(924,167)
Net Increase in Cash and Cash Equivalents	37,634	16,060
Cash and Cash Equivalents:		
Beginning of year	897,367	881,307
End of year	$ 935,001	$ 897,367
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ (1,759,928)	$ 864,919
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	141,749	141,003
Change in assets and liabilities:		
Property sale receivable	75,000	(75,000)
Accounts payable	(38,997)	(48,527)
Litigation payable	250,000	-
Environmental remediation liability	1,744,000	-
Unearned revenue	(5,182)	21,660
Total adjustments	2,166,570	39,136
Net cash provided by operating activities	$ 406,642	$ 904,055

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies

Purpose

The Redevelopment Authority of the City of York (Authority) was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law – 991, as amended). A five-member board administers the Authority, all of who are appointed by the City of York (City) Mayor. The Authority strategically acquires underutilized, blighted, and vacant parcels throughout the City for the purpose of promoting residential, commercial, and industrial redevelopment projects in the municipality. The Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. In 2017, the Authority purchased and, subsequently, began operating York's Market and Penn Farmer's Market.

Reporting Entity

The Authority is a component unit of the City reporting entity. Criteria considered in making this determination include appointment of the Authority's Board, financial interdependence, and the Authority's potential to provide specific financial benefits to, or impose specific financial burdens on, the City.

Basis of Accounting and Presentation

The accounting records of the Authority are maintained on the accrual basis and its operations are accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Authority is operating grants and contributions and parking fee income. Operating expenses include the costs associated with community development and planning. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets," "restricted," and "unrestricted" components.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable trust indentures or other agreements. In addition, amounts required as collateral in bank accounts are also included in restricted assets.

Allowance on Due from Other Governments

The Authority had estimated the allowance for uncollectible amounts based upon previously known facts and circumstances.

Capital Assets

Capital assets are carried at cost. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Depreciation has been provided using the straight-line method over the expected economic useful lives of the assets (25 years). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 or in the aggregate, and an estimated useful life in excess of two years.

Because the mission of the Authority is to acquire blighted residential, commercial, and former industrial properties for the City to land bank, rehabilitate, or strategically purchase for future redevelopment projects ranging from for sale low- to moderate-income home buyers or market rate mixed use development projects, which it does at little or no profit, such purchases are expensed at the time of acquisition.

Nonrecourse Debt Issues

The Authority participates in several bond issues for which it has no liability. Acting solely in an agent capacity, the Authority serves as a tax-exempt financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's statements of net position. The amount of nonrecourse debt issues is unavailable at December 31, 2017 and 2016.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. The restricted classification presents net position with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted consists of all other net position not included in the above categories.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The 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 amounts and disclosures. Actual results could differ from those estimates.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Pending Governmental Accounting Standards Board (GASB) Statements

In May of 2017, the GASB issued Statement No. 86, *"Certain Debt Extinguishment Issues."* This Statement improves consistency in accounting and financial reporting for certain debt extinguishments. The provisions of GASB Statement No. 86 are effective for the Authority's December 31, 2018 financial statements.

In June of 2017, the GASB issued Statement No. 87, *"Leases."* This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the Authority's December 31, 2020 financial statements.

In May of 2017, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*." This Statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of GASB Statement No. 88 are effective for the Authority's December 31, 2019 financial statements.

In June of 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred Before the End of a Construction Period."* This Statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The provisions of GASB Statement No. 89 are effective for the Authority's December 31, 2020 financial statements.

The effect of implementation of these Statements has not yet been determined.

2. Deposits and Investments

The deposit and investment policy of the Authority adheres to state statutes, prudent business practices, and the applicable trust indentures. The Authority deposits cash in local financial institutions.

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Authority's deposit balance was as follows:

Cash and cash equivalents per financial statements:		
Unrestricted	$	862,697
Restricted		72,304
		935,001
Less money market funds		(72,304)
Total deposits	$	862,697

As of December 31, 2017, the Authority's book balance was $862,697 and the bank balance was $903,302. A total of $497,251 of the bank balance was covered by federal depository insurance at December 31, 2017, and the remaining $406,051 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining balance of $72,304 was invested in money market funds as of December 31, 2017 and is presented as restricted cash and cash equivalents on the statement of net position. The money market funds are described in further detail below.

Investments

The Authority's investment in money market funds, totaling $72,304, is considered Level 1 based on quoted market prices at December 31, 2017.

Custodial credit risk – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Authority does not have an investment policy for custodial credit risk. The Authority's investments are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

Concentration of credit risk – The Authority places no limit on the amount the Authority may invest in any one issuer.

Credit risk – The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2017, the money market funds were rated AAAm by Standard & Poor's.

Interest rate risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2017, the Authority's money market funds had a weighted average maturity of less than one year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	$ 3,525,065	$ 31,961	$ -	$ 3,557,026
Less accumulated depreciation	(1,974,042)	(141,749)	-	(2,115,791)
Capital assets, net	$ 1,551,023	$ (109,788)	$ -	$ 1,441,235

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	$ 3,525,065	$ -	$ -	$ 3,525,065
Less accumulated depreciation	(1,833,039)	(141,003)	-	(1,974,042)
Capital assets, net	$ 1,692,026	$ (141,003)	$ -	$ 1,551,023

4. Loans Receivable

Loans receivable in the amount of $1,000,000 at December 31, 2017 and 2016 are composed of:

	2017	2016
The following loans were made utilizing funds received from the Commonwealth of Pennslvania Department of Community and Economic Development (DCED) for Housing and Redevelopment and Assistance program (HRA):		
HRA 2009 loan bearing interest at 5% per annum with interest only paid annually until maturity date in 2018, at which time the entire $500,000 is due	$ 500,000	$ 500,000
HRA 2010 loan bearing interest at rates varying from 1% to 3% per annum with interest only paid annually until maturity date in 2020, at which time the entire $500,000 is due	500,000	500,000
Total loans receivable	$ 1,000,000	$ 1,000,000

5. Due From Other Governments

Redevelopment Assistance Capital Program Renovation – Northwest Triangle Project

The Northwest Triangle (Triangle) project is an urban revitalization project that covers more than 45 acres. The Triangle encompasses an underutilized, largely heavy industrial zoning district within a rail corridor. The goal of the project is to acquire, assemble, remediate, and make 'shovel ready' land within the redevelopment area. Once this separate and distinct project is complete, the City's hope is that it will be revitalized into a mixed-use neighborhood development that will include residential, recreation, and commercial office space components.

The Authority has entered into a Redevelopment Assistance Capital Program (RACP) grant agreement with the Commonwealth of Pennsylvania to provide assistance for the acquisition of land and related infrastructure improvements that are required to get the land ready for future reuse. The discrete horizontal portion of the project has an approximate estimated cost of $14,650,000, of which $7,000,000 is earmarked as RACP assistance and the remaining portion is to be provided from a local match.

At December 31, 2016, an allowance in the amount of $100,000 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania. Reimbursements under the grant are based upon the satisfaction of various special conditions of the grant and the Commonwealth of Pennsylvania's approval of the reimbursement requests. During the year ended December 31, 2017, a closeout audit was completed by the Commonwealth of Pennsylvania and the remaining amount was paid to the Authority. As a result, the $100,000 was recorded as grants and contributions revenue on the statement of revenues, expenses, and changes in net position during the year ended December 31, 2017.

6. Debt

Redevelopment Authority Series of 2002 Revenue Bonds

In January 2002, the Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds (2002 Revenue Bonds) in the amount of $3,725,000. The 2002 Revenue Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

The 2002 Revenue Bonds are not general obligations of the Authority and do not pledge the taxing power of the City of York. The principal and interest on these 2002 Revenue Bonds is payable only from certain receipts including net parking rentals, rates, and other charges collected by the Authority for the use of the parking facility.

The Authority entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. managed and operated the parking facilities on behalf of the Authority. Under the agreement, the Manager, on behalf of the Authority, collected all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager deposited receipts in a segregated account to be used to pay costs, fees, and expenses incurred by the Manager in the performance of its duties under the management agreement. In addition, the Manager, on behalf of the Authority, paid amounts due to the trustee. Effective February 2009, Creekside Investors, L.P submitted a Parking Assignment Agreement to the Authority since Creekside Investors, L.P. dissolved. The assignment is to Susquehanna Commerce Center Condominium Association, Inc. The management agreement term was to end January 1, 2016. In November 2015, the Authority's Board approved an extension of the agreement through October 1, 2027.

The Bonds initially bear interest at a variable rate, determined by the Remarketing Agent (Agent). The rate is based on a minimum rate that, in the judgment of the Agent, taking into account prevailing market conditions, would enable the Agent to sell all of the Bonds on the adjustment date at a price equal to the principal plus accrued interest. The Issuer may from time to time, with written consent of the Credit Facility Provider, change the interest rate on the Bonds from a variable to a fixed rate over one or more consecutive fixed rate periods.

The Authority bonds payable at December 31, 2017 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	$ 3,725,000	Thru 2027	Variable (1.86% at 12-31-17)	$ 2,160,000

Bonds payable activity for the year ended December 31, 2017 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	$ 2,315,000	$ -	$ (155,000)	$ 2,160,000	$ 165,000

Bonds payable activity for the year ended December 31, 2016 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Bonds payable	$ 2,460,000	$ -	$ (145,000)	$ 2,315,000	$ 155,000

The annual principal and interest requirements for amounts due from the Authority under the 2002 Revenue Bonds using the 1.86% interest rate in effect at December 31, 2017 are as follows:

Year Ending December 31,	Principal	Interest
2018	$ 165,000	$ 39,537
2019	175,000	36,429
2020	185,000	33,135
2021	195,000	29,655
2022	205,000	25,990
2023 - 2027	1,235,000	66,917
	$ 2,160,000	$ 231,663

2012 Promissory Note and Loan Payables

In May 2012, the Authority entered into a promissory note agreement whereby the Authority borrowed $500,000 with interest at 5% per annum, with interest only paid annually until the original maturity date in 2018. Under the 2015 loan modification agreement, principal will be due in 30 equal installments commencing on July 1, 2018 and on each July 1st thereafter until paid in full. During the year ended December 31, 2018, there were no principal payments made on the promissory note. During the year ended December 31, 2019, the Authority is working on another loan modification agreement with the applicable parties. The note payable is secured by a pledge of installment payments of principal and interest for which the Authority is owed under the 2009 HRA loan, as referenced in Note 4. $500,000 remains outstanding as of December 31, 2017 and 2016.

In October 2012, the Authority borrowed $2,450,000 in the form of a non-revolving time loan, for a period of 12 months, with the option to extend for one additional 12-month period, bearing interest at an annual rate of 3.75%, to be repaid with RACP grant funding. The loan proceeds were utilized to pay off the original non-revolving line of credit agreement entered into in November 2006 to finance the Northwest Triangle Project. In November 2013, the non-revolving time loan was extended through October 26, 2014. In December 2014, the non-revolving time loan was extended through January

31, 2015. In March 2015, the non-revolving time loan was extended through January 31, 2016. At the maturity date, the entire unpaid principal balance plus all accrued and outstanding interest was due and payable. The balance of $172,426 was paid in full in January 2016.

2014 Promissory Note Payable

In July 2014, the Authority entered into a promissory note agreement in the amount of $500,000. Interest is due annually at the rate of 2% from 2014 through 2017, with interest increasing to 3% per annum until the note is paid in full on the maturity date of December 31, 2020, at which time the entire $500,000 is due. The note payable is secured by a pledge of installment payments of principal and interest for which the Authority is owed under the 2010 HRA loan, as referenced in Note 4. The amount outstanding on this promissory note payable totaled $500,000 as of December 31, 2017 and 2016.

2015 Short-Term Loan Payable

In September 2015, the Authority's Board approved a short-term loan in the amount of $970,000, for the purpose of funding a settlement, in which the owner of a condemned property, that was obtained by the Authority through eminent domain, challenged the valuation of the property. Loan payments are paid quarterly, interest only, beginning on March 16, 2016, with all unpaid principal and accrued interest to be paid in full on or before November 30, 2016. In December 2016, the loan was extended through May 30, 2017. As part of this modification agreement, the Authority agreed that 100% of net proceeds from the sale of the property located at 1 North George Street will be applied to the outstanding principal balance. In June 2017, the loan was extended through December 31, 2017. In December 2017, the loan was extended through February 28, 2018. In February 2018, the loan was extended through August 28, 2018. In September 2018, the loan was extended through September 28, 2019 and the interest rate floor was increased to 4.00%. At December 31, 2017, the variable interest is based on the prime rate with a floor of 3.25%. $299,226 and $444,710 was outstanding on the loan as of December 31, 2017 and 2016, respectively.

Note and loan payable activity for the year ended December 31, 2017 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Promissory notes	$ 1,000,000	$ -	$ -	$ 1,000,000	$ -
Short-term loan payable	$ 444,710	$ -	$ (145,484)	$ 299,226	$ 299,226

Note and loan payable activity for the year ended December 31, 2016 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Promissory notes	$ 1,000,000	$ -	$ -	$ 1,000,000	$ -
Short-term loan payable	$ 970,000	$ -	$ (525,290)	$ 444,710	$ 444,710
Non-revolving RACP loan	172,426	-	(172,426)	-	-
	$ 1,142,426	$ -	$ (697,716)	$ 444,710	$ 444,710

7. Litigation Payable

During the year ended December 31, 2016, the Authority, as condemnor, was involved in an eminent domain case, where the condemnee challenged the valuation of the property. A jury awarded $1,250,000 in just compensation to the condemnee and this amount was accrued as of December 31, 2016. In October of 2018, a final settlement agreement was reach with the condemnee for $1,500,000 and, as such, an additional $250,000 was accrued during the year ended December 31, 2017, with an aggregate amount outstanding as of December 31, 2017 of $1,500,000. The settlement agreement calls for an initial deposit of $550,000 in October of 2018 and the balance of $950,000 plus interest to be paid in installment payments over a two year period.

Upon settlement in 2018, the Authority concurrently entered into an agreement of sale with a third party. As such, the third party paid $350,000 of the $550,000 due at settlement and entered into an agreement with the Authority to pay the debt service, including interest and principal, on the remaining $950,000. As the sale to the third party did not occur until 2018, the related sale was not recorded in the financial statements as of December 31, 2017.

8. Environmental Remediation Liability

During the year ended December 31, 2017, the Authority was notified that one of its properties required environmental remediation with an estimated cost of $2,329,450. As of the report date, the Authority has secured grant awards to cover $1,744,000 of the total liability. The residual portion of the liability in the amount of $585,450 will be paid by the developer of the property and, as such, no liability is reported for this amount in the Authority's financial statements at December 31, 2017. Grant revenue will be recognized as eligible cost are incurred. As of December 31, 2017, no costs were incurred and, as such, a receivable has not been recorded for the grant funding.

9. Contract Commitment

During the year ended December 31, 2016, the Authority entered into a contract for property demolition in the amount of $148,142. The commitment remaining on the contract at December 31, 2017 was $49,379.

10. Negative Net Position

The Authority had a negative net position as of December 31, 2017 in the amount of $3,498,655. This net deficit in net position is primarily caused by a litigation payable, as indicated in Note 7 in amount of $1,500,000, and an environmental liability as indicated in Note 8 in the amount of $1,744,000. The Authority has sold the property with respect to the litigation payable during the year ended December 31, 2018 and $1,300,000 of this liability will be paid through the proceeds of this sale. In addition, the Authority has secured grant funds with respect to the environmental liability in the amount of $1,744,000, which will be recognized as revenue and relieve that liability as the expenses are incurred. The remaining negative position is attributable to the holding and subsequent transfer of properties to developers in the City as a means to help subsidize projects. There are certain properties in the Authority's possession that have high carrying cost, including but not limited to insurance, utilities, and maintenance. The Authority plans to address the liquidity issues with the disposition of held projects once construction plans have been finalized, thereby reducing, if not eliminating, all carrying costs and resolving its liquidity issue.