

**Addendum #1**

**Contract #2018-05  
Independent Public Account Audit**

**This, and all addenda, must be acknowledged in your firm's proposal package.  
Please print a copy and include it with your proposal package.  
If not acknowledged, your proposal will be removed from consideration.**

**ACKNOWLEDGMENT OF RECEIPT OF ADDENDA**

The undersigned Respondent hereby acknowledges receipt of the following Addenda:

Addendum Number	Dated	Acknowledge Receipt (please initial)
<b>#1 FY2016 Audit</b>	3.19.18	_____

Acknowledged in behalf of:

\_\_\_\_\_

(Name of Respondent)

By: \_\_\_\_\_

(Signature of Authorized Representative)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**HARRISBURG HOUSING AUTHORITY**

**Financial Statements and Supplemental Schedules Together with  
Reports of Independent Public Accountants**

**For the Year Ended December 31, 2016**



**S B & COMPANY, LLC**  
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**DECEMBER 31, 2016**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Commissioners  
Harrisburg Housing Authority  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of the Harrisburg Housing Authority (the Authority), as of December 31, 2016, and the related statement of revenue, expenses and change in net position for the year ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

The Authority'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 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 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.



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2016, and the changes in its financial position and, where applicable, its 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 management's discussion and analysis 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.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule, as required by the Department of Housing and Urban Development, the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Assets, Liabilities and Net Position by Program, the Schedule of Revenue, Expenses and Changes in Net Position by Program and the Statement of Certification of Program Costs – Capital Fund, are presented for purposes of additional analysis and are not a required part of the financial statements.



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The accompanying statements and schedules are the responsibility of management and were derived from and relate 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 information 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 September 26, 2017, 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.

Harrisburg, PA  
September 26, 2017

# **HARRISBURG HOUSING AUTHORITY**

## **Management's Discussion & Analysis December 31, 2016**

### **Overview of the Financial Statements and Financial Analysis**

The Harrisburg Housing Authority's (the Authority) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

### **Financial Highlights**

- The Authority's net position increased by \$1.76 million in 2016. Net position was \$34.6 million and \$32.7 million for the years ending 2016 and 2015, respectively.
- Revenue increased \$3.5 million during 2016, and was \$27.0 million and \$23.5 million for the years ended 2016 and 2015, respectively.
- The total expenses of all Authority programs increased \$1.4 million during 2016. Total expenses were \$25.3 million and \$23.9 million for the years ended 2016 and 2015, respectively.

### **Authority-Wide Financial Statements**

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

#### *Statement of Net Position*

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories.

# **HARRISBURG HOUSING AUTHORITY**

## **Management's Discussion & Analysis December 31, 2016**

### **Authority-Wide Financial Statements (continued)**

#### *Statement of Net Position (continued)*

Net investment in capital assets: This component of net position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that do not meet the definition of "Investment in Capital Assets, Net of Related Debt" or "Restricted Net Position".

### **Statement of Revenue, Expenses, and Change in Net Position**

The Authority-wide financial statements also include a Statement of Revenue, Expenses and Changes in Net Position. This Statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenue, Expenses and Change in Net Position is the change in net position, which is similar to net income or loss.

### **Statement of Cash Flows**

A Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, from capital and related financing activities, and from investing activities.

### **The Authority's Main Programs**

Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program is funded entirely by grants from HUD.



# HARRISBURG HOUSING AUTHORITY

## Management's Discussion & Analysis December 31, 2016

### The Authority's Main Programs (continued)

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a House Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) that sets the participants' rent at 30% of household income.

Other Programs- In addition to the significant programs above, the Board also maintains the following programs:

- Central Office Cost Center
- Section 8 Moderate Rehabilitation-Single Room Occupancy
- Veteran Affairs Supportive Housing
- Resident Opportunity and Self Sufficiency (ROSS)

### Financial Highlights

The following table reflects the Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

	As of December 31,		
	2016	2015	Variance
<b>Assets</b>			
Current, including restricted	\$ 10,375,564	\$ 14,833,213	\$ (4,457,649)
Net capital assets	39,933,319	34,218,745	5,714,574
<b>Total Assets</b>	<b>50,308,883</b>	<b>49,051,958</b>	<b>1,256,925</b>
<b>Liabilities</b>			
Current liabilities	4,365,431	3,618,341	747,090
Non-current liabilities	11,476,249	12,731,407	(1,255,158)
<b>Total Liabilities</b>	<b>15,841,680</b>	<b>16,349,748</b>	<b>(508,068)</b>
<b>Net Position</b>			
Invested in capital assets	27,427,348	20,659,210	6,768,138
Restricted	717,468	3,486,757	(2,769,289)
Unrestricted	6,322,387	8,556,243	(2,233,856)
<b>Total Net Position</b>	<b>\$ 34,467,203</b>	<b>\$ 32,702,210</b>	<b>\$ 1,764,993</b>

# HARRISBURG HOUSING AUTHORITY

## Management's Discussion & Analysis December 31, 2016

### Financial Highlights (continued)

#### *Major Factors Affecting the Statement of Net Position*

During 2016, current, including restricted assets decreased \$3.2 million. Current, including restricted assets decreased primarily due to the use of cash for capital outlays. The increase in current liabilities was mainly due to the increase in accounts payable due to vendors and contractors.

Capital assets increased \$5.7 million as a result of construction in progress exceeding depreciation expense. Noncurrent liabilities decreased as principal payments were made during the year.

Table below presents details on the change in Unrestricted Net Position.

<b>Unrestricted Net Position, Beginning of Year</b>	<b>\$ 8,556,243</b>
Results of operations	<b>1,764,993</b>
Principal and Interest Expended on Capital Debt from Operations	<b>(1,430,241)</b>
Depreciation	<b>3,646,091</b>
Capital CFP	<b>(5,390,857)</b>
Fixed Assets Additions Purchases from Operations	<b>(266,131)</b>
Restricted HAP Equity	<b>(557,711)</b>
<b>Unrestricted Net Position, End of Year</b>	<b><u>\$ 6,322,387</u></b>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

# HARRISBURG HOUSING AUTHORITY

## Management's Discussion & Analysis December 31, 2016

### Financial Highlights (continued)

#### *Statements of Revenue, Expenses and Change in Net Position*

The following schedule compares the revenue and expenses for the current and previous fiscal year.

	<b>For the Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>
<b>Revenue</b>			
Tenant rental revenue	\$ 3,621,231	\$ 3,688,041	\$ (66,810)
Operating grants	17,779,673	15,306,369	2,473,304
Investment income	45,571	22,142	23,429
Capital grants	5,390,857	4,260,433	1,130,424
Other revenue	240,212	235,855	4,357
<b>Total Revenue</b>	<b>27,077,544</b>	<b>23,512,840</b>	<b>3,564,704</b>
<b>Expenses</b>			
Administrative	3,742,756	3,586,887	155,869
Tenant services	386,627	340,730	45,897
Utilities	3,359,771	3,162,147	197,624
Maintenance and operations	4,457,404	4,405,204	52,200
Protective services	794,613	529,123	265,490
General expenses	804,612	917,940	(113,328)
Housing assistance payments	7,751,825	6,519,665	1,232,160
Interest expense	368,852	375,077	(6,225)
Depreciation	3,646,091	4,049,146	(403,055)
<b>Total Expenses</b>	<b>25,312,551</b>	<b>23,885,919</b>	<b>1,426,632</b>
<b>Change in Net Position</b>	<b>\$ 1,764,993</b>	<b>\$ (373,079)</b>	<b>\$ 2,138,072</b>

#### *Major Factors Affecting the Statement of Revenue and Expenses*

Operating grants increased due primarily to a decrease in HUD funding for the Housing Choice Voucher Program. Capital grants increased due to an increase in modernization and improvement activity.

Total expenses increased \$1.4 million. An increase in maintenance and operations expenses, housing assistance payments and a decrease in depreciation expense resulted in the overall increase. HAP expense increased due primarily to increased leasing and per unit cost.

# HARRISBURG HOUSING AUTHORITY

## Management's Discussion & Analysis December 31, 2016

### Financial Highlights (continued)

#### *Capital Assets and Debt*

As of the year end, the Authority had \$39.9 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$5.7 million or 17% from the end of last year.

	As of December 31,		
	2016	2015	Variance
<b>Capital Assets</b>			
Land	\$ 1,495,544	\$ 1,466,739	\$ 28,805
Building and improvements	118,378,837	115,975,376	2,403,461
Furniture and equipment	1,102,871	1,102,871	-
Construction in process	23,107,096	16,178,697	6,928,399
Accumulated depreciation	(104,151,029)	(100,504,938)	(3,646,091)
<b>Capital Assets, Net</b>	<b>\$ 39,933,319</b>	<b>\$ 34,218,745</b>	<b>\$ 5,714,574</b>

As of year-end, the Authority had \$12.5 million in debt (bonds, notes, etc.) outstanding compared to a \$13.6 million balance last year. The decrease was due to the principal payments on the bonds in the fiscal year 2016. For more detailed information on debt outstanding, please refer to the notes to the financial statements.

#### *Economic Factors*

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on supplies and other costs

#### *Financial Contact*

This financial report is designed to provide our residents, the citizens of Harrisburg, and Federal and state regulatory bodies with a general overview of the Harrisburg Housing Authority's finances as of December 31, 2016. The individual to be contacted regarding this report is Senghor A. Manns, President and Agency Counsel, Harrisburg Housing Authority, at 351 Chestnut Street, Harrisburg, PA, 17101.

# HARRISBURG HOUSING AUTHORITY

## Statement of Net Position As of December 31, 2016

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 8,467,734
Accounts receivable- grants	561,001
Accounts receivable- other	150,557
Tenants accounts receivable, net of allowance of \$6,659	43,049
Prepaid costs	71,596
Inventory, net	150,733
<b>Total Current Assets</b>	<b>9,444,670</b>

#### Restricted Assets

Cash and cash equivalents	930,894
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#### Capital Assets

Land	1,495,544
Building and improvements	118,378,837
Furniture and equipment	1,102,871
Construction in progress	23,107,096
	144,084,348
Accumulated depreciation	(104,151,029)
<b>Net Capital Assets</b>	<b>39,933,319</b>
<b>TOTAL ASSETS</b>	<b>\$ 50,308,883</b>

### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts payable and accrued liabilities	\$ 1,907,580
Accrued wages and payroll taxes	149,811
Accrued compensated absences	31,909
Accrued interest payable	73,936
Tenant security deposits	105,181
Unearned revenue	935,269
Current portion of capital debt	1,161,745
<b>Total Current Liabilities</b>	<b>4,365,431</b>

#### Non-Current Liabilities

Non-current capital debt	11,344,226
Accrued compensated absences	127,631
Noncurrent liabilities - other	4,392
<b>Total Non-Current Liabilities</b>	<b>11,476,249</b>
<b>TOTAL LIABILITIES</b>	<b>15,841,680</b>

#### NET POSITION

Net investment in capital assets	27,427,348
Restricted net position	717,468
Unrestricted net position	6,322,387
<b>TOTAL NET POSITION</b>	<b>34,467,203</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 50,308,883</b>

## HARRISBURG HOUSING AUTHORITY

### Statement of Revenue, Expenses and Change in Net Position For the Year Ended December 31, 2016

<b>Operating Revenue</b>	
Dwelling rent	\$ 3,621,231
Operating grants	17,779,673
Other revenue	240,212
<b>Total Operating Revenue</b>	<u>21,641,116</u>
<b>Operating Expenses</b>	
Administrative	3,742,756
Tenant services	386,627
Utilities	3,359,771
Maintenance and operations	4,457,404
Protective services	794,613
General expenses	804,612
Housing assistance payments	7,751,825
Depreciation	3,646,091
<b>Total Operating Expenses</b>	<u>24,943,699</u>
<b>Net Operating Loss</b>	<u>(3,302,583)</u>
<b>Non-Operating Revenue (Expense)</b>	
Investment income	45,571
Interest expense on capital debt	(368,852)
<b>Total Non-Operating Revenue (Expense)</b>	<u>(323,281)</u>
<b>Decrease Before Capital Contributions</b>	<u>(3,625,864)</u>
<b>Capital Grants</b>	<u>5,390,857</u>
<b>Increase in Net Position</b>	1,764,993
Net position, beginning of year	32,702,210
<b>Net Position, Ending of Year</b>	<u>\$ 34,467,203</u>

# HARRISBURG HOUSING AUTHORITY

## Statement of Cash Flows For the Year Ended December 31, 2016

### Cash Flows From Operating Activities

Cash received from dwelling rent	\$ 3,609,880
Cash received from operating grants	19,068,736
Cash received from other sources	196,691
Cash payments for salaries & benefits	(5,157,641)
Cash payments to vendors & landlords	(16,402,350)
Deferred inflows of resources for other revenues are recognized	-
<b>Net Cash From Operating Activities</b>	<b><u>1,315,316</u></b>

### Cash Flows From Capital and Related Financing Activities

Capital grants received	5,390,857
Capital outlay	(9,360,665)
Repayments on capital debt	(1,053,564)
Interest payments on capital debt	(374,958)
<b>Net Cash From Capital and Related Financing Activities</b>	<b><u>(5,398,330)</u></b>

### Cash Flows From Investing Activities

Cash received from interest	<u>45,571</u>
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<b>Net decrease in Cash and Cash Equivalents</b>	<b>(4,037,443)</b>
Total cash and cash equivalents, beginning of year	<u>13,436,071</u>
<b>Total Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 9,398,628</u></b>

### Reconciliation of Operating Loss to Net Cash

#### From Operating Activities

Operating loss	\$ (3,302,583)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation	3,646,091
Effect of changes in non-cash operating assets and liabilities:	
Operating grants receivable	486,603
Tenants accounts receivable	(18,508)
Other receivables	(43,521)
Prepaid costs	(6,840)
Inventory	2,472
Accounts payable	(158,361)
Accrued expenses	(103,213)
Deferred revenue	802,460
Tenant security deposits	7,157
Noncurrent liabilities - other	3,559
<b>Net Cash From Operating Activities</b>	<b><u>\$ 1,315,316</u></b>

# HARRISBURG HOUSING AUTHORITY

## Notes to the Financial Statements

December 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Organization

The Housing Authority is a separate non-profit corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority has no other component units. The Authority is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

#### Basis of Accounting

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the “enterprise fund” in the basic financial statements as follows:

Enterprise Fund- In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.



# **HARRISBURG HOUSING AUTHORITY**

## **Notes to the Financial Statements**

**December 31, 2016**

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

#### **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 the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash equivalents represent highly liquid investments with original maturities of three months or less.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

#### **Accounts Receivable**

Tenant accounts receivables are carried at the amount considered by management to be collectible. Other accounts receivable consists of amounts due from affiliates and from HUD for Grant income.

#### **Prepaid Items**

Prepaid items consist of payments made to vendors for services that will benefit future periods.

#### **Inventory**

Inventories consist of materials and supplies that have not been used or consumed. Inventory is valued at cost being determined on a first-in, first-out basis and recorded as an expense when it is consumed. The Authority has established a valuation allowance for its estimate of obsolete inventories.

#### **Capital Assets**

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed.

# HARRISBURG HOUSING AUTHORITY

## Notes to the Financial Statements December 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets (continued)

Depreciation on assets has been expensed in the statement of income and expenses. Estimated useful lives are as follows:

Buildings and Improvements	10 to 27.5 years
Furniture, fixtures and equipment	3 to 10 years

#### Accrued Compensated Absences

The Authority accrues a liability for compensated absences, including paid time off (PTO) that have been earned but not yet paid.

#### Payment in Lieu of Taxes

Under Federal, state, and city laws, the Authority is exempt from income, property and excise taxes. Housing authorities are, however, required to make payments in lieu of taxes (PILOT) in accordance with the provisions of their cooperation agreement with local taxing authorities.

#### Revenue and Expenses

Operating expenses include the costs associated with the day-to-day operations of the Authority and depreciation on capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expense.

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

These financial statements do not contain material inter-program revenues and expenses for internal activity. The policy is to eliminate any material inter-program revenues and expenses for these financial statements.

# HARRISBURG HOUSING AUTHORITY

## Notes to the Financial Statements December 31, 2016

### 2. CASH AND CASH EQUIVALENTS

*Custodial Credit Risk* - The Authority policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

*Interest Rate Risk* - The Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other Federally insured investments.

The Authority's cash and cash equivalents consist of cash held in interest bearing checking accounts totaling \$8,467,734. The checking accounts bear interest at varying rates of up to 0.6%. Of this balance, \$250,000 was insured by the FDIC.

Restricted cash and cash equivalents of \$930,894 as of December 31, 2016, consisted of the following: \$757,468 for Housing Assistance Payments, \$105,181 for tenant security deposits, and \$68,245 for other purposes.

### 3. CAPITAL ASSETS

A summary of activity in capital assets for the year ended December 31, 2016, was as follows:

	<u>January 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2016</u>
Land	\$ 1,466,739	\$ 28,805	\$ -	\$ -	\$ 1,495,544
Construction in progress	16,178,697	9,120,620	-	(2,192,221)	23,107,096
<b>Total Assets Not Being Depreciated</b>	<b>17,645,436</b>	<b>9,149,425</b>	<b>-</b>	<b>(2,192,221)</b>	<b>24,602,640</b>
Building and improvements	115,975,376	2,403,461	-	-	118,378,837
Furniture and equipment	1,102,871	-	-	-	1,102,871
<b>Total Capital Assets</b>	<b>134,723,683</b>	<b>11,552,886</b>	<b>-</b>	<b>(2,192,221)</b>	<b>144,084,348</b>
Less: accumulated depreciation	100,504,938	3,646,091	-	-	104,151,029
<b>Capital Assets, Net</b>	<b>\$ 34,218,745</b>	<b>\$ 7,906,795</b>	<b>\$ -</b>	<b>\$ (2,192,221)</b>	<b>\$ 39,933,319</b>

# HARRISBURG HOUSING AUTHORITY

## Notes to the Financial Statements December 31, 2016

### 4. LONG-TERM DEBT

In April of 2014, the Authority refinanced its Citi Mortgage with PNC in the amount of \$14,965,608 to fund the installation and maintenance of energy efficient equipment and fixtures in the Authority's public housing units. The note bears interest at a rate of 2.69%. Principal and interest payments are due quarterly through 2025. The amount of interest expended during the year was \$368,852. The principal balance as of December 31, 2016 was \$12,505,971. Debt service requirements were as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,161,745	\$ 324,929	\$ 1,486,674
2018	1,246,114	292,838	1,538,952
2019	1,334,630	258,436	1,593,066
2020	1,427,473	221,609	1,649,082
2021	1,524,825	182,241	1,707,066
2022-2025	5,811,184	291,671	6,102,855
<b>Total</b>	<u>\$ 12,505,971</u>	<u>\$ 1,571,724</u>	<u>\$ 14,077,695</u>

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>January 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2016</u>	<u>Amounts Due in One Year</u>
Capital debt:					
2014 Loan	\$ 13,559,535	\$ -	\$ 1,053,564	\$ 12,505,971	\$ 1,161,745
Accrued compensated absences	280,758	-	121,218	159,540	31,909
<b>Total</b>	<u>\$ 13,840,293</u>	<u>\$ -</u>	<u>\$ 1,174,782</u>	<u>\$ 12,665,511</u>	<u>\$ 1,193,654</u>

### 5. PENSION PLAN

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. The plan is administered by *John Hancock*. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Authority contributes an amount equal to 12.75% of the employees' base salaries while the employees may make voluntary contributions. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after 6 years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before 6 years of service are deposited into a separately managed fund and distributed to the then fully vested employees upon their separation. During 2016, the Authority made the required contributions in the amount of \$937,724.

# **HARRISBURG HOUSING AUTHORITY**

## **Notes to the Financial Statements December 31, 2016**

### **6. CONCENTRATION OF RISK**

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

### **7. COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

**SUPPLEMENTARY INFORMATION**

# HARRISBURG HOUSING AUTHORITY

## Schedule of Assets, Liabilities and Net Position by Program December 31, 2016

	Public Housing Programs	Section 8 Housing Choice Voucher Program	Section 8 Moderate Rehabilitation Program	Resident Opportunity and Supportive Services	PIH Family Self- Sufficiency Program	Component Unit - Blended	Business Activities	COCC	Eliminations	Total
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 5,869,837	\$ 272,430	\$ 52,799	\$ -	\$ -	\$ 96,146	\$ -	\$ 2,176,522	\$ -	\$ 8,467,734
Accounts receivable- grants	469,537	75,590	-	11,291	4,583	-	-	-	-	561,001
Accounts receivable- other	-	12,419	-	-	-	91,912	24,970	181,861	(160,605)	150,557
Tenants accounts receivable	44,178	-	-	-	-	-	5,530	-	-	49,708
allowance for doubtful accounts-tenants	(5,844)	-	-	-	-	-	(815)	-	-	(6,659)
Prepaid costs	62,513	299	-	-	-	-	-	8,784	-	71,596
Inventory, net	150,733	-	-	-	-	-	-	-	-	150,733
Interprogram Due From	-	-	-	-	-	-	-	13,090	(13,090)	-
<b>Total Current Assets</b>	<b>6,590,954</b>	<b>360,738</b>	<b>52,799</b>	<b>11,291</b>	<b>4,583</b>	<b>188,058</b>	<b>29,685</b>	<b>2,380,257</b>	<b>(173,695)</b>	<b>9,444,670</b>
<b>Restricted Assets</b>										
Cash and cash equivalents	105,181	820,754	4,959	-	-	-	-	-	-	930,894
<b>Capital Assets</b>										
Land	1,265,039	-	-	-	-	-	28,805	201,700	-	1,495,544
Building and improvements	118,057,688	-	-	-	-	-	211,239	-	-	118,268,927
Furniture and equipment	648,840	39,614	-	-	-	-	-	414,417	-	1,102,871
Construction in progress	22,686,890	-	-	-	-	-	-	420,206	-	23,107,096
Infrastructure	109,910	-	-	-	-	-	-	-	-	109,910
	142,768,367	39,614	-	-	-	-	240,044	1,036,323	-	144,084,348
Less: accumulated depreciation	103,726,091	24,661	-	-	-	-	7,681	392,596	-	104,151,029
<b>Net Capital Assets</b>	<b>39,042,276</b>	<b>14,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,363</b>	<b>643,727</b>	<b>-</b>	<b>39,933,319</b>
<b>TOTAL ASSETS</b>	<b>\$ 45,738,411</b>	<b>\$ 1,196,445</b>	<b>\$ 57,758</b>	<b>\$ 11,291</b>	<b>\$ 4,583</b>	<b>\$ 188,058</b>	<b>\$ 262,048</b>	<b>\$ 3,023,984</b>	<b>\$ (173,695)</b>	<b>\$ 50,308,883</b>

# HARRISBURG HOUSING AUTHORITY

## Schedule of Assets, Liabilities and Net Position by Program (continued) December 31, 2016

	Public Housing Programs	Section 8 Housing Choice Voucher Program	Section 8 Moderate Rehabilitation Program	Resident Opportunity and Supportive Services	PIH Family Self- Sufficiency Program	Component Unit - Blended	Business Activities	COCC	Eliminations	Total
<b>LIABILITIES AND NET POSITION</b>										
<b>Current Liabilities</b>										
Accounts payable and accrued liabilities	\$ 1,841,725	\$ 37,426	\$ 520	\$ 403	\$ -	\$ 158,768	\$ 1,837	\$ 27,506	\$ (160,605)	\$ 1,907,580
Accrued wages and payroll taxes	90,537	10,692	-	2,798	-	-	-	45,784	-	149,811
Accrued compensated absences	16,240	1,590	-	-	-	-	-	14,079	-	31,909
Accrued interest payable	73,936	-	-	-	-	-	-	-	-	73,936
Tenant security deposits	105,181	-	-	-	-	-	-	-	-	105,181
Deferred revenues	124,660	805,650	4,959	-	-	-	-	-	-	935,269
Current portion of capital debt	1,161,745	-	-	-	-	-	-	-	-	1,161,745
Interprogram Due To	-	-	-	8,090	4,583	388	29	-	(13,090)	-
<b>Total Current Liabilities</b>	<b>3,414,024</b>	<b>855,358</b>	<b>5,479</b>	<b>11,291</b>	<b>4,583</b>	<b>159,156</b>	<b>1,866</b>	<b>87,369</b>	<b>(173,695)</b>	<b>4,365,431</b>
<b>Non-Current Liabilities</b>										
Non-current capital debt	11,344,226	-	-	-	-	-	-	-	-	11,344,226
Accrued compensated absences	64,959	6,359	-	-	-	-	-	56,313	-	127,631
Noncurrent liabilities - other	-	4,392	-	-	-	-	-	-	-	4,392
<b>Total Non-Current Liabilities</b>	<b>11,409,185</b>	<b>10,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,313</b>	<b>-</b>	<b>11,476,249</b>
<b>TOTAL LIABILITIES</b>	<b>14,823,209</b>	<b>866,109</b>	<b>5,479</b>	<b>11,291</b>	<b>4,583</b>	<b>159,156</b>	<b>1,866</b>	<b>143,682</b>	<b>(173,695)</b>	<b>15,841,680</b>
<b>NET POSITION</b>										
Investment in capital assets, net of related debt	26,536,305	14,953	-	-	-	-	232,363	643,727	-	27,427,348
Restricted net position	-	717,468	-	-	-	-	-	-	-	717,468
Unrestricted net position	4,378,897	(402,085)	52,279	-	-	28,902	27,819	2,236,575	-	6,322,387
<b>TOTAL NET POSITION</b>	<b>30,915,202</b>	<b>330,336</b>	<b>52,279</b>	<b>-</b>	<b>-</b>	<b>28,902</b>	<b>260,182</b>	<b>2,880,302</b>	<b>-</b>	<b>34,467,203</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 45,738,411</b>	<b>\$ 1,196,445</b>	<b>\$ 57,758</b>	<b>\$ 11,291</b>	<b>\$ 4,583</b>	<b>\$ 188,058</b>	<b>\$ 262,048</b>	<b>\$ 3,023,984</b>	<b>\$ (173,695)</b>	<b>\$ 50,308,883</b>



# HARRISBURG HOUSING AUTHORITY

## Schedule of Revenue, Expenses and Changes in Net Position by Program For the Year Ended December 31, 2016

	Public Housing Programs	Section 8 Housing Choice Voucher Program	Section 8 Moderate Rehabilitation Program	Resident Opportunity and Supportive Services	PIH Family Self- Sufficiency Program	Component Unit - Blended	Business Activities	COCC	Eliminations	Total
<b>Operating Revenue</b>										
Dwelling rent	\$ 3,590,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,500	\$ -	\$ -	\$ 3,621,231
Operating grants	9,181,141	8,345,198	53,626	144,708	55,000	-	-	1,985,913	(1,985,913)	17,779,673
Other revenue	150,508	22,649	-	-	-	41,983	-	25,072	-	240,212
<b>Total Operating Revenue</b>	<b>12,922,380</b>	<b>8,367,847</b>	<b>53,626</b>	<b>144,708</b>	<b>55,000</b>	<b>41,983</b>	<b>30,500</b>	<b>2,010,985</b>	<b>(1,985,913)</b>	<b>21,641,116</b>
<b>Operating Expenses</b>										
Administrative	2,852,599	545,089	7,929	14,102	-	25,902	1,866	1,856,916	(1,561,647)	3,742,756
Tenant services	398,455	9,686	-	130,606	55,000	-	-	-	(207,120)	386,627
Utilities	3,338,525	-	-	-	-	426	-	20,820	-	3,359,771
Maintenance and operations	4,556,262	884	-	-	-	13,776	-	103,628	(217,146)	4,457,404
Protective services	793,301	-	-	-	-	-	-	1,312	-	794,613
General expenses	640,159	75,208	155	-	-	-	816	88,274	-	804,612
Housing assistance payments	-	7,715,765	36,060	-	-	-	-	-	-	7,751,825
Depreciation	3,616,589	4,667	-	-	-	-	7,681	17,154	-	3,646,091
<b>Total Operating Expenses</b>	<b>16,195,890</b>	<b>8,351,299</b>	<b>44,144</b>	<b>144,708</b>	<b>55,000</b>	<b>40,104</b>	<b>10,363</b>	<b>2,088,104</b>	<b>(1,985,913)</b>	<b>24,943,699</b>
<b>Net Operating Loss</b>	<b>(3,273,510)</b>	<b>16,548</b>	<b>9,482</b>	<b>-</b>	<b>-</b>	<b>1,879</b>	<b>20,137</b>	<b>(77,119)</b>	<b>-</b>	<b>(3,302,583)</b>
<b>Non-Operating Revenue (Expense)</b>										
Investment income	35,995	40	6	-	-	-	-	9,530	-	45,571
Interest expense on capital debt	(368,852)	-	-	-	-	-	-	-	-	(368,852)
<b>Total Non-Operating Revenue (Expense)</b>	<b>(332,857)</b>	<b>40</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,530</b>	<b>-</b>	<b>(323,281)</b>
<b>Increase (Decrease) Before Capital Contributions</b>	<b>(3,606,367)</b>	<b>16,588</b>	<b>9,488</b>	<b>-</b>	<b>-</b>	<b>1,879</b>	<b>20,137</b>	<b>(67,589)</b>	<b>-</b>	<b>(3,625,864)</b>
Capital contributions	5,390,857	-	-	-	-	-	-	-	-	5,390,857
Operating transfers in (Out)	-	-	-	-	-	-	240,045	(240,045)	-	-
(Decrease) increase in net position	1,784,490	16,588	9,488	-	-	1,879	260,182	(307,634)	-	1,764,993
Net position, beginning	29,130,712	313,748	42,791	-	-	27,023	-	3,187,936	-	32,702,210
<b>Net Position, Ending</b>	<b>\$ 30,915,202</b>	<b>\$ 330,336</b>	<b>\$ 52,279</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,902</b>	<b>\$ 260,182</b>	<b>\$ 2,880,302</b>	<b>\$ -</b>	<b>\$ 34,467,203</b>

**HARRISBURG HOUSING AUTHORITY**

**Statement and Certification of Program Costs – Capital Fund  
For the Year Ended December 31, 2016**

	<b>Capital Fund Program 2013</b>	<b>Capital Fund Program 2014</b>
Funds approved	\$ 2,540,966	\$ 2,636,647
Funds expended	2,540,966	2,636,647
Excess of funds approved	<u>\$ -</u>	<u>\$ -</u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval are in agreement with the Housing Authority's records.

2. All modernization costs have been paid and all related liabilities have been discharged through payment.



**S B & C O M P A N Y, L L C**  
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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Commissioners  
Harrisburg Housing Authority  
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Harrisburg Housing Authority (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2017.

***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.



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### ***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.

Harrisburg, PA  
September 26, 2017



**SB & COMPANY, LLC**  
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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Commissioners  
Harrisburg Housing Authority  
Harrisburg, Pennsylvania

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

We have audited Harrisburg Housing Authority's (the Authority) compliance with the types of compliance requirements described in 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, 2016. The Authority's major federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Authority's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2016.

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

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

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

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



**SB & COMPANY, LLC**  
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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.

Harrisburg, PA  
September 26, 2017

*SB & Company, LLC*

# HARRISBURG HOUSING AUTHORITY

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2016

<b>Federal Grantor/Pass-Through Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Section 8 Moderate Rehabilitation - SRO	14.249	\$ 53,626
Public and Indian Housing	14.850	8,917,477
Resident Opportunity and Supportive Services	14.870	144,708
Section 8 Housing Choice Voucher Program	14.871	8,345,198
Public Housing Capital Fund	14.872	5,654,521
PIH Family Self-Sufficiency Program	14.896	55,000
<b>Total Federal Expenditures</b>		<b>\$ 23,170,530</b>

The accompanying footnotes are an integral part of this schedule.



# HARRISBURG HOUSING AUTHORITY

## Notes to the Schedule of Expenditures of Federal Awards December 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Authority are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. We have evaluated the Federal financial assistance programs of the Authority for the year ended December 31, 2016, and have selected major programs for testing. Our actual coverage was 36%. The major program tested is listed below.

Expenditures reported on the Schedule of expenditures of Federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Section 8 Housing Choice Voucher Program	14.871	\$ <b>8,345,198</b>
		<u>\$ <b>8,345,198</b></u>

### 2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the "Schedule") includes the Federal award activity of the Authority under programs of the Federal government for the year ended December 31, 2016. 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 Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**HARRISBURG HOUSING AUTHORITY**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016**

**Section I- Summary of Independent Public Accountants' Results**

**Financial Statements**

Type of report of independent public accountants	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of Report of Independent Public Accountants' issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of Uniform Guidance?	No

**Identification of Major Programs:**

<b>Major Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>
Section 8 Housing Choice Voucher Program	14.871	\$ 8,345,198
Threshold for distinguishing between Type A and B programs programs.		\$ 750,000
Did the Authority qualify as a low risk auditee?		Yes

**HARRISBURG HOUSING AUTHORITY**

**Schedule of Current Year Findings and Questioned Costs  
For the Year Ended December 31, 2016**

**Section II –Financial Statement Findings**

None noted.

**Section III –Federal Award Findings**

None noted.

**HARRISBURG HOUSING AUTHORITY**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended December 31, 2016**

There were no prior year findings and questioned costs for the year ended December 31, 2015.

**HARRISBURG HOUSING AUTHORITY**

**Supplemental Schedule – HUD Financial Data Schedule  
As of and for the Year Ended December 31, 2016**

# HARRISBURG HOUSING AUTHORITY

## Financial Data Schedule As of December 31, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.2 Component Unit - Blended	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 5,869,837	\$ -	\$ -	\$ 272,430	\$ 52,799	\$ 96,146		\$ 2,176,522	\$ 8,467,734	\$ -	\$ 8,467,734
112 Cash - Restricted - Modernization and Development											-
113 Cash - Other Restricted				721,860					721,860		721,860
114 Cash - Tenant Security Deposits	105,181								105,181		105,181
115 Cash - Restricted for Payment of Current Liabilities				98,894	4,959				103,853		103,853
100 Total Cash	5,975,018	-	-	1,093,184	57,758	96,146	\$0	2,176,522	9,398,628	-	9,398,628
121 Accounts Receivable - PHA Projects				12,419					12,419		12,419
122 Accounts Receivable - HUD Other Projects	469,537	4,583	11,291	75,590					561,001		561,001
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous						91,912	24,970	181,861	298,743	(160,605)	138,138
126 Accounts Receivable - Tenants	44,178						5,530		49,708		49,708
126.1 Allowance for Doubtful Accounts - Tenants	(5,844)						(815)		(6,659)		(6,659)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery				104,869					104,869		104,869
128.1 Allowance for Doubtful Accounts - Fraud				(104,869)					(104,869)		(104,869)
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	507,871	4,583	11,291	88,009	-	91,912	29,685	181,861	915,212	(160,605)	754,607
131 Investments - Unrestricted											
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	62,513			299				8,784	71,596		71,596
143 Inventories	188,418								188,418		188,418
143.1 Allowance for Obsolete Inventories	(37,685)								(37,685)		(37,685)
144 Inter Program Due From								13,090	13,090	(13,090)	-
145 Assets Held for Sale											
150 Total Current Assets	6,675,941	4,583	11,291	1,181,492	57,758	188,058	29,685	2,380,257	10,549,259	(173,695)	10,375,564
161 Land	1,265,039						28,805	201,700	1,495,544		1,495,544
162 Buildings	118,057,688						211,239		118,268,927		118,268,927
163 Furniture, Equipment & Machinery - Dwellings											
164 Furniture, Equipment & Machinery - Administration	648,840			39,614				414,417	1,102,871		1,102,871
165 Leasehold Improvements											
166 Accumulated Depreciation	(103,726,091)			(24,661)			(7,681)	(392,596)	(104,151,029)		(104,151,029)
167 Construction in Progress	22,686,890							420,206	23,107,096		23,107,096
168 Infrastructure	109,910								109,910		109,910
160 Total Capital Assets, Net of Accumulated Depreciation	39,042,276	-	-	14,953	-	-	232,363	643,727	39,520,228	-	39,520,228
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	39,042,276	-	-	14,953	-	-	232,363	643,727	39,933,319	-	39,933,319
200 Deferred Outflow of Resources											
290 Total Assets and Deferred Outflow of Resources	\$ 45,738,411	\$ 4,583	\$ 11,291	\$ 1,196,445	\$ 57,758	\$ 188,058	\$ 262,048	\$ 3,023,984	\$ 50,482,578	\$ (173,695)	\$ 50,308,883

# HARRISBURG HOUSING AUTHORITY

## Financial Data Schedule As of December 31, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.570 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.2 Component Unit - Blended	Business Activities	COCC	Subtotal	ELIM	Total
311 Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
312 Accounts Payable <= 90 Days	149,485		403	1,681		158,768	1,837	26,173	338,347	(160,605)	\$177,742
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	90,537		2,798	10,692				45,784	149,811		149,811
322 Accrued Compensated Absences - Current Portion	16,240			1,590				14,079	31,909		31,909
324 Accrued Contingency Liability											
325 Accrued Interest Payable	73,936								73,936		73,936
331 Accounts Payable - HUD PHA Programs					520				520		520
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government											
341 Tenant Security Deposits	105,181								105,181		105,181
342 Unearned Revenue	124,660			98,894	4,959				228,513		228,513
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	1,161,745								1,161,745		1,161,745
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities	680,807								680,807		680,807
346 Accrued Liabilities - Other	1,011,433			35,745				1,333	1,048,511		1,048,511
347 Inter Program - Due To		4,583	8,090			388	29		13,090	(13,090)	-
348 Loan Liability - Current											
310 Total Current Liabilities	3,414,024	4,583	11,291	148,602	5,479	159,156	1,866	87,369	3,832,370	(173,695)	3,168,516
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	11,344,226								11,344,226		11,344,226
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other				4,392					4,392		4,392
354 Accrued Compensated Absences - Non Current	64,959			6,359				56,313	127,631		127,631
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities	11,409,185	-	-	10,751	-	-	-	56,313	11,476,249	-	11,476,249
300 Total Liabilities	14,823,209	4,583	11,291	159,353	5,479	159,156	1,866	143,682	15,308,619	(173,695)	15,134,924
400 Deferred Inflow of Resources				706,756					706,756		706,756
508.4 Net Investment in Capital Assets	26,536,305			14,953			232,363	643,727	27,427,348	-	27,427,348
511.4 Restricted Net Position				10,712					10,712		10,712
512.4 Unrestricted Net Position	4,378,897	-	-	304,671	52,279	28,902	27,819	2,236,575	7,029,143		7,029,143
513 Total Equity - Net Assets / Position	30,972,076	-	-	330,336	52,279	28,902	260,182	2,880,302	34,467,203	-	34,467,203
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 45,738,411	\$ 4,583	\$ 11,291	\$ 1,196,445	\$ 57,758	\$ 188,058	\$ 262,048	\$ 3,023,984	\$ 50,069,487	\$ (173,695)	\$ 50,308,883

# HARRISBURG HOUSING AUTHORITY

## Financial Data Schedule For the Year Ended December 31, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.2 Component Unit - Blended	Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 3,481,689	-	-	-	-	-	\$ 30,500	-	\$ 3,512,189	-	\$ 3,512,189
70400 Tenant Revenue - Other	109,042								109,042		109,042
70500 Total Tenant Revenue	3,590,731	-	-	-	-	-	30,500	-	3,621,231	-	3,621,231
70600 HUD PHA Operating Grants	9,181,141	55,000	144,708	8,345,198	53,626				17,779,673		17,779,673
70610 Capital Grants	5,390,857								5,390,857		5,390,857
70710 Management Fee								1,376,787	1,376,787	(1,376,787)	-
70720 Asset Management Fee								207,120	207,120	(207,120)	-
70730 Book Keeping Fee								184,860	184,860	(184,860)	-
70740 Front Line Service Fee								217,146	217,146	(217,146)	-
70750 Other Fees											
70700 Total Fee Revenue								1,985,913	1,985,913	(1,985,913)	-
70800 Other Government Grants											
71100 Investment Income - Unrestricted	35,995			40	6			9,530	45,571		45,571
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery				637					637		637
71500 Other Revenue	150,508			22,012		41,983		25,072	239,575		239,575
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	18,349,232	55,000	144,708	8,367,887	53,632	41,983	\$30,500	2,020,515	29,063,457	(1,985,913)	27,077,544
91100 Administrative Salaries	600,006			217,477	4,157			940,384	1,762,024		1,762,024
91200 Auditing Fees	20,550			636				2,062	23,248		23,248
91300 Management Fee	1,297,167			79,620					1,376,787	(1,376,787)	-
91310 Book-keeping Fee	145,053			39,807					184,860	(184,860)	-
91400 Advertising and Marketing				1,271					1,271		1,271
91500 Employee Benefit contributions - Administrative	390,920			103,281	1,887			441,636	937,724		937,724
91600 Office Expenses	75,474		2,168	99,220	1,835	944		106,337	285,978		285,978
91700 Legal Expense	189							135,689	135,878		135,878
91800 Travel	4,251		556	2,702	50			27,478	35,037		35,037
91810 Allocated Overhead											
91900 Other	318,989		11,378	1,075		24,958	\$1,866	203,330	561,596		561,596
91000 Total Operating - Administrative	2,852,599	-	14,102	545,089	7,929	25,902	1,866	1,856,916	5,304,403	(1,561,647)	3,742,756
92000 Asset Management Fee	207,120								207,120	(207,120)	-
92100 Tenant Services - Salaries	53,400	18,298	82,125						153,823		153,823
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services	32,902	6,729	48,481						88,112		88,112
92400 Tenant Services - Other	105,033	29,973		9,686					144,692		144,692
92500 Total Tenant Services	191,335	55,000	130,606	9,686	-	-	-	-	386,627	-	386,627
93100 Water	1,040,614							8,722	1,049,336		1,049,336
93200 Electricity	739,792					426		6,698	746,916		746,916
93300 Gas	941,995							3,844	945,839		945,839
93400 Fuel											
93500 Labor											
93600 Sewer	616,124							1,556	617,680		617,680
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities	3,338,525	-	-	-	-	426	-	20,820	3,359,771	-	3,359,771
94100 Ordinary Maintenance and Operations - Labor	1,311,753							53,934	1,365,687		1,365,687
94200 Ordinary Maintenance and Operations - Materials and Other	663,211			353		2,416		1,741	667,721		667,721
94300 Ordinary Maintenance and Operations Contracts	1,741,084			531		11,360		9,496	1,762,471	(217,146)	1,545,325
94500 Employee Benefit Contributions - Ordinary Maintenance	840,214							38,457	878,671		878,671
94000 Total Maintenance	4,556,262	-	-	884	-	13,776	-	103,628	4,674,550	(217,146)	4,457,404
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs	793,301							1,312	794,613		794,613
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	793,301	-	-	-	-	-	-	1,312	794,613	-	794,613
96110 Property Insurance	221,276							2,112	213,388		213,388
96120 Liability Insurance	56,589			6,216				1,282	64,087		64,087
96130 Workmen's Compensation	147,002			845	155			16,146	164,148		164,148
96140 All Other Insurance	73,248			2,150				20,828	96,226		96,226
96100 Total insurance Premiums	488,115	-	-	9,211	155	-	-	40,368	537,849	-	537,849



# HARRISBURG HOUSING AUTHORITY

## Financial Data Schedule For the Year Ended December 31, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.2 Component Unit - Blended	Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	1,500			60,167				17,906	79,573		79,573
96210 Compensated Absences	58,100			5,830				30,000	93,930		93,930
96300 Payments in Lieu of Taxes											
96400 Bad debt - Tenant Rents	87,444						\$816		88,260		88,260
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	147,044	-	-	65,997	-	-	816	47,906	261,763	-	261,763
96710 Interest of Mortgage (or Bonds) Payable	368,852								368,852		368,852
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	368,852	-	-	-	-	-	\$0	-	368,852	-	368,852
96900 Total Operating Expenses	12,943,153	55,000	144,708	630,867	8,084	40,104	\$2,682	2,070,950	15,895,548	(1,985,913)	13,909,635
97000 Excess of Operating Revenue over Operating Expenses	5,406,079	-	-	7,737,020	45,548	1,879	\$27,818	(50,435)	13,167,909	-	13,167,909
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized	5,000								5,000		5,000
97300 Housing Assistance Payments				7,695,116	36,060				7,731,176		7,731,176
97350 HAP Portability-In				20,649					20,649		20,649
97400 Depreciation Expense	3,616,589			4,667			7,681	17,154	3,646,091		3,646,091
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	16,564,742	55,000	144,708	8,351,299	44,144	40,104	\$10,363	2,088,104	27,298,464	(1,985,913)	25,312,551
10010 Operating Transfer In							\$240,045		240,045		240,045
10020 Operating transfer Out								(240,045)	(240,045)		(240,045)
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In	950,000								950,000	(950,000)	-
10092 Inter Project Excess Cash Transfer Out	(950,000)								(950,000)	950,000	-
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	240,045	(240,045)	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	1,784,490	-	-	16,588	9,488	1,879	\$260,182	(307,634)	1,764,993	-	1,764,993
11020 Required Annual Debt Principal Payments	1,061,389						\$0		1,061,389		1,061,389
11030 Beginning Equity	29,130,712			313,748	42,791	27,023	\$0	3,187,936	32,702,210		32,702,210
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors											
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity				319,624					319,624		319,624
11180 Housing Assistance Payments Equity				10,712					10,712		10,712
11190 Unit Months Available	17,772			13,270	240		96		31,378		31,378
11210 Number of Unit Months Leased	16,415			13,270	240		61		29,986		29,986
11270 Excess Cash	2,021,268								2,021,268		2,021,268
11610 Land Purchases											
11620 Building Purchases	539,087								539,087		539,087
11630 Furniture & Equipment - Dwelling Purchases											
11640 Furniture & Equipment - Administrative Purchases											
11650 Leasehold Improvements Purchases											
11660 Infrastructure Purchases											
13510 CFFP Debt Service Payments											
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -