

**HOUSING AUTHORITY OF THE
CITY OF HARLEM
Harlem, Georgia**

AUDIT REPORT

For the Year Ended December 31, 2015

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Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Harlem
Harlem, Georgia

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Housing Authority of the City of Harlem, which comprise the statement of net position as of December 31, 2015, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Harlem as of December 31, 2015, and the changes in its net position and its cash flows 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 on pages 3 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Harlem, taken as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule, as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis is not a required part of the financial statements. Such Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated August 4, 2016 on my consideration of Housing Authority of the City of Harlem's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Housing Authority of the City of Harlem's internal control over financial reporting and compliance.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
August 4, 2016

**HOUSING AUTHORITY OF THE CITY OF HARLEM
HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE: DECEMBER 31, 2015**

Management's Discussion and Analysis

The management of the Housing Authority of the City of Harlem offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We have made every effort to provide data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of December 31, 2015.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operating under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$ 494,937 (net position) compared to \$ 585,783 for the prior fiscal year.
- The Authority's cash and investments balance as of December 31, 2015 was \$ 267,335 representing a decrease of \$ 44,767 from December 31, 2014.

- The Authority had total revenues of \$ 282,600 and total expenses of \$ 373,446 for the year ended December 31, 2015.
- The Authority administers 44 units of Low-Rent Public Housing.

Overview of the Financial Reports

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. MD&A
Serves as an introduction to the Authority’s basic financial statements
- II. Basic Financial Statements
Financial Statements
Notes to the financial statements
- III. Other Required Supplementary Information

The financial statements in this report are those of a special purpose government entity engaged in a business type activity. The following statements are included:

- Statement of Net Position (Balance Sheet) – presents information about the Authority’s assets and liabilities and 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 to cash within one year), and “non-current.” Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- Statement of Revenues, Expenses and Changes in Net Position – reports the authority’s revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Our analysis of the Authority as a whole follows with the most important question, “Has the Authority’s financial health improved or worsened as a result of the year’s activities?” The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
ASSETS			
Current Assets and Deferred			
Outflows of Resources	302,073	333,561	(31,488)
Net Capital Assets	250,987	321,653	(70,666)
Total Assets	553,060	655,214	(102,154)
LIABILITIES			
Current Liabilities and Deferred			
Inflows of Resources	53,345	64,988	(11,643)
Non-Current Liabilities	4,778	4,443	335
Total Liabilities	58,123	69,431	(11,308)
NET POSITION			
Investment in Capital Assets	250,987	321,653	(70,666)
Unrestricted Net Position	243,950	264,130	(20,180)
Total Net Position	494,937	585,783	(90,846)
Total Liabilities and Net Position	553,060	655,214	(102,154)

The Statement of Net Position reflects a decrease of \$ 90,846 for the year ended December 31, 2015. This decrease is based on the net effect of operations which includes depreciation expense on capital assets for the year.

Net Capital Assets decreased based on capital expenditures of \$ 1,360 less depreciation expense of \$ 72,026 for the year.

Total Liabilities had a net decrease based on the accrual of accounts payable and compensated absences at December 31, 2015.

Analysis of Entity-Wide Revenue and Expenses

The following table illustrates changes in revenue from FY 2014 to FY 2015.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
REVENUES AND GRANTS			
Tenant Revenue	124,919	114,034	10,885
HUD Operating Grants	157,508	122,162	35,346
Investment Income	173	271	(98)
Other Revenue	-	1,434	(1,434)
Total Revenues and Grants	282,600	237,901	44,699

Total Revenues and Grants increased \$ 44,699 for the year ended December 31, 2015. The Authority's Operating and Capital Fund budgets fluctuate on an annual basis depending on the Authority's agency plan and Congressional approval of funding levels.

Tenant Revenue increased \$ 10,885 or 9.5% for the year based on tenant reexaminations and a corresponding increase in dwelling rental charges. Tenant revenue includes dwelling rental charges and other tenant related charges for late fees and maintenance charges.

Investment Income increased decreased based on the availability of funds for investment.

The following table illustrates changes in expenses from FY 2014 to FY 2015.

EXPENSES	<u>2015</u>	<u>2014</u>	<u>Change</u>
Administration and Tenant Services	85,111	91,494	(6,383)
Utilities	51,244	52,980	(1,736)
Ordinary Maintenance	145,531	124,709	20,822
General Expenses	19,534	21,004	(1,470)
Casualty Losses - Non-capitalized	-	6,625	(6,625)
Depreciation Expense	72,026	76,821	(4,795)
Total Expenses	373,446	373,633	(187)

Total Expenses remained basically unchanged for the year ended December 31, 2015.

Administration and Tenant Services decreased based on the following activity for the year:

Decrease in administrative salaries / benefits	\$ (143)
Decrease in audit fees	(2,392)
Increase in legal expense	1,602
Increase in travel expenses	6,409
Decrease in tenant program services	(673)
Decrease in office expense / sundry	<u>(11,186)</u>
Total	<u>\$ (6,383)</u>

Utilities had a net decrease of \$ 1,736 based on rates and consumption for the year.

Ordinary Maintenance and General Expenses had a net increase of 13.3% for the year. These costs include all costs incurred by the Authority to maintain the tenant dwelling units and property in a safe sanitary manner. Costs include maintenance salaries and benefits, materials used to maintain the units and various contracts for waste management and other maintenance services. General expenses include insurance costs (property, liability, workers' compensation, public officials' liability, auto, bond, etc.), collection losses, compensated absences and the payment in lieu of taxes to the County and local municipalities.

Depreciation represents the cost of all capital additions which are expensed over their estimated useful life and recorded as depreciation expense.

Capital Assets

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	58,477	58,477	-
Buildings and Equipment	2,213,947	2,212,587	1,360
Accumulated Depreciation	(2,021,437)	(1,949,411)	(72,026)
Net Capital Assets	250,987	321,653	(70,666)

Net Capital Assets decreased based on capital expenditures of \$ 1,360 for the purchase of a computer less depreciation expense of \$ 72,026 for the year.

Economic Factors

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs are expected to increase dramatically over the next several years.

Financial Contact

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

Ms. Kelly Evans, Executive Director
Housing Authority of the City of Harlem
140 E. Milledgeville Road / P.O. Box 837
Harlem, GA 30814
(706) 556-3025

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE

As of December 31, 2015

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 228,489
Restricted cash	6,620
Investments	32,226
Due from HUD	11,709
Accounts receivable - other government	8,621
Tenant rents receivable (net of \$148 allowance)	1,212
Accrued interest receivable	14
Prepaid expenses	4,105
Supplies inventory (net of \$1,010 allowance)	9,077
Total current assets	<u>302,073</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable capital assets	58,477
Depreciable capital assets, net	192,510
Total noncurrent assets	<u>250,987</u>
Total assets	<u>553,060</u>
Deferred outflow of resources	-
Total assets and deferred outflow of resources	<u>553,060</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES	
Current Liabilities:	
Accounts payable/accrued liabilities	7,682
Accrued payroll/ payroll taxes payable	9,421
Accounts payable - other government	26,773
Tenant security deposits	6,620
Accrued compensated absences payable	1,592
Unearned revenues	1,257
Total current liabilities	<u>53,345</u>
Noncurrent Liabilities:	
Accrued compensated absences payable	4,778
Total noncurrent liabilities	<u>4,778</u>
Total liabilities	<u>58,123</u>
Deferred inflow of resources	-
NET POSITION	
Investment in capital assets	250,987
Unrestricted net position	243,950
Total net position	<u>\$ 494,937</u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND TYPE

For the Year Ended December 31, 2015

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Operating revenues:	
Tenant rental revenue (net)	\$ 124,919
HUD operating grants	157,508
Total operating revenues	<u>282,427</u>
Operating expenses:	
Administration	85,095
Tenant services	16
Utilities	51,244
Ordinary maintenance	145,531
Insurance	11,772
General expenses	7,762
Depreciation	72,026
Total operating expenses	<u>373,446</u>
Operating income (loss)	<u>(91,019)</u>
Nonoperating revenue (expenses):	
Interest income	173
Total nonoperating revenue (expenses)	<u>173</u>
Net income (Loss) before contributions	(90,846)
Contributions – capital grants	<u>-</u>
Increase (decrease) in net position	(90,846)
Net position, beginning of year	<u>585,783</u>
Net position, end of year	<u>\$ 494,937</u>

The accompanying notes are an integral part of this statement.

Housing Authority of the City of Harlem
Harlem, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended December 31, 2015

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Cash flows provided from/(used by) operating activities:	
Cash received from tenants and others	\$ 126,628
Cash paid for goods and services	(238,845)
Cash paid to employees for services	(58,691)
Cash paid to EGHAP for payments made on behalf of the Authority	(6,325)
HUD operating grants	145,799
Net cash provided from/(used by) operating activities	<u>(31,434)</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows provided from/(used by) capital and related financing activities:	
Acquisition of capital assets	<u>(13,504)</u>
Net cash provided from/(used by) capital and related financing activities	<u>(13,504)</u>
Cash flows provided from/(used by) investing activities:	
Interest on investments	171
Proceeds from maturities of investments	32,206
Purchase of investments	<u>(32,226)</u>
Net cash flows provided from/(used by) investment activities	<u>151</u>
Net increase (decrease) in cash and cash equivalents	(44,787)
Cash and cash equivalents, beginning of year	<u>279,896</u>
Cash and cash equivalents, end of year	<u><u>\$ 235,109</u></u>
Reconciliation of cash/cash equivalents:	
Cash - operating	\$ 228,489
Restricted cash - tenant security deposits	<u>6,620</u>
Total cash and cash equivalents	<u><u>235,109</u></u>
Reconciliation of operating income (loss) to net cash provided from/ (used by) operating activities:	
Operating income (loss)	<u>\$ (91,019)</u>
Adjustments to reconcile operating income (loss) to net cash provided from/(used by) operating activities:	
Depreciation	72,026
Changes in assets and liabilities:	
(Increase) decrease in tenants accounts receivable	633
(Increase) decrease in accounts receivable - other government	(6,325)
(Increase) decrease in accounts receivable - miscellaneous	746
(Increase) decrease in accounts receivable - HUD	(11,709)
(Increase) decrease in inventory and prepaid insurance	3,378
Increase (decrease) in accounts payable and accrued liabilities	(739)
Increase (decrease) in accrued payroll/payroll taxes payable	3,463
Increase (decrease) in accounts payable other government	(2,663)
Increase (decrease) in security deposits	(245)
Increase (decrease) in unearned revenues	575
Increase (decrease) in accrued compensated absences	445
Total adjustments	<u>59,585</u>
Net cash provided from/(used by) operating activities	<u><u>\$ (31,434)</u></u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: Summary of Significant Accounting Policies:

A. Reporting Entity

The Housing Authority of the City of Harlem is a public body created under the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Harlem, Georgia.

In determining how to define the reporting entity, management has considered all potential component units. Management considered criteria established by the Governmental Accounting Standards Board for inclusion of the Housing Authority of the City of Harlem's financial statements. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary government is not financially accountable. The Board of Commissioners of the Housing Authority is appointed by the Mayor of the City of Harlem but the Authority designates its own management. The City of Harlem provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the Mayor of the City of Harlem, no other criterion is met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

B. Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Public Housing Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contributions contract. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade the facilities at various developments to give the residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

The Authority had 44 units in management and was administering a capital fund program.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

C. Basis of Presentation

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund that reflects all activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Housing Authority of the City of Harlem maintains one enterprise fund which includes the following programs: Public Housing Program and a Capital Fund Program.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The fund of the Authority is maintained on the modified accrual basis during the year. The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay. Payments of outstanding debt and accrued interest by HUD which have been earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants, and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements.

E. Budgetary Data

The Authority maintains budgetary controls over its fund, as required by the terms of the Authority's annual contributions contract with HUD. An annual budget is adopted for the enterprise fund. It was determined that all revenues and expenses were in accordance with the program budgets. Expenses may not legally exceed appropriations at the departmental level for the enterprise fund. All increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The capital fund budgets are prepared on a "project length" basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Georgia. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Disclosures about fair value of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard's three level of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Authority currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accounts Receivable – Tenants

Charges to tenants are recorded as revenue at the first of each month. Balances in this account represent amounts that have been charged to tenants for which the Authority has not received payment. The Authority estimates that some of the carrying balance of this account will not be collected.

Due from the United States Department of Housing and Urban Development

The amount due from HUD as of December 31, 2015 consisted of operating subsidy earned but not received as of that date.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Inventories

Inventories are valued at the average cost method. The costs of inventories are recorded as expenses when consumed rather than when purchased. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory. The percentage used to estimate obsolescence is 10%.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Assets are depreciated on a straight-line basis over the following years:

Dwelling structures	20 years
Non-dwelling structures	20 years
Dwelling structures improvements	10-15 years
Dwelling equipment	3-5 years
Office furniture and equipment	3-5 years
Maintenance equipment	3-5 years
Automobiles and vehicles	3-5 years

The Authority capitalizes assets with an initial cost greater than \$500 and a useful life greater than one year. Maintenance and repairs expenditures are charged to operations when incurred.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accrued Compensated Absences

The Housing Authority of the City of Harlem allows each of the Consortium full time employees to accumulate earned vacation leave, and such leave is fully vested when earned. Full-time employees earn annual leave as follows: 6.67 hours per month employed – 80 hours each year through the fifth year of employment, 10 hours per month for each month employed from the sixth to fifteenth year of employment – 120 hours per year, 13.33 hours per month for each month employed after the tenth year of employment, or 160 hours per year. No more than 320 hours may be carried over into the following year. Sick leave is accrued by employees and is not paid at separation but can be used to determine retirement age at a rate of two days of sick leave to one day of service. The amount of accrued compensated absences is allocated by the “lead” Authority in the Consortium as all employees are employees of Thomson Housing Authority, the “lead” Authority. Based on this allocation, the Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classifications.

Deferred outflows/inflows of resources

In accordance with GASB 63, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion.

Operating Revenues

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Net Position

Investment in capital assets

Investment in capital assets represents funds received for development and modernization of the Authority’s dwelling units. In addition, this amount represents capital assets purchased through operations and grant programs net of accumulated depreciation and related debt. The Authority has no related debt.

Unrestricted Net Position

Unrestricted net position include assets remaining after deducting liabilities and investment in capital assets and provides a basis of assessing the liquidity and financial flexibility of the Authority.

Estimates

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2: Stewardship, Compliance, and Accountability

The Authority appeared to have met its responsibilities regarding stewardship, compliance, and accountability for its fund.

NOTE 3: Detail Notes on All Programs

A. ASSETS

Deposits and Investments

The Authority's deposits include deposits with financial institutions. The Authority's deposits are either insured or are collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's name. The carrying amount of the Authority's deposits for cash and investments was \$267,335. The total amount of bank balances and investments was \$377,007. Of the bank balances, \$282,226 was covered by federal depository insurance and \$94,780 was covered by collateral held under the dedicated method. Restricted cash consists of cash restricted for the payment of security deposits.

The Authority's cash consist of checking and money market accounts which are short-term highly liquid investments that are considered cash and cash equivalents. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

The Authority's certificates of deposit consist of deposits with FDIC insured state banks with an original maturity in excess of ninety days. Certificates of deposit are stated at cost, which approximates fair value.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has no policy regarding interest rate risk. As of December 31, 2015, the Authority's risk of changes in interest rates is minimal since the investments primarily consist of certificates of deposit which have stated interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of December 31, 2015, the Authority mitigated their exposure to credit risk by only investing in fully insured certificates of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2015, none of the Authority's total bank balance, including certificates of deposit, was exposed to custodial credit risk.

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

Due from Other Government

The Authority had \$8,621 due from the Thomson Housing Authority for amounts over-reimbursed during fiscal year 2015.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 3: Detail Notes on All Programs (continued)

Due from HUD

The Authority had \$11,709 due from HUD for the following programs:

Public Housing Operating Subsidy	\$ 11,709
Total	<u>\$ 11,709</u>

The above amounts were received from HUD after year-end.

Capital Assets

The capital assets (at cost) of the Housing Authority of the City of Harlem at December 31, 2015 consisted of the following:

	Balance at Dec. 31, 2014	Additions	Deletions/ Adjustments	Transfers	Balance at Dec. 31, 2015
Nondepreciable Capital Assets:					
Land (nondepreciable)	\$ 58,477	\$ -	\$ -	\$ -	\$ 58,477
Construction in progress	-	-	-	-	-
Total Nondepreciable Assets	58,477	-	-	-	58,477
Depreciable capital assets:					
Buildings and improvements	2,154,267	-	-	-	2,154,267
Furniture, equip., vehicles	58,320	1,360	-	-	59,680
Total Depreciable Assets	2,212,587	1,360	-	-	2,213,947
Less accumulated depreciation for:					
Buildings and improvements	1,897,070	67,116	-	-	1,964,186
Furniture, equip., vehicles	52,341	4,910	-	-	57,251
Total Accumulated Depreciation	1,949,411	72,026	-	-	2,021,437
Total Depreciable Assets, net	263,176	(70,666)	-	-	192,510
Total Capital Assets, Net	\$ 321,653	\$ (70,666)	\$ -	\$ -	\$ 250,987

Depreciation expense was \$72,026 for the year ended December 31, 2015.

A summary of capital assets at December 31, 2015 is as follows:

	Low-Rent	Total
Land	\$ 58,477	\$ 58,477
Construction in progress	-	-
Buildings and improvements	2,154,267	2,154,267
Equipment	59,680	59,680
	2,272,424	2,272,424
Less: accumulated depreciation	(2,021,437)	(2,021,437)
Capital assets, net	\$ 250,987	\$ 250,987

B. LIABILITIES

Accounts Payable

The Authority had the following accounts payable at December 31, 2015:

Vendors	\$ 3,628
Utilities	4,054
	<u>\$ 7,682</u>

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 3: Detail Notes on All Programs (continued)

B. LIABILITIES (continued)

Unearned revenues

The Authority had unearned revenues as follows at December 31, 2015:

Prepaid rents \$ 1,257

Pension Plan Obligation

The Authority provides a defined contribution pension plan through Metropolitan Life for eligible full-time employees. The Board of Commissioners authorized participation in the pension plan. The pension plan was adopted on January 1, 1970. Employees are eligible for the plan after six months of service.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

As all employees are employees of the East Georgia Housing Authorities Partnership (EGHAP), EGHAP contributes an amount equal to 13.5% of each employee's annual compensation to the plan, with each member of EGHAP covering their share of the costs based on a percentage of units methodology. Pension expense totaled \$5,263 for the year ended December 31, 2015. Employees are not required to make, nor did they make, any contributions to the plan.

Noncurrent Liabilities

Changes in noncurrent liabilities are as follows:

	Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Less Amounts Due Within One Year	Noncurrent Balance 12/31/15
Accrued compensated absences	\$ 5,925	\$ 3,778	\$ (3,333)	\$ 6,370	\$ (1,592)	\$ 4,778
Total	\$ 5,925	\$ 3,778	\$ (3,333)	\$ 6,370	\$ (1,592)	\$ 4,778

C. NET POSITION

Schedule of Changes in Net Position:

	Investment In Capital Assets	Unrestricted Net Position	Total
Balance - beginning of year	\$ 321,653	\$ 264,130	\$ 585,783
Decrease in net position	-	(90,846)	(90,846)
Changes in investment in capital assets	(70,666)	70,666	-
Balance - end of year	\$ 250,987	\$ 243,950	\$ 494,937

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 4: Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

The Authority participates in the Housing Authority Risk Retention Group. The Group was established for the purposes of providing each member with indemnification and financial protection against, and risk management services with respect to, any risk of loss as may be agreed upon by the Member and the Group. The Group is required to assess an initial reserve contribution and periodic contributions, to establish a self insured retention fund and to arrange for reinsurance contracts for any excess insurance needed. The Group is allowed to assess retrospective increases in the periodic contributions to all members as a group based on the experience of all members as a group. The members of this Group are required to remit to the Group any required initial reserve contribution and the periodic contributions to comply with the terms of any risk management program developed by the Group.

The Authority has also joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Authority is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Authority is also to allow the pool's agents and attorneys to represent the Authority in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Authority within the scope of loss protection furnished by the funds.

If funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 5: Claims and Judgments

At December 31, 2015, the Authority was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority's attorney, there is no legal matter that will have a materially adverse affect on the Authority's financial position.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 6: Affiliated Authority

The Authority is affiliated with the East Georgia Housing Authorities Partnership (EGHAP). EGHAP is comprised of the Housing Authority of the City of Thomson, the Housing Authority of the City of Harlem, the Housing Authority of the City of Crawfordville, and the Housing Authority of the City of Warrenton. This partnership provides for centralized administrative and maintenance staff to run all authorities. Shared costs are allocated on a percentage of number of units methodology and charged monthly to the members. This affiliation does not meet the criteria under GASB 61 for the inclusion in the reporting entity of the Authority, nor does it represent a related party. As of December 31, 2015, the Authority had \$8,621 due from the Housing Authority of the City of Thomson for over payments made for the reimbursements of operating expenses paid by the Housing of the City of Thomson on behalf of the Authority.

NOTE 7: Conduit Type Debt

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE 8: Concentrations

For the year ended December 31, 2015, approximately 55.74% of revenues are received from the Department of Housing and Urban Development through various grants.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

NOTE 9: Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through August 4, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 10: Commitments and Contingencies

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Authority in the current and prior years. During the year ended December 31, 2015, the Authority had a review performed by federal and state agencies. A review was performed by HUD in July 2015.

Grant Disallowances: 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.

Construction Commitments: The Authority may have major construction projects in progress from time to time. These may include modernizing rental units at the project sites. As of December 31, 2015, the Authority did not have any construction related commitments.

SUPPLEMENTAL INFORMATION SECTION

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT AND CERTIFICATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS

December 31, 2015

-
-
1. The actual capital fund program costs of GA 169-501 (2013) are as follows:

	<u>GA 169-501 (2013)</u>
Funds approved	\$ 52,062
Funds expended	<u>(52,062)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 52,062
Funds expended	<u>(52,062)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$52,062.
3. All costs have been paid and all related liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

December 31, 2015

1. The capital fund program costs of GA169-501 (2010) are as follows:

	<u>GA169-501 (2010)</u>
Funds approved	\$ 70,530
Funds expended	<u>(70,530)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 70,530
Funds expended	<u>(70,530)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$0.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

December 31, 2015

1. The capital fund program costs of GA169-501 (2011) are as follows:

	<u>GA169-501 (2011)</u>
Funds approved	\$ 54,234
Funds expended	<u>(54,234)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 54,234
Funds expended	<u>(54,234)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$0.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

December 31, 2015

1. The capital fund program costs of GA169-501 (2012) are as follows:

	<u>GA169-501 (2012)</u>
Funds approved	\$ 50,203
Funds expended	<u>(50,203)</u>
Excess (deficiency) of funds approved	<u><u>\$ -</u></u>
Funds advanced	\$ 50,203
Funds expended	<u>(50,203)</u>
Excess (deficiency) of funds advanced	<u><u>\$ -</u></u>

2. Costs incurred during the current audit period totaled \$0.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF HARLEM

Harlem, Georgia

Schedule of Expenditures of Federal Awards
For the Twelve Months Ended December 31, 2015

FEDERAL GRANTOR	Federal CFDA Number	Program or Award Amount	Beginning Balance	Receipts	Disbursements or Expenditures	Ending Balance
U. S. Department of HUD Direct Programs: Public Housing:						
Public Housing Program	14.850	\$ 105,446	-	\$ 105,446	\$ 105,446	-
Capital Fund Program	14.872	\$ 52,062	-	52,062	52,062	-
Total HUD			-	\$ 157,508	\$ 157,508	-

This schedule includes the federal grant activity of the Housing Authority of the City of Harlem and is presented on the full accrual basis of accounting.

See auditor's report.

Housing Authority of the City of Harlem (GA169)
 HARLEM, GA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$228,489	\$228,489		\$228,489
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$6,620	\$6,620		\$6,620
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$235,109	\$235,109		\$235,109
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$11,709	\$11,709		\$11,709
124 Accounts Receivable - Other Government	\$8,621	\$8,621		\$8,621
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$1,360	\$1,360		\$1,360
126.1 Allowance for Doubtful Accounts - Tenants	-\$148	-\$148		-\$148
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud	\$14	\$14		\$14
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$21,556	\$21,556		\$21,556
131 Investments - Unrestricted	\$32,226	\$32,226		\$32,226
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$4,105	\$4,105		\$4,105
143 Inventories	\$10,087	\$10,087		\$10,087
143.1 Allowance for Obsolete Inventories	-\$1,010	-\$1,010		-\$1,010
144 Inter Program Due From				
145 Assets Held for Sale				

150 Total Current Assets	\$302,073	\$302,073	\$302,073	\$302,073
161 Land	\$58,477	\$58,477	\$58,477	\$58,477
162 Buildings	\$2,154,267	\$2,154,267	\$2,154,267	\$2,154,267
163 Furniture, Equipment & Machinery - Dwellings	\$59,680	\$59,680	\$59,680	\$59,680
164 Furniture, Equipment & Machinery - Administration				
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$2,021,437	-\$2,021,437	-\$2,021,437	-\$2,021,437
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$250,987	\$250,987	\$250,987	\$250,987
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	\$250,987	\$250,987	\$250,987	\$250,987
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$553,060	\$553,060	\$553,060	\$553,060
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$3,628	\$3,628	\$3,628	\$3,628
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$9,421	\$9,421	\$9,421	\$9,421
322 Accrued Compensated Absences - Current Portion	\$1,592	\$1,592	\$1,592	\$1,592
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$26,773	\$26,773	\$26,773	\$26,773
341 Tenant Security Deposits	\$6,620	\$6,620	\$6,620	\$6,620
342 Unearned Revenue	\$1,257	\$1,257	\$1,257	\$1,257
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				

345 Other Current Liabilities	\$4,054	\$4,054	\$4,054
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$53,345	\$53,345	\$53,345
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$4,778	\$4,778	\$4,778
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$4,778	\$4,778	\$4,778
300 Total Liabilities	\$58,123	\$58,123	\$58,123
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$250,987	\$250,987	\$250,987
511.4 Restricted Net Position	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$243,950	\$243,950	\$243,950
513 Total Equity - Net Assets / Position	\$494,937	\$494,937	\$494,937
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$553,060	\$553,060	\$553,060

Housing Authority of the City of Harlem (GA169)
 HARLEM, GA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2015

Project Total Subtotal ELIM Total

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$119,328	\$119,328		\$119,328
70400 Tenant Revenue - Other	\$5,591	\$5,591		\$5,591
70500 Total Tenant Revenue	\$124,919	\$124,919	\$0	\$124,919
70600 HUD PHA Operating Grants	\$157,508	\$157,508		\$157,508
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue	\$0	\$0	\$0	\$0
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$173	\$173		\$173
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue				
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$282,600	\$282,600	\$0	\$282,600
91100 Administrative Salaries	\$27,186	\$27,186		\$27,186
91200 Auditing Fees	\$5,258	\$5,258		\$5,258
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				

91500	Employee Benefit contributions - Administrative	\$16,505	\$16,505	\$16,505	\$16,505
91600	Office Expenses	\$23,354	\$23,354	\$23,354	\$23,354
91700	Legal Expense	\$1,672	\$1,672	\$1,672	\$1,672
91800	Travel	\$11,120	\$11,120	\$11,120	\$11,120
91810	Allocated Overhead				
91900	Other				
91000	Total Operating - Administrative	\$85,095	\$85,095	\$0	\$85,095
92000	Asset Management Fee				
92100	Tenant Services - Salaries				
92200	Relocation Costs				
92300	Employee Benefit Contributions - Tenant Services				
92400	Tenant Services - Other	\$16	\$16	\$16	\$16
92500	Total Tenant Services	\$16	\$16	\$0	\$16
93100	Water	\$10,074	\$10,074	\$10,074	\$10,074
93200	Electricity	\$4,492	\$4,492	\$4,492	\$4,492
93300	Gas	\$26,604	\$26,604	\$26,604	\$26,604
93400	Fuel				
93500	Labor				
93600	Sewer	\$10,074	\$10,074	\$10,074	\$10,074
93700	Employee Benefit Contributions - Utilities				
93800	Other Utilities Expense				
93000	Total Utilities	\$51,244	\$51,244	\$0	\$51,244
94100	Ordinary Maintenance and Operations - Labor	\$31,505	\$31,505	\$31,505	\$31,505
94200	Ordinary Maintenance and Operations - Materials and Other	\$12,021	\$12,021	\$12,021	\$12,021
94300	Ordinary Maintenance and Operations Contracts	\$84,327	\$84,327	\$84,327	\$84,327
94500	Employee Benefit Contributions - Ordinary Maintenance	\$17,678	\$17,678	\$17,678	\$17,678
94000	Total Maintenance	\$145,531	\$145,531	\$0	\$145,531
95100	Protective Services - Labor				
95200	Protective Services - Other Contract Costs				
95300	Protective Services - Other				
95500	Employee Benefit Contributions - Protective Services				
95000	Total Protective Services	\$0	\$0	\$0	\$0
96110	Property Insurance	\$3,198	\$3,198	\$3,198	\$3,198

96120	Liability Insurance	\$1,881	\$1,881	\$1,881	\$1,881
96130	Workmen's Compensation	\$2,630	\$2,630	\$2,630	\$2,630
96140	All Other Insurance	\$4,063	\$4,063	\$4,063	\$4,063
96100	Total Insurance Premiums	\$11,772	\$11,772	\$0	\$11,772
96200	Other General Expenses				
96210	Compensated Absences	\$3,778	\$3,778	\$3,778	\$3,778
96300	Payments in Lieu of Taxes	\$2,130	\$2,130	\$2,130	\$2,130
96400	Bad debt - Tenant Rents	\$1,854	\$1,854	\$1,854	\$1,854
96500	Bad debt - Mortgages				
96600	Bad debt - Other				
96800	Severance Expense				
96000	Total Other General Expenses	\$7,762	\$7,762	\$0	\$7,762
96710	Interest of Mortgage (or Bonds) Payable				
96720	Interest on Notes Payable (Short and Long Term)				
96730	Amortization of Bond Issue Costs				
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900	Total Operating Expenses	\$301,420	\$301,420	\$0	\$301,420
97000	Excess of Operating Revenue over Operating Expenses	-\$18,820	-\$18,820	\$0	-\$18,820
97100	Extraordinary Maintenance				
97200	Casualty Losses - Non-capitalized				
97300	Housing Assistance Payments				
97350	HAP Portability-In				
97400	Depreciation Expense	\$72,026	\$72,026	\$72,026	\$72,026
97500	Fraud Losses				
97600	Capital Outlays - Governmental Funds				
97700	Debt Principal Payment - Governmental Funds				
97800	Dwelling Units Rent Expense				
90000	Total Expenses	\$373,446	\$373,446	\$0	\$373,446
10010	Operating Transfer In				
10020	Operating transfer Out	\$52,062	\$52,062	-\$52,062	\$0
10030	Operating Transfers from/to Primary Government	-\$52,062	-\$52,062	\$52,062	\$0
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								
10092	Inter Project Excess Cash Transfer Out								
10093	Transfers between Program and Project - In								
10094	Transfers between Project and Program - Out								
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$90,846	-\$90,846	-\$90,846	-\$90,846	\$0	-\$90,846	\$0	-\$90,846
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$585,783	\$585,783	\$585,783	\$585,783	\$585,783	\$585,783	\$585,783	\$585,783
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								
11180	Housing Assistance Payments Equity								
11190	Unit Months Available	528	528	528	528	528	528	528	528
11210	Number of Unit Months Leased	519	519	519	519	519	519	519	519
11270	Excess Cash	\$212,293	\$212,293	\$212,293	\$212,293	\$212,293	\$212,293	\$212,293	\$212,293
11610	Land Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11620	Building Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11630	Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11650	Leasehold Improvements Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11660	Infrastructure Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13510	CFPP Debt Service Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13901	Replacement Housing Factor Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

OTHER INFORMATION SECTION

Phillip C. Jarrell, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Harlem
Harlem, Georgia

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Harlem, which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon August 4, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Harlem's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Harlem's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Harlem's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified a certain deficiency in internal control that I consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority of the City of Harlem's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses as 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Harlem's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as 2015-001.

Housing Authority of the City of Harlem's Response to Findings

The Housing Authority of the City of Harlem's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The Housing Authority of the City of Harlem's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
August 4, 2016

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

December 31, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Section I - Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	Yes

Section II - Financial Statement Findings:

The following audit findings relating to this area for the period ended December 31, 2015:

Finding

No.
2015-001

East Georgia Housing Authorities Partnership (EGHAP) Reimbursement of Expenses

Criteria:

The Housing Authority of the City of Harlem is a member of the East Georgia Housing Authorities Partnership "EGHAP", a consortium of the Housing Authority of the City of Thomson, the Housing Authority of the City of Warrenton, the Housing Authority of the City of Harlem, and the Housing Authority of the City of Crawfordville. In accordance with Section 13 of the Consortium Agreement, all operating expenses are to be paid by Thomson Housing Authority, the "lead agency" in the consortium, on a monthly reimbursement basis from the other three authorities based on a percentage of units for each Authority.

Condition:

It was determined during review of accounts payable that the reimbursement of expenses had not been made timely and accurately resulting in an outstanding receivable at year-end between Authorities in the amount of \$8,621.

Questioned

Costs:

None.

Effect:

The Authority is not in compliance with Section 13 of the Consortium Agreement, which states that monthly reimbursement of expenses should be made to the lead agency. As a result, the lead agency's cash balance during the year did not reflect the correct balance due to receivables due from the other Authorities.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

December 31, 2015

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding

No.

2015-001

East Georgia Housing Authorities Partnership (EGHAP) Reimbursement of Expenses (continued)

Cause:

Internal controls were not in place to ensure compliance with Section 13 of the Consortium Agreement.

Recommendation:

It is our recommendation that the Authority strengthen internal controls over financial reporting for the Consortium. This should include procedures which include monthly review and approval of expenses incurred and the reimbursements made to the lead agency in accordance with Section 13 of the Consortium Agreement. Additionally, this process should include providing the Fee Accountant with supporting documentation to properly account for these reimbursements among EGHAP members.

Management

Response: We will implement controls to ensure that all reimbursements are made timely.

HOUSING AUTHORITY OF THE CITY OF HARLEM

Harlem, Georgia

December 31, 2015

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The prior audit report for the period ended December 31, 2014 contained the following audit finding:

Finding

No.
2014-001

East Georgia Housing Authorities Partnership (EGHAP) Reimbursement of Expenses

Audit fieldwork determined that this finding still exists. See current year finding 2015-001.

2014-002

Unaudited Financial Data Schedule submission contained material errors

Audit fieldwork determined that this condition no longer exists.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

December 31, 2015

CORRECTIVE ACTION PLAN

The following is the corrective action planned by the Authority regarding the current audit findings for the year ended December 31, 2015:

Finding

No.

2015-001

East Georgia Housing Authorities Partnership (EGHAP) Reimbursement of Expenses

We will implement controls to ensure that all necessary reimbursements are made timely.

Date of completion: Ongoing

Contact person

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