

**Redevelopment Authority
of the City of Harrisburg
(A Component Unit of the
City of Harrisburg)**

Financial Statements and
Supplementary Information

Year Ended December 31, 2023
with Independent Auditor's Reports

MaherDuessel

A horizontal bar graphic located below the company name. It consists of a solid black segment on the left and a blue gradient segment on the right.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

YEAR ENDED DECEMBER 31, 2023

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REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Board of Directors
Redevelopment Authority of the City of Harrisburg**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Authority of the City of Harrisburg (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic

financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary 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 December 10, 2024 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 solely 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 the effectiveness of the Authority's 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.

Maher Duessel

Harrisburg, Pennsylvania
December 10, 2024

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION

DECEMBER 31, 2023

Assets	Governmental Activities
Current assets:	
Cash	\$ 277,005
Accounts receivable	224,105
Due from other governments	1,158,606
Loans receivable	20,302
Lease receivable	809,643
Total current assets	<u>2,489,661</u>
Non-current assets:	
Restricted investments	1,199,901
Loans receivable	44,090
Lease receivable	4,563,370
Capital assets, not being depreciated	30,000
Capital assets, being depreciated, net	30,054,177
Total non-current assets	<u>35,891,538</u>
Total Assets	<u>38,381,199</u>
Liabilities	
Current liabilities:	
Accounts payable	1,188,637
Due to primary government	7,540,580
Unearned grant revenue	33,204
Security deposits	5,500
Current portion of long-term debt	2,119,037
Current portion of compensated absences	12,025
Total current liabilities	<u>10,898,983</u>
Non-current liabilities:	
Long-term debt	16,574,047
Compensated absences	22,037
Total non-current liabilities	<u>16,596,084</u>
Total Liabilities	<u>27,495,067</u>
Deferred Inflows of Resources	
Deferred inflow of resources for leases	<u>14,518,145</u>
Net Position	
Net investment in capital assets	(3,923,886)
Restricted:	
Revolving loan	20,302
Blight remediation	14,827
Unrestricted	256,744
Total Net Position	<u>\$ (3,632,013)</u>

The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Community development	\$ 13,676,692	\$ 9,160,058	\$ 4,743,436	\$ -	\$ 226,802
Blight remediation	2,865	-	-	-	(2,865)
Total Governmental Activities	<u>\$ 13,679,557</u>	<u>\$ 9,160,058</u>	<u>\$ 4,743,436</u>	<u>\$ -</u>	<u>223,937</u>
General revenues:					
Miscellaneous income					150,896
Investment income					69,894
Total general revenues					<u>220,790</u>
Change in Net Position					<u>444,727</u>
Net Position:					
Beginning of year					<u>(4,076,740)</u>
End of year					<u>\$ (3,632,013)</u>

The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	General	Transportation Center	CSM	Land Bank	Total
Assets					
Cash	\$ 102,623	\$ 62,871	\$ 96,684	\$ 14,827	\$ 277,005
Accounts receivable	107,826	99,296	16,983	-	224,105
Due from other governments	-	1,158,606	-	-	1,158,606
Restricted investments	1,199,901	-	-	-	1,199,901
Loans receivable	-	-	64,392	-	64,392
Lease receivable	4,876,089	56,289	440,635	-	5,373,013
Total Assets	\$ 6,286,439	\$ 1,377,062	\$ 618,694	\$ 14,827	\$ 8,297,022
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ 1,184,660	\$ 3,977	\$ -	\$ 1,188,637
Due to primary government	7,413,404	-	127,176	-	7,540,580
Unearned grant revenue	-	-	33,204	-	33,204
Security deposits	3,500	-	2,000	-	5,500
Total Liabilities	7,416,904	1,184,660	166,357	-	8,767,921
Deferred Inflows of Resources:					
Leases	14,021,221	56,289	440,635	-	14,518,145
Fund Balance:					
Nonspendable:					
Loans receivable	-	-	44,090	-	44,090
Restricted:					
Repayment of the 1998 Guaranteed					
Revenue Bonds	1,199,901	-	-	-	1,199,901
Revolving loan program	-	-	20,302	-	20,302
Blight remediation	-	-	-	14,827	14,827
Committed:					
Transportation Center	-	136,113	-	-	136,113
Real estate development	-	-	-	-	-
Unassigned	(16,351,587)	-	(52,690)	-	(16,404,277)
Total Fund Balance	(15,151,686)	136,113	11,702	14,827	(14,989,044)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,286,439	\$ 1,377,062	\$ 618,694	\$ 14,827	\$ 8,297,022

The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2023

Total Fund Balance - Governmental Funds			\$ (14,989,044)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

			30,084,177
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Long-term liabilities are not due and payable in the current period and are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Long-term debt	\$ (18,693,084)		
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Compensated absences	(34,062)	(18,727,146)	
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Total Net Position - Governmental Activities			<u>\$ (3,632,013)</u>
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The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2023

	General	Transportation Center	CSM	Land Bank	Total
Revenues:					
Service revenue	\$ 224,957	\$ -	\$ 6,077	\$ -	\$ 231,034
Intergovernmental revenue	279,535	4,444,105	-	-	4,723,640
Investment income (loss)	65,274	43	4,557	20	69,894
Other rental income	-	45,548	-	-	45,548
Miscellaneous income	64,485	86,034	-	-	150,519
Space rental income	7,953,089	740,972	176,254	-	8,870,315
Total revenues	8,587,340	5,316,702	186,888	20	14,090,950
Expenditures:					
Current:					
Program expenditures	334,444	5,415,031	250,560	2,865	6,002,900
Debt service:					
Principal	2,040,000	2,614	30,608	-	2,073,222
Interest	442,687	167	21,294	-	464,148
Total expenditures	2,817,131	5,417,812	302,462	2,865	8,540,270
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,770,209	(101,110)	(115,574)	(2,845)	5,550,680
Other Financing Sources (Uses):					
Transfers in	90,474	229,294	-	-	319,768
Transfers out	(229,294)	-	(90,474)	-	(319,768)
Total other financing sources (uses)	(138,820)	229,294	(90,474)	-	-
Net Change in Fund Balance	5,631,389	128,184	(206,048)	(2,845)	5,550,680
Fund Balance:					
Beginning of year	(20,783,075)	7,929	217,750	17,672	(20,539,724)
End of year	\$ (15,151,686)	\$ 136,113	\$ 11,702	\$ 14,827	\$ (14,989,044)

The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance - Governmental Funds	\$ 5,550,680
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Also, loss on disposal of capital assets is reflected in the statement of activities.

Depreciation expense		(1,522,473)
Loss on disposal of leasehold improvements		(4,405,017)

Debt proceeds are reported as a financing source in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of principal on debt is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Payment of long-term debt	\$ 2,073,222	
Amortization on forgivable loan	<u>33,334</u>	2,106,556

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures until paid in the governmental funds.

Accretion of interest	(1,283,989)	
Change in compensated absences	<u>(1,030)</u>	<u>(1,285,019)</u>

Change in Net Position - Governmental Activities	\$ <u>444,727</u>
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The accompanying notes are an integral part of these financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

The Redevelopment Authority of the City of Harrisburg (Authority) is incorporated under the provisions of the Commonwealth of Pennsylvania Urban Development Act Number 385 of May 24, 1945, as amended, for the purpose of providing redevelopment and other related activities within the City of Harrisburg (City). The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

A summary of the Authority's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity

The Authority is considered a component unit of the City and the Authority's financial activities are included in the City's financial statements.

As required by GASB, the Authority has evaluated all related entities for possible inclusion in the financial reporting entity.

The following component unit has been included in the financial reporting entity as a blended component unit:

Harrisburg Land Bank

The Harrisburg Land Bank's (Land Bank) purpose is to deter blight and return vacant property to productive status, thereby enabling the transformation of vacant, blighted, abandoned, and tax-delinquent spaces into vibrant City places. The Land Bank was created under the Pennsylvania Land Bank Act. The Land Bank is governed by seven board members, five of which serve as members of the Authority and two appointed by the Mayor of the City. Operations are financed through contributions. The Land Bank does not issue separate audited financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Measurement Focus and Basis of Accounting

The basic financial statements of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

1. Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of applicable GASB pronouncements.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Capital assets are recorded in the government-wide financial statements and depreciated over their useful lives, rather than being expensed at the time of acquisition or construction.

Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The Authority chooses to eliminate the indirect costs between governmental activities to avoid a "doubling up" effect.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

2. Fund Financial Statements

The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Service revenue, investment, and space rental income associated with the current fiscal period are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Authority. Expenditures generally are recorded when a liability is incurred.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Non-current portions of long-term receivables due to governmental funds are reported on the balance sheets in spite of the spending measurement focus.

Purchases and construction of capital assets are recognized as expenditures and the asset value is not capitalized in the governmental funds.

Because of the spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since noncurrent liabilities do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities unless due and payable.

The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when due and payable.

Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB pronouncements. The following are the Authority's major funds:

General Fund

The General Fund is used to account for all financial resources except those reported in another fund. Revenues of this fund are primarily derived from state and federal grants, and fees for services. Many of the basic activities of the Authority are accounted for in this fund.

Transportation Center Fund

The Transportation Center Fund is used to account for the proceeds of revenues and expenditures related to the operation of the train station.

In May 2024, the Authority gave notice to National Railroad Passenger Corporation (Amtrak) that the Authority is exercising its rights under Section 2(a) of the Original Master Lease and Section 1.04 of the Original Leaseback Lease, as amended, to

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

terminate its role as lessor/landlord of the Harrisburg Transportation Center effective June 28, 2024.

Contract Service & Maintenance (CSM) Fund

The CSM Fund is used to account for various redevelopment projects, including the related revenues and expenditures of projects within the City.

Land Bank Fund

The Land Bank Fund is used to account for costs to deter blight and return vacant property to productive status, thereby enabling the transformation of vacant, blighted, abandoned, and tax-delinquent spaces into vibrant City places.

Cash

For the purpose of financial reporting, the Authority considers all unrestricted demand and savings accounts or short-term investments with an original maturity of three months or less to be cash.

Accounts Receivable

Accounts receivable consists of administrative fees for the General Fund, tenant parking and tenant rent for the Transportation Center Fund, and other miscellaneous receivables in each fund. The Authority uses the specific write-off method in recording uncollectible accounts.

Due from other governments

Due from other governments consists of grant-related expenditures incurred as of December 31, 2023 and not yet received from the grantor.

Loans Receivable

Loans receivable consists of loans made to various entities for redevelopment projects within the City. The loans vary in term and require full payment of principal and interest at the end of the loan term. As of December 31, 2023, there was \$64,392 of loans receivable in the CSM Fund.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The Authority also received two Up-Front Grants in the General Fund in the amount of \$10.6 million from the United States Department of Housing and Urban Development for a redevelopment project within the City. The grant funds were loaned to developers for use in connection with a low-income housing project. The loans vary in term and require full payment of principal and interest at the end of the loan term. By their nature, the likelihood that these loans will be collected is remote and, as a result, the loans recorded are completely offset with an allowance for doubtful accounts at December 31, 2023.

Leases

As discussed further in Note 5, the Authority is a lessor for noncancellable leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow or resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow or resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Interfund Transactions

The Authority records a variety of transactions between the funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2023, appropriate interfund receivables or payables have been established.

Accrued Compensated Absences

The Authority's employees are granted vacation benefits in varying amounts depending on the number of years of service. Employees may accumulate up to 37.5 hours of vacation leave, which may be carried over to subsequent years. Sick leave benefits accrue up to a maximum of 675 hours, but can only be used as sick time and not taken in pay. Sick leave accumulated in excess of 675 hours may be converted, at the discretion of the Executive Director, to vacation time. The conversion of sick leave to vacation leave will occur on the ratio of three (3) hours excess sick leave to one (1) hour vacation leave. The vacation leave accrued in this manner may be carried over to the new calendar year in addition to the maximum vacation leave carryover otherwise permitted. The liability related to compensated absences is reported on the statement of net position.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Investments

Restricted investments represent resources set aside for liquidation of specific obligations, as detailed in Note 3.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

Capital Assets

Capital assets of the Authority result from expenditures in the governmental funds. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at historical cost at the acquisition date. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The Authority maintains a capitalization threshold of \$5,000 for vehicles, equipment, and furniture and fixtures. Leasehold improvements, land improvements, buildings, and building improvements have a capitalization threshold of \$25,000. All capital assets are depreciated, except for land, land improvements (excavation, fill, grading, landscaping), construction in progress, easements, and rights of way.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	30-40 years
Land improvements	20 years
Furniture and fixtures	10 years
Leasehold improvements	7-10 years
Vehicles	7-10 years
Equipment	5 years

Due to Authority's termination of its operational management of the Harrisburg Transportation Center effective June 28, 2024, a loss on disposal of leasehold improvements totaling \$4,405,017 is reflected in the December 31, 2023 financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, and intangible assets, into one component of net position. Restricted investments and the lease receivable increase the balance in this category. Accumulated depreciation, deferred lease revenue, and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions of enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the Authority not restricted for any project or other purpose.

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

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

- *Nonspendable* – This category represents funds that are not in spendable form.
- *Restricted* – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- *Committed* - This category represents funds that are limited in use due to the constraints on purpose and circumstances of spending imposed by the Board of Directors (Board). Such commitment is made via a Board resolution and must be

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

made prior to the end of the calendar year. Removal of the commitment requires a Board resolution.

- Unassigned – This category represents all other funds not otherwise defined.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first. Unassigned fund balance is applied last.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in 2023. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Current Year Changes in Accounting Principles

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Authority's financial statements for the year ended December 31, 2023.

Pending Changes in Accounting Principles

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

2. Deposits and Investments

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

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

As of December 31, 2023, the Authority's book balance was \$277,005 and the bank balance was \$310,447. The full bank balance was covered by federal depository insurance.

Investments

The fair value of the investments of the Authority at December 31, 2023 was as follows:

Investments	Fair Value
Money market funds	\$ 1,199,901
Total investments	<u>\$ 1,199,901</u>

The money market funds are valued using quoted market prices (Level 1 inputs).

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

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority's investments in money market funds are not exposed to concentration of credit risk.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Credit Risk – The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. The Authority’s investments had the following level of exposure to credit risk as of December 31, 2023:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 1,199,901	AAA

Interest Rate Risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority’s money market funds have a related average maturity of less than one year as of December 31, 2023.

3. Restricted Investments

Investments whose use is limited to a specific purpose have been classified as restricted in the balance sheet and statement of net position. Restricted investments are composed of the following:

Governmental Funds:

General Fund:

Restricted for repayment of the 1998 Guaranteed

Revenue Bonds \$ 1,199,901

Total restricted investments \$ 1,199,901

4. Advances from Other Funds/Transfers

The Authority records advances from other funds for amounts that one fund loans to another fund or for the value of expenditures that one fund pays on behalf of another fund. At December 31, 2023, the advances from other funds were not expected to be repaid and were reported as transfers between the funds.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

A summary of the Authority's transfers at December 31, 2023 is as follows:

	Transfers in	Transfers out
General Fund	\$ 90,474	\$ 229,294
Transportation Center Fund	229,294	-
CSM Fund	-	90,474
	<u>\$ 319,768</u>	<u>\$ 319,768</u>

5. Lease Receivable, Deferred Lease Revenue, and Rental Income

General Fund

The Authority received ownership of the Verizon Building after expiration of the lease with Verizon, which terminated on February 29, 2016. Upon expiration of the lease with Verizon, the Harristown Development Corporation (HDC) leased the Verizon Building from the Authority pursuant to a lease agreement entered into on January 30, 2015. HDC also entered into another agreement with the Department of General Services of the Commonwealth of Pennsylvania (DGS) to sublease the Verizon Building (DGS lease).

The term of the DGS lease, associated with the SO3 Tower of Strawberry Square, commenced March 1, 2016, the day after the expiration of the Verizon Lease, and expires by its terms on February 28, 2033. For the period from March 1, 2016 to March 31, 2025, monthly installments are due to the Authority in the amount of \$50,000 per month. For the period April 1, 2025 to February 28, 2033, monthly installments are due to the Authority in the amount of \$62,500 per month. These rentals, obtained from the DGS lease and paid by HDC to the Authority, are expected to pay a portion of the payments due on the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

The term of the DGS lease, associated with the SO1 and SO2 Towers of Strawberry Square, commenced March 1, 2016, the day after the expiration of the Verizon Lease, and expires by its terms on April 1, 2025. The rentals, obtained from the DGS lease and paid by HDC to the Authority, were expected to pay a portion of the payments due on the Federally Taxable Guaranteed Revenue Bonds, Series B of 1998. However, the lease rentals were paid up-front through the Commonwealth of Pennsylvania's issuance of the Certificates of Participation, Series 2016 on December 15, 2016, as further discussed in Note 7. The lease rentals paid up-front are recorded as deferred lease revenue as of December 31, 2023.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The deferred lease revenue in the amount of \$14,021,221 at December 31, 2023 is reduced annually by the amount of rental income recognized over the term of the lease using the straight-line approach. During the year ended December 31, 2023, the Authority recognized \$7,114,903 of rental income.

The present value of the future minimum lease payments at December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 577,100
2025	617,902
2026	629,600
2027	587,525
2028	548,625
2029-2033	<u>1,915,337</u>
Total	<u>\$ 4,876,089</u>

Transportation Center Fund

The Authority leases space and parking to a commercial rail company and other tenants with lease ending dates varying. Of the space and parking that is leased, only certain space leases are considered to be noncancellable leases. As mentioned in Note 1, the Authority terminated its role as lessor/landlord of the Harrisburg Transportation Center effective June 28, 2024. As a result of assigning the associated leases from the Authority to Amtrak beginning in July 2024, only six months of noncancellable leases were included in receivables and deferred inflows of resources as of December 31, 2023.

The Authority has receivables and deferred inflows of resources associated with these noncancellable leases that will be recognized as revenue over the lease terms. As of December 31, 2023, the Authority's receivables and deferred inflows of resources for lease payments was \$56,289. The Authority recognized \$146,623 in lease revenue during the year ended December 31, 2023 relating to these noncancellable leases.

The Authority recognized \$594,349 in lease revenue during the year ended December 31, 2023 relating to cancellable leases.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CSM Fund

Additionally, the Authority, through the CSM Fund, leases space to a non-profit corporation with a lease ending date of June 30, 2026. This lease is considered to be a noncancellable lease.

The Authority has receivables and deferred inflows of resources associated with this noncancellable lease that will be recognized as revenue over the lease term. As of December 31, 2023, the Authority's receivables and deferred inflows of resources for lease payments was \$440,635. The Authority recognized \$176,254 in lease revenue during the year ended December 31, 2023 relating to this noncancellable lease.

Minimum rentals on the noncancellable lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 176,254
2025	176,254
2026	88,127
	<u>\$ 440,635</u>

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Capital Assets

The changes in the Authority's capital assets for the year ended December 31, 2023 were as follows:

	January 1, 2023	Additions	Retirements	December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets, not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets, being depreciated:				
Buildings	2,093,040	-	-	2,093,040
Buildings - leased	38,847,761	-	-	38,847,761
Vehicles	36,905	-	-	36,905
Leasehold improvements	6,861,227	-	(6,861,227)	-
Total capital assets, being depreciated	<u>47,838,933</u>	<u>-</u>	<u>(6,861,227)</u>	<u>40,977,706</u>
Less accumulated depreciation for:				
Buildings	706,401	52,326	-	758,727
Buildings - leased	8,848,654	1,294,925	-	10,143,579
Vehicles	17,532	3,691	-	21,223
Leasehold improvements	2,284,679	171,531	(2,456,210)	-
Total accumulated depreciation	<u>11,857,266</u>	<u>1,522,473</u>	<u>(2,456,210)</u>	<u>10,923,529</u>
Total capital assets being depreciated, net	<u>35,981,667</u>	<u>1,522,473</u>	<u>(4,405,017)</u>	<u>30,054,177</u>
Total capital assets, net	<u><u>\$ 36,011,667</u></u>	<u><u>\$ 1,522,473</u></u>	<u><u>\$ (4,405,017)</u></u>	<u><u>\$ 30,084,177</u></u>

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

7. Long-term Debt

Long-term debt activity for the year ended December 31, 2023 was as follows:

	January 1, 2023	Additions/ Accretion	Retirements/ Amortization	December 31, 2023	Current Portion
Direct Borrowings:					
Note payable - FHLB/Citizens	\$ 50,002	\$ -	\$ (33,334)	\$ 16,668	\$ 16,668
Note payable - First National Bank	275,019	-	(30,608)	244,411	32,369
Financed purchase - Ally Financial	2,614	-	(2,614)	-	-
Due to other government	170,832	-	-	170,832	-
Direct Placement:					
1998 Series A Guaranteed Revenue Bonds	19,017,184	1,283,989	(2,040,000)	18,261,173	2,070,000
	<u>\$ 19,515,651</u>	<u>\$ 1,283,989</u>	<u>\$ (2,106,556)</u>	<u>\$ 18,693,084</u>	<u>\$ 2,119,037</u>

The following is an analysis of debt service requirements to maturity on the long-term debt using the interest rates in effect at December 31, 2023:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 2,119,037	\$ 19,533	\$ 2,138,570
2025	2,123,406	16,672	2,140,078
2026	2,158,183	13,719	2,171,902
2027	2,191,558	10,344	2,201,902
2028	2,225,231	6,671	2,231,902
2029-2033	16,644,496	2,735	16,647,231
	27,461,911	<u>\$ 69,674</u>	<u>\$ 27,531,585</u>
Unamortized discount on capital appreciation bonds	<u>(8,768,827)</u>		
	<u>\$ 18,693,084</u>		

On November 10, 2008, the Authority entered into a loan agreement with Citizens Bank in the amount of \$500,000. The proceeds of the loan were used to finance the construction of Susquehanna Harbor Safe Haven (SHSH). The loan was facilitated through a Direct Subsidy

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

agreement. Under this agreement, the loan balance is to be forgiven over a fifteen-year period, given that certain compliance requirements are met. In the event of default, the entire amount under the Direct Subsidy agreement would become due and payable.

On November 10, 2008, the Authority entered into a loan agreement with First National Bank, formerly Metro Bank of Harrisburg, in the amount of \$650,000. The proceeds from the loan were used for construction of the SHSH project. The loan bears interest of 4.83% for the first three years and followed by prime thereafter until maturity in 2026. The interest rate at December 31, 2023 was 7.50%. In the event of default by the Authority, the interest rate shall automatically increase by 4.00% per annum.

On April 4, 2018, the Authority entered into a financed purchase with Ally Financial in the amount of \$35,405. The proceeds of the finance purchase were used to finance the purchase of a vehicle. The loan matured in April 2023 and bear interest at 6.54%.

Included in the Authority's long-term debt is \$170,832 due to another government. This amount relates to the closeout of a Weatherization project funded by the Commonwealth of Pennsylvania. At the time of closeout, it was determined that this balance was owed to the grantor; however, no request has been made for payment by the grantor. Additionally, the Authority has requested that the grantor waive the remaining obligation.

On December 19, 1998, the Authority issued Federally Taxable Guaranteed Revenue Bonds, Series A of 1998, in the face amount of \$41,680,000 and Series B of 1998 in the face amount of \$51,910,000 with interest rates of 6.7% and 5.1%, respectively. The Series A and Series B of 1998 are capital appreciation bonds. As such, the proceeds at the time of issuance were \$6,920,525 and \$16,716,758, respectively. The related proceeds of both issues were used to finance the acquisition of the Authority's right, title, and interest in and to certain portions of the Strawberry Square Site located in the City; to fund a debt service reserve fund for the 1998 bonds; and to pay costs of issuance. The Authority received ownership of the buildings in 2016. The Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 mature through 2033. The City guaranteed the repayment of this bond issue. The Federally Taxable Guaranteed Revenue Bonds, Series B of 1998 were refunded by the Commonwealth of Pennsylvania through issuance of the Certificates of Participation, Series 2016 on December 15, 2016.

A settlement agreement was entered into on January 30, 2015 between the City, Assured Guaranty Municipal Corporation (AGM), and the Authority related to certain portions of the

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Strawberry Square Site located in the City (Verizon Building) and subject to the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

If sufficient revenues are not generated to pay the debt service on the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998, any shortfalls in funds will be paid for by the City. In accordance with the Reimbursement Agreement between the City and the Authority, the Authority is required to reimburse the City for amounts paid by the City under the guarantee. Interest will accrue on amounts owed by the Authority at a rate of 8% annually. In September 2017 and 2018, \$500,000 was paid by the City to the Authority under the guarantee. In 2019, \$860,253 was paid by the City to the Authority under the guarantee. In 2020, \$940,000 was paid by the City to the Authority under the guarantee. In 2021 and 2022, \$950,000 was paid by the City to the Authority under the guarantee. In 2023, \$1,250,000 was paid by the City to the Authority under the guarantee. As of December 31, 2023, interest of \$1,463,151 was accrued on the amounts paid by the City. The total amount due to the City at December 31, 2023 is \$7,413,404 and is reported as due to primary government.

8. Litigation

From time to time, the Authority is involved in various lawsuits arising in the ordinary course of its activities. The Authority's management believes that the resolution of these actions is not expected to have a material adverse effect on the financial statements of the Authority.

9. Pension Plan

The Authority participates in a defined contribution pension plan (Plan) for their employees. The Plan was established on January 1, 1998. The Authority contributes 4.5% of each covered employee's gross compensation to the Plan. Each participant is also required to contribute 4.5% of gross compensation in the Plan. The Plan is administered and its assets are held in trust by MissionSquare Retirement. The Authority contributed \$22,318 to the Plan, which is approximately 4.5% of covered payroll in the amount of \$449,140. Each permanent (full-time or part-time) employee is eligible to participate. Plan members contributed \$23,125 for the year ended December 31, 2023.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Participants in the Plan vest according to the following schedule:

<u>Completed Years of Services</u>	<u>% Vested</u>
1	20
2	40
3	60
4	80
5	100

10. Fund Balance/Net Position Deficits

The following is a schedule of fund balance/net position deficits at December 31, 2023:

	<u>Deficit Amount</u>
Governmental Activities	\$ 3,632,013
General Fund	15,151,686

The Governmental activities deficit is related to the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 and the deferred lease revenue. The General Fund deficit is related to the deferred lease revenue. The deferred lease revenue will be reduced annually by the amount of rental income recognized over the term of the lease. The City guarantees the payment of the bonds.

11. Commitments and Contingencies

Grants

The Authority obtains grant revenue from federal and state sources. Should the funding source determine that the Authority has expended grant funds for purchases that are un-allowed under the grant contract, the Authority may have to pay back the funds. However, ultimate disallowance of any costs claimed is ultimately the responsibility of the granting agency. Accordingly, no adjustment has been made to the financial statements for any questioned costs pending final resolution by the granting agency.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Construction Commitments

During the year ended, the Authority entered into several construction contracts totaling \$5,857,528. Remaining outstanding commitments totaled \$1,433,042 as of December 31, 2023.

12. Related Party

The Authority has various contracts with the City, a related party, for property management and acquisition services. These activities are reflected in the CSM Fund of the Authority in the amount of \$27,194 for the year ended December 31, 2023. As of December 31, 2023, \$127,176 is included in Due to primary government for demolition costs.

During the year ended December 31, 2023, the Authority's General Fund received funding from the City approximating \$278,000 for 2023 operating costs.

SUPPLEMENTARY INFORMATION

**REDEVELOPMENT AUTHORITY OF
THE CITY OF HARRISBURG**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor Project Title	Assistance Listing Number	Grant/ Pass-Through Grantor's Number	Federal Grant Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation:				
Passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Transportation:				
Federal Transit Cluster:				
State of Good Repair Grants Program	20.525	CCA-G-21-22-RautHBG-00688	\$ 3,539,592	\$ -
Total Federal Transit Cluster and U.S. Department of Transportation			<u>3,539,592</u>	<u>-</u>
Total Expenditures of Federal Awards:			<u><u>\$ 3,539,592</u></u>	<u><u>\$ -</u></u>

See accompanying notes to schedule of expenditures of federal awards.

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Redevelopment Authority of the City of Harrisburg (Authority) under programs of the federal government for the year ended December 31, 2023. 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 select portion of operations of the Authority, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the Authority.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Summary of Significant Accounting Policies

Federal expenditures are reported using the modified accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Redevelopment Authority
of the City of Harrisburg
(A Component Unit of the
City of Harrisburg)**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended December 31, 2023

**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 Directors
Redevelopment Authority of the City of Harrisburg**

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 governmental activities and each major fund of the Redevelopment Authority of the City of Harrisburg (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2024.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Board of Directors
Redevelopment Authority of the City of Harrisburg
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

Report on 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 financial statements. 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*.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maher Duessel

Harrisburg, Pennsylvania
December 10, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Redevelopment Authority of the City of Harrisburg**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Redevelopment Authority of the City of Harrisburg (Authority)'s compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of 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, 2023.

Basis for Opinion on Each Major Federal Program

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

Redevelopment Authority of the City of Harrisburg
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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

Redevelopment Authority of the City of Harrisburg
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Maher Duessel

Harrisburg, Pennsylvania
December 10, 2024

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Program:

<u>Federal ALN(s)</u>	<u>Name of Federal Program</u>
20.525	Federal Transit Cluster: State of Good Repair Grants Program

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2023-001: Internal Control over Financial Reporting

Condition: During the audit process, various material adjustments were proposed by the auditors in order for the financial statements to be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financials). Using the information provided by management, the auditors prepared the GAAP financials, which were subsequently reviewed by management. These adjustments were necessary to correct lease receivables, deferred inflows of resources – leases, due to/from account balances, fund balance, grant revenue, expenditures, due from other governments, and accounts payable.

Criteria: Auditing standards place emphasis on determining an entity's ability to fully prepare their own external financial statements, including the posting of all adjustments necessary to present GAAP financials and evaluating the need for all necessary financial statement disclosures. Reliance on auditors to ensure comprehensive financial reporting is considered to be an internal control deficiency.

Cause: The Authority's internal control structure did not facilitate adequate review of the financial information.

Effect: Adjustments were required to be recorded in order for the financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend that the Authority implement controls over accounting and financial reporting and adopt policies and procedures in order to ensure proper recording of transactions and that the financial statements are prepared in accordance with GAAP.

Management's Response: See separate corrective action plan.

- III. Findings and questioned costs for federal awards.

None

**REDEVELOPMENT AUTHORITY OF
THE CITY OF HARRISBURG**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

No Single Audit in Prior Year.