

Housing Authority of the County of Erie

Single Audit

December 31, 2016

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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HOUSING AUTHORITY OF THE COUNTY OF ERIE

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

Board of Directors
Housing Authority of the County of Erie

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Erie (Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages i through iv and pages 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules, combining statement of net position, and combining statement of revenues, expenses, and change in net position are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The Financial Data Schedules, combining statement of net position, combining statement of revenues, expenses, and change in net position, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, combining statement of net position, combining statement of revenues, expenses, and change in net position, and the schedule of expenditures of federal awards are 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 July 19, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
July 19, 2017

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
Required Supplemental Information

The following Management's Discussion and Analysis (MD&A) of the Erie County Housing Authority (Authority) is to provide an introduction to the basic financial statements for the fiscal year ended December 31, 2016 with selected comparative information for the fiscal year ended December 31, 2015. This MD&A has been prepared by management and should be read in conjunction with the financial statements, notes to financial statements, and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

FINANCIAL HIGHLIGHTS

1. The assets of the Authority exceeded its liabilities at the close of fiscal year 2016 by \$5,012,159 (net position). Of this amount, \$947,405 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
2. Fixed assets decreased by \$199,145 primarily from the excess of current year depreciation expense over fixed assets additions.
3. Net position decreased by \$200,568 for the fiscal year ended December 31, 2016 due mainly to the depreciation of fixed assets.
4. Operating revenues increased \$253,187 primarily due to the increased government funding in our CDBG and Weatherization Programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Fixed assets are capitalized and depreciated, except for land, over their useful lives. The statement of net position presents information on all of the Authority's assets, deferred outflows and liabilities and deferred inflows and net position. Over time, the changes in net position usually serve as a useful indicator of whether the financial position of the Authority is improving. The statement of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the current fiscal year. This statement shows the total revenues and expenses of the Authority and the difference between them, the change in net position. The statement of cash flows presents the changes in cash resulting from operations, capital and financing activities, and investing activities. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

AUTHORITY ACTIVITY HIGHLIGHTS

Revenues and Expenses

The following is a summary of the results of operations of the Authority for the fiscal years ended December 31, 2016 and 2015.

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
Required Supplemental Information

	2016	2015
Operating revenues	\$6,734,569	\$6,481,382
Operating expenses	6,725,802	6,723,234
Operating Income	8,767	157,273
Non-Operating Revenue & Expenses, net	(209,335)	(350,381)
Change in net position	(200,568)	(193,108)
Total Net Position – Beginning of year	5,212,727	5,405,835
Prior period adjustments/transfers	0	0
Total Net Position – End of year	\$ 5,012,159	\$ 5,212,727

Operating revenues increased by \$253,187 due an increase of government funding in our CDBG and Weatherization Programs. Operating expenses increased by \$2,568.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended December 31, 2016 and 2015:

	2016	2015
Owned by Authority	195	195
Units under vouchers	1,054	1,054
Other vouchers	65	65
Total Housing Units Managed	1,314	1,314

The Section 8 Voucher lease up rate averaged 80 percent during the fiscal year ended December 31, 2016. It is anticipated that the program lease-up will stay the same during fiscal year 2017.

NET POSITION

Total net position decreased from the previous year by \$200,568. The largest component of net position is *net investment in capital assets*. The following table shows how this amount is calculated for the fiscal years ended December 31, 2016 and 2015:

	2016	2015
Capital Assets	\$15,301,991	\$15,104,286
Less capital related debt	-	-
Less accumulated depreciation	(11,574,937)	(11,178,087)
Total Net Investment In Capital Assets	\$ 3,727,054	\$ 3,926,199

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
Required Supplemental Information

FIXED ASSETS

Fixed Assets is the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2016 and 2015:

	2016	2015
Land	\$ 359,361	\$ 359,361
Building and Improvements	13,165,195	11,813,275
Furniture and equipment – dwellings	737,789	728,500
Furniture and equipment – administration	1,039,646	1,039,646
Total	\$ 15,301,991	\$ 15,104,286
Less: accumulated depreciation	(11,574,937)	(11,178,087)
Fixed assets, net	\$ 3,727,054	\$ 3,926,199

FINANCIAL POSITION

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets plus total deferred outflows less total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net position at December 31, 2016 and 2015:

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
Required Supplemental Information

	2016	2015
Assets		
Current assets	\$ 2,341,984	\$ 1,921,423
Fixed assets	3,727,054	3,926,199
Total assets	\$ 6,069,038	\$ 5,847,622
Deferred Outflows - Pension	\$ 342,043	\$ 150,588
Liabilities		
Current liabilities	\$ 273,687	\$ 193,724
Long-term liabilities	806,693	591,759
Total liabilities	\$ 1,080,380	\$ 785,483
Deferred Inflows – Voucher Program	\$ 318,542	\$ 0
Net position		
Net investment in capital assets	\$ 3,727,054	\$ 3,926,199
Restricted	19,158	75,669
Unrestricted	1,265,947	1,210,859
Total net position	\$ 5,012,159	\$ 5,212,727

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
Required Supplemental Information

Restricted position represents the result of a HUD directive to classify the unspent HAP revenue as restricted for future HAP payments.

SPECIAL NOTES

We received our January 2017 Section 8 Voucher Program HAP and Admin Revenue in December of 2016. These amounts were \$46,963 of Admin Revenue and \$318,542 of HAP Revenue. This early deposit increased our current liabilities by \$46,963 and our deferred inflows by \$318,542. Our unrestricted net position would otherwise have been \$1,265,947.

AUDITOR RECOMMENDATIONS

With the transition to a new Auditing Firm we have received recommendations to improve the operation of the Housing Authority. We have implemented or will be implementing these recommendation during the 2017 fiscal year to better improve internal controls.

DEBT ADMINISTRATION

The Authority has an open-ended line of credit with a local bank. The outstanding balance of that line was \$0 at December 31, 2016.

ECONOMIC FACTORS

According to the most current information available from U.S. Department of Housing and Urban Development, we may see a slight increase to the Public Housing operating subsidy amounts. Section 8 administrative fees are expected to remain the same in 2017. We will continue to monitor these funds and take corrective actions if there is any sign of shortfall.

REQUESTS FOR INFORMATION

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Michael McNierney, Executive Director.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

STATEMENT OF NET POSITION

DECEMBER 31, 2016

Assets and Deferred Outflows of Resources	
Assets:	
Current assets:	
Cash - unrestricted	\$ 1,774,734
Cash - restricted	337,700
Cash - tenant security deposits	29,838
Total cash	2,142,272
Accounts receivable - other governments	63,942
Accounts receivable - miscellaneous	72,562
Accounts receivable - tenants	12,207
Prepaid expenses and other assets	3,012
Inventories	47,989
Total current assets	2,341,984
Noncurrent assets:	
Capital assets, net	3,727,054
Total Assets	6,069,038
Deferred Outflows of Resources:	
Deferred outflows of resources for pension	342,043
Total Assets and Deferred Outflows of Resources	\$ 6,411,081

(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

STATEMENT OF NET POSITION

DECEMBER 31, 2016

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 126,196
Accrued wage and payroll taxes	2,943
Accrued compensated absences - current	63,190
Accounts payable - other government	4,557
Tenant security deposits	29,838
Unearned revenue	46,963
Total current liabilities	273,687
Noncurrent liabilities:	
Accrued compensated absences - non-current	74,662
Net pension liability	732,031
Total noncurrent liabilities	806,693
Total Liabilities	1,080,380
Deferred Inflows of Resources:	
Deferred inflows of resources - Voucher Program	318,542
Net Position:	
Net investment in capital assets	3,727,054
Restricted	19,158
Unrestricted	1,265,947
Total Net Position	5,012,159
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,411,081

(Concluded)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2016

Operating Revenues:

Net tenant revenue	\$ 804,030
HUD PHA operating grants	4,837,253
Other governmental grants	604,467
Other revenue	488,819
	<hr/>
Total operating revenues	6,734,569

Operating Expenses:

Housing assistance payments	3,714,406
Administrative	1,428,662
Tenant services	5,020
Utilities	304,575
Maintenance and operations	1,072,013
Insurance premiums	65,580
Other general expenses	135,546
	<hr/>
Total operating expenses	6,725,802

Operating Income (Loss)	<hr/> 8,767
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Non-Operating Revenues (Expenses):

Investment income - unrestricted	1,218
Investment income - restricted	33
Depreciation expense	(396,850)
Extraordinary maintenance	(2,151)
	<hr/>
Total non-operating revenues (expenses)	(397,750)

Capital Contributions:

HUD capital grants	<hr/> 188,415
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Change in Net Position	(200,568)
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Net position - beginning	<hr/> 5,212,727
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Net position - ending	<hr/> <hr/> \$ 5,012,159
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See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:

Operating grants received	\$ 5,785,415
Receipts from tenants	802,487
Other receipts	441,217
Payments to vendors for goods and services	(1,703,820)
Payments to employees and professionals	(1,176,610)
Housing assistance payments	(3,714,406)
Net cash provided by (used in) operating activities	434,283

Cash Flows From Capital and Related Financing Activities:

HUD capital grants	188,415
Purchases of capital assets	(199,856)
Net cash provided by (used in) capital and related financing activities	(11,441)

Cash Flows From Investing Activities:

Interest income	1,251
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Net Increase (Decrease) in Cash

424,093

Cash:

Beginning of year	1,718,179
End of year	\$ 2,142,272

(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:

Operating income (loss)	\$ 8,767
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
Accounts receivable	(74,877)
Prepaid expenses and other assets	84,464
Inventories	(6,055)
Deferred outflows of resources for pension	(191,455)
Accounts payable	29,453
Accrued payroll and related taxes	(9,654)
Accrued compensated absences	(3,423)
Tenant security deposits	3,922
Unearned revenue	46,963
Net pension liability	227,636
Deferred inflows of resources - Voucher Program	318,542
Total adjustments	425,516
Net cash provided by (used in) operating activities	\$ 434,283

(Concluded)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Authority of the County of Erie (Authority) was created and organized under the provisions of the Housing Authority Law of 1937 by the Commonwealth of Pennsylvania to administer housing and related programs for eligible low-income families and the elderly. Members of the Board of Directors are appointed by the County of Erie (County) and have complete authority over the operations and administration of the Authority's activities, subject to certain guidelines of the Department of Housing and Urban Development (HUD). The Authority is not considered to be a component unit of the County because, although the County appoints the governing body of the Authority, the County cannot impose its will on the Authority, and there is no financial burden or benefit relationship between the County and the Authority.

Basis of Accounting

The Authority is accounted for as a proprietary fund and is considered to be an Enterprise Fund and, as such, uses the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Enterprise Fund of the Authority is made up of the following programs:

Low Income Public Housing: Under the Low Income Public Housing (LIPH) Program, the Authority rents apartments that it owns to low-income households. The LIPH Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy funding to enable the Public Housing Authority (PHA) to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program: Under the Capital Fund Program, the Authority receives funding to rehabilitate and repair existing housing stock and to develop new housing. The Capital Fund Program operates under annual grants from HUD. These grants are formula based and not competitive awards. The Capital Fund Program is the primary funding source for physical and management improvements to the Authority's properties.

Section 8 New Construction: A program of Housing Assistance Payments administered by the Authority under the New Construction Section 8 Program.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Housing Choice Voucher Program: Under the Housing Choice Voucher (HCV) Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The HCV Program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participant's rent at 30% of household income.

Weatherization Programs: The weatherization programs consist of funds received from the Low-Income Home Energy Assistance program, the Weatherization Assistance for Low-Income Persons program, the Erie County Home Repair and Weatherization Interface Project, and the Utility Weatherization Program. The goal of these programs is to provide assistance and energy education to low-income owners or renters that are in need of improvements to reduce energy usage.

Community Development Block Grant: Represents grant funds that are passed through the Commonwealth of Pennsylvania and used for community development projects.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist of users' fees and governmental grants. Non-operating revenues and expenses consist of those revenues and expenses relating to capital items.

Budgets

The Authority's activities are governed by budgets which are established by the Board of Directors and are reviewed by its grantor agencies, chiefly HUD.

Cash

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Accounts Receivable

The Authority records the total amount of revenue billed or accrued in accounts receivable. The portion of accounts receivable not expected to be collected is offset by an allowance for uncollectible accounts, estimated based on historical experience.

Prepaid Expenses

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The cost of prepaid items is recorded as an expense when consumed.

Inventories

Inventories consist of expendable supplies held for consumption. They are valued at cost using the first-in, first-out method. Expenditures are recorded at the end of the fiscal year to reflect physical counts and supplies used (consumption method). Inventory balances relate entirely to the weatherization programs.

Capital Assets

All assets that exceed the Authority's capitalization policy threshold of \$5,000 are stated at cost and include improvements that extend the physical or economic life of the asset. Hard modernization costs, the purchase of capital assets, and the major construction or improvements to public housing property, are capitalized. Soft modernization costs, which do not extend the useful life of an asset, along with routine repair and maintenance costs, are charged to operations as incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the individual assets concerned as follows:

Buildings	40 years
Building improvements	15 Years
Furniture, equipment, and machinery	7 Years

Compensated Absences

Unused employee vacation time is accumulated and paid upon resignation, retirement, or termination. The amount of the compensated absence liability is

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

accrued and expensed as earned. Unused sick leave is not paid and, therefore, is not subject to accrual.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classifications of Net Position

The following are the three categories of net position:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – This component of net position consists of constraints placed on use of assets through external restrictions. Restricted net position for the year ended December 31, 2016 consisted of Section 8 Housing Choice Voucher funds that must be used for activities related to the provision of tenant-based rental assistance.
- Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Use of Restricted and Unrestricted Resources

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

Unearned Revenue

The Authority's unearned revenue primarily consists of administrative fees received from HUD for a future period.

Deferred Outflows/Inflows of Resources

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(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority currently has deferred outflows related to its pension (Note 7) reported on the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has deferred inflows related to housing assistance grant funding received from HUD relating to a future period.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 73 (Pensions not in Scope of GASB 68), 74 (OPEB Plans), 75 (OPEB Employer), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), and 85 (Omnibus). Management does not anticipate that these statements will have a significant impact on the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Reclassification

Certain prior year amounts were reclassified to conform to the current year presentation.

2. CASH

Statutes allow the Authority to invest in direct obligations of the federal government backed by the full faith and credit of the United States of America, obligations of federal government agencies, securities of government-sponsored agencies, commercial paper, bankers' acceptances, and demand and savings deposits. The Authority's depositories are required by statute to continuously and fully secure all deposits in excess of the amounts insured under federal or state plans by the deposit or setting aside of collateral of the types, and in the manner as is prescribed by state law for the security of public funds. Such collateral shall at all times be of a market value at least equal to the amount of deposits so secured.

The following is a description of the Authority's deposit risks:

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

As of December 31, 2016, \$632,203 of the Authority's \$2,202,926 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits had a carrying amount of \$2,142,272 as of December 31, 2016.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Restricted Cash

Cash was restricted at December 31, 2016 for the following purposes:

Section 8 Housing Choice Vouchers Program	\$ 337,700
Tenant security deposits	<u>29,838</u>
Total	<u><u>\$ 367,538</u></u>

3. CAPITAL ASSETS

A summary of changes in capital assets during 2016 is as follows:

	December 31, 2015	Increases	Decreases	December 31, 2016
Capital assets, not being depreciated:				
Land	<u>\$ 359,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,361</u>
Capital assets being depreciated:				
Buildings	12,976,779	188,416	-	13,165,195
Furniture, equipment, and machinery - dwellings	728,500	9,289	-	737,789
Furniture, equipment, and machinery - administration	<u>1,039,646</u>	<u>-</u>	<u>-</u>	<u>1,039,646</u>
Total capital assets, being depreciated	<u>14,744,925</u>	<u>197,705</u>	<u>-</u>	<u>14,942,630</u>
Less accumulated depreciation	(11,178,087)	(396,850)	-	(11,574,937)
Total capital assets being depreciated, net	<u>3,566,838</u>	<u>(199,145)</u>	<u>-</u>	<u>3,367,693</u>
Total capital assets	<u><u>\$ 3,926,199</u></u>	<u><u>\$ (199,145)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,727,054</u></u>

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

4. LONG-TERM LIABILITIES

The schedule of changes in long-term liability activity for the year ended December 31, 2016 is presented below:

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016	Due Within One Year
Compensated absences	\$ 141,275	\$ 15,026	\$ (18,449)	\$ 137,852	\$ 63,190

5. LINE OF CREDIT

The Authority maintains a line of credit of \$100,000 with a local bank to provide short-term working capital. The line is renewed annually. The interest rate on borrowed funds is the Prime Rate plus 0.5% times 68%. As of December 31, 2016, the rate on the line was 2.72% and there was no outstanding balance.

6. DEFERRED COMPENSATION PLAN

Employees of the Authority may participate in a deferred compensation plan (plan) adopted under the provisions of Internal Revenue Code Section 457.

The plan is available to all full-time employees of the Authority. As part of its fiduciary role, the Authority has an obligation of due care in selecting the third-party administrator. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. Participation in the plan is voluntary, and the Authority does not contribute to the plan. During 2016, employees of the Authority contributed \$31,800 to the plan.

7. PENSION PLAN

Plan Description

The Authority established a pension plan (Plan) for its employees by resolution effective February 3, 1988. The Plan was subsequently amended; the latest pension agreement was effective January 1, 2016. The Plan is part of the Pennsylvania

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Municipal Retirement System (PMRS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities and authorities. The Plan operates on a calendar year basis.

Plan provisions are established by municipal ordinance with the Authority for municipal contributions required by Act 205 of the Commonwealth (the Act). All permanent, full-time employees are eligible to participate in the Plan. An employee is fully vested after eight years. The normal retirement age is 60 years of age or older. However, participants are eligible for early retirement at age 55, provided they have achieved 20 years of credit service. Benefits will be actuarially reduced for each year or partial year thereof prior to age 55 that early retirement takes place. The basic annual benefit shall be equal to 1% of the member's final average salary multiplied by all years of credited service. Final average salary shall be calculated based upon the highest three-year average salary. At retirement, a member may select a reduced joint annuitant benefit. There shall be no offset for Social Security benefits received. Members shall contribute 3% of their total compensation in a manner consistent with Board-established policy. The Authority is required to contribute the remaining amount necessary to fund the plan, using the actuarial basis specified by statute.

A 50% service related disability benefit is provided to a member who is unable to perform gainful employment. A 30% non-service related disability benefit is provided to a member who has at least ten years of service and who is unable to perform gainful employment.

Per the latest available demographic information, December 31, 2014, employee membership data related to the Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>29</u>
Total plan members	<u><u>45</u></u>

Contribution and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. For the year ended December 31, 2016, the Authority contributed the funds necessary to meet the MMO for the Plan in the amount of \$86,673.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Changes in the Net Pension Liability

The changes in the Authority's net pension liability based on a measurement date of December 31, 2015 are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 4,215,003	\$ 3,710,608	\$ 504,395
Changes for the year:			
Service cost	73,215	-	73,215
Interest	228,966	-	228,966
Changes in assumptions	35,370	-	35,370
Contributions - employer	-	87,358	(87,358)
Contributions - employee	-	31,810	(31,810)
Net investment income	-	82	(82)
Benefit payments	(253,779)	(253,779)	-
Administrative expense	-	(9,335)	9,335
Balances at December 31, 2015	<u>\$ 4,298,775</u>	<u>\$ 3,566,744</u>	<u>\$ 732,031</u>

Plan fiduciary net position as a percentage
of the total net pension liability

82.97%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2015, with liabilities measured at December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Actuarial assumptions:

Investment rate of return	5.50%
Projected salary increases	Age related with merit and inflation components
Underlying inflation rate	3.00%
Cost-of-living adjustments	3.00%
Pre-retirement mortality: RP 2000 with one- and five-year set back for male and females, respectively	
Post-retirement mortality: Sex distinct RP 2000 Combined Health Mortality	

Changes in Actuarial Assumptions – There were no material changes in actuarial assumptions made in connection with the January 1, 2015 actuarial valuation.

Long-Term Expected Rate of Return – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to the method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board’s opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are presented in the chart labeled “System Nominal and Real Rates of Return by Asset Class.”
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%. The chart

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

labeled “Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2016:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25%	9.9%	6.9%
Domestic equity (small capitalized firms)	15%	9.8%	6.8%
International equity (developed markets)	15%	7.0%	4.0%
International equity (emerging markets)	10%	10.6%	7.6%
Real estate	20%	10.1%	7.1%
Fixed income	15%	5.4%	2.4%
	100%	8.9%	5.9%

Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 5.5%.

Discount Rate. The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority’s contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Plan calculated using the discount rates described above, as well as what the Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
\$ 1,197,129	\$ 732,031	\$ 339,600

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended December 31, 2016, the Authority recognized pension expense of \$128,183. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,316	\$ -
Pension contributions subsequent to measurement date	86,673	-
Change in assumptions	30,317	-
Net difference between projected and actual earnings on pension plan investments	106,737	-
Total	\$ 342,043	\$ -

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86,673 reported as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2017	\$ 50,812
2018	50,812
2019	50,812
2020	69,165
2021	28,717
Therafter	5,052
	<u>\$ 255,370</u>

8. RISK MANAGEMENT

The Authority faces exposure to various forms of risk of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, as well as medical benefits provided to employees. It carries commercial insurance coverage for risks to the extent as deemed prudent by the Authority's management. Settled claims relating to the commercial insurance have not exceeded the insurance coverage in the past three fiscal years.

9. COMMITMENTS AND CONTINGENCIES

The Authority is economically dependent on receiving operating subsidies and grant funding from HUD. The Authority's ability to maintain or improve operations would be severely impacted by a material reduction in HUD funds. Reductions in operating subsidies could occur in calendar year 2017, but any such reductions are not currently expected to have an immediate material adverse impact to the Authority.

The Authority's grant programs are subject to review by the funding sources. Such reviews could result in amounts that may require repayment upon final settlement.

The operations of the Authority are subject to the administrative directives, rules, and regulations of HUD that are subject to change by an act of Congress or an

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost to comply with a change.

10. SUBSEQUENT EVENT

In February 2017, the Barnett Building (the Authority's Section 8 New Construction property) suffered significant damages due to a building fire. Tenants are being provided temporary housing until damages are repaired. As of May 2017, the Authority has incurred expenses of \$1,730,000 related to the fire, which are being recouped through insurance proceeds.

Required Supplementary Information

HOUSING AUTHORITY OF THE COUNTY OF ERIE

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31

Total Pension Liability:	2015	2014
Service cost	\$ 73,215	\$ 85,986
Interest	228,966	226,445
Changes of benefit terms	-	-
Differences between expected and actual experience	-	165,642
Changes of assumptions	35,370	-
Transfers		(372,337)
Benefit payments, including refunds of employee contributions	(253,779)	(208,430)
Net Changes in Total Pension Liability	83,772	(102,694)
Total Pension Liability - Beginning	4,215,003	4,317,697
Total Pension Liability - Ending (a)	<u>\$ 4,298,775</u>	<u>\$ 4,215,003</u>
Plan Fiduciary Net Position:		
Employer contributions	\$ 87,358	\$ 74,527
Employee contributions	31,810	30,750
Net investment income	82	285,316
Transfers	-	(372,337)
Benefit payments, including refunds of employee contributions	(253,779)	(208,430)
Administrative expense	(9,335)	(8,422)
Net Change in Plan Fiduciary Net Position	(143,864)	(198,596)
Plan Fiduciary Net Position - Beginning	3,710,608	3,909,204
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,566,744</u>	<u>\$ 3,710,608</u>
Net Pension Liability - Ending (a-b)	<u>\$ 732,031</u>	<u>\$ 504,395</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>82.97%</u>	<u>88.03%</u>
Covered Employee Payroll	<u>\$ 1,060,338</u>	<u>\$ 1,222,304</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	69.04%	41.27%

See accompanying notes to required supplementary information.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

SCHEDULE OF AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

DEFINED BENEFIT PENSION PLAN

YEAR ENDED DECEMBER 31, 2015

Schedule of Contributions

Actuarially determined contribution	\$ 87,338
Contributions in relation to the actuarially determined contribution	87,358
Contribution deficiency (excess)	<u>\$ (20)</u>
Covered employee payroll	<u>\$ 1,060,338</u>
Contributions as a percentage of covered employee payroll	8.24%

Investment Returns

Annual money-weighted rate of return, net of investment expense	0.20%
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See accompanying notes to required supplementary information.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

Actuarial Methods and Assumptions Used in Determining the Contribution Rate

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar based upon amortization periods
Asset valuation method	Based upon municipal reserves
Actuarial assumptions:	
Investment rate of return	5.50%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	3.00%
Pre- and post-mortality assumptions:	Males - RP 2000 with 1 year set back Females - RP 2000 with 5 year set back Post Mortality - Sex distinct RP-200 Combined Health Mortality
Retirement age	Age 60; for employees over age 60, immediate retirement is assumed

Benefit Changes

No benefit terms were modified.

Changes in Actuarial Assumptions

No significant Changes

Supplementary Information

HOUSING AUTHORITY OF THE COUNTY OF ERIE

FINANCIAL DATA SCHEDULES

2016	Description	Low Rent/CFP 14.850/14.872	Housing Choice 14.871	Rehab 14.218	CDBG 14.228	DOE 81.042	LIHEAP 93.568	Business Activities / Section 8 - N/C 14.182	Subtotal	Elimination	TOTAL
111	Cash - unrestricted	506,684	649,801	-	-	25,643	-	592,606	1,774,734	-	1,774,734
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-
113	Cash - other restricted	-	337,700	-	-	-	-	-	337,700	-	337,700
114	Cash - tenant security deposits	22,296	-	-	-	-	-	7,542	29,838	-	29,838
115	Cash - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-
100	Total Cash	528,980	987,501	-	-	25,643	-	600,148	2,142,272	-	2,142,272
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	-	-	-
124	Account receivable - other government	-	-	-	13,635	14,139	36,168	-	63,942	-	63,942
125	Account receivable - miscellaneous	-	-	-	-	64,574	-	7,988	72,562	-	72,562
126	Accounts receivable - tenants	11,551	-	-	-	-	-	656	12,207	-	12,207
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowance for doubtful accounts	11,551	-	-	13,635	78,713	36,168	8,644	148,711	-	148,711
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	1,104	1,908	-	3,012	-	3,012
143	Inventories	-	-	-	-	47,989	-	-	47,989	-	47,989
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-
144	Inter-program - due from	-	-	-	-	10,306	42,283	100,162	152,751	(152,751)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	540,531	987,501	-	13,635	163,755	80,359	708,954	2,494,735	(152,751)	2,341,984
161	Land	359,361	-	-	-	-	-	-	359,361	-	359,361
162	Buildings	10,987,230	-	-	-	58,975	-	2,118,990	13,165,195	-	13,165,195
163	Furniture, equipment and machinery - dwellings	634,032	-	-	-	-	-	103,757	737,789	-	737,789
164	Furniture, equipment and machinery - administration	427,138	78,663	-	-	197,070	91,077	245,698	1,039,646	-	1,039,646
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(9,050,514)	(54,704)	-	-	(192,621)	(89,018)	(2,188,080)	(11,574,937)	-	(11,574,937)
167	Construction in progress	-	-	-	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	3,357,247	23,959	-	-	63,424	2,059	280,365	3,727,054	-	3,727,054
171	Notes, loans, & mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-
172	Notes, loans, & mortgages receivable - non-current - past due	-	-	-	-	-	-	-	-	-	-
173	Grants receivable - non-current	-	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-	-	-
176	Investment in joint venture	-	-	-	-	-	-	-	-	-	-
180	Total Non-current Assets	3,357,247	23,959	-	-	63,424	2,059	280,365	3,727,054	-	3,727,054
190	Total Assets	3,897,778	1,011,460	-	13,635	227,179	82,418	989,319	6,221,789	(152,751)	6,069,038
200	Deferred Outflow of Resources	78,823	127,118	-	12,552	55,043	25,979	42,528	342,043	-	342,043
290	Total Assets and Deferred Outflow of Resources	3,976,601	1,138,578	-	26,187	282,222	108,397	1,031,847	6,563,832	(152,751)	6,411,081

HOUSING AUTHORITY OF THE COUNTY OF ERIE

FINANCIAL DATA SCHEDULES

2016	Description	Low Rent/CFP 14.850/14.872	Housing Choice 14.871	Rehab 14.218	CDBG 14.228	DOE 81.042	LIHEAP 93.568	Business Activities / Section 8 - N/C 14.182	Subtotal	Elimination	TOTAL
311	Bank overdraft	-	-	-	-	-	-	-	-	-	-
312	Accounts payable <= 90 days	46,713	662	-	12,114	8,783	26,847	31,077	126,196	-	126,196
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	2,943	2,943	-	2,943
322	Accrued compensated absences - current portion	16,209	30,348	-	2,753	2,757	4,135	6,988	63,190	-	63,190
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	3,452	-	-	1,105	-	-	4,557	-	4,557
341	Tenant security deposits	22,296	-	-	-	-	-	7,542	29,838	-	29,838
342	Unearned revenue	-	46,963	-	-	-	-	-	46,963	-	46,963
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-
347	Inter-program - due to	27,986	40,426	-	1,522	78,754	4,063	-	152,751	(152,751)	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	113,204	121,851	-	16,389	91,399	35,045	48,550	426,438	(152,751)	273,687
351	Capital Projects/ Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - non-current	19,152	35,857	-	3,253	3,257	4,886	8,257	74,662	-	74,662
355	Loan liability - non-current	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	168,695	272,054	-	26,863	117,803	55,600	91,016	732,031	-	732,031
350	Total Non-Current Liabilities	187,847	307,911	-	30,116	121,060	60,486	99,273	806,693	-	806,693
300	Total Liabilities	301,051	429,762	-	46,505	212,459	95,531	147,823	1,233,131	(152,751)	1,080,380
400	Deferred Inflow of Resources	-	318,542	-	-	-	-	-	318,542	-	318,542
508.1	Net Investment in Capital Assets	3,357,247	23,959	-	-	63,424	2,059	280,365	3,727,054	-	3,727,054
511.1	Restricted Net Position	-	19,158	-	-	-	-	-	19,158	-	19,158
512.1	Unrestricted Net Position	318,303	347,157	-	(20,318)	6,339	10,807	603,659	1,265,947	-	1,265,947
513	Total Equity - Net Position	3,675,550	390,274	-	(20,318)	69,763	12,866	884,024	5,012,159	-	5,012,159
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Position	3,976,601	1,138,578	-	26,187	282,222	108,397	1,031,847	6,563,832	(152,751)	6,411,081

**HOUSING AUTHORITY OF THE
COUNTY OF ERIE**
FINANCIAL DATA SCHEDULES

2016	Description	Low Rent 14.850	CFP 14.872	Housing Choice 14.871	Rehab 14.218	CDBG 14.228	DOE 81.042	LIHEAP 93.568	Business Activities / Section 8 - N/C 14.182	Subtotal	Elimination	TOTAL
70300	Net tenant rental revenue	556,073	-	-	-	-	-	-	219,878	775,951	-	775,951
70400	Tenant revenue - other	6,490	-	-	-	-	-	-	21,589	28,079	-	28,079
70500	Total Tenant Revenue	562,563	-	-	-	-	-	-	241,467	804,030	-	804,030
70600-010	Housing assistance payments			3,631,202						-		-
70600-020	Ongoing administrative fees earned			576,898						-		-
70600-030	Hard to house fee revenue			-						-		-
70600-060	All other fees			-						-		-
70600	HUD PHA operating grants	309,704	67,000	4,208,100	-	-	-	-	252,449	4,837,253	-	4,837,253
70610	Capital grants	-	188,415	-	-	-	-	-	-	188,415	-	188,415
70800	Other government grants	-	-	-	-	165,166	178,542	260,759	-	604,467	-	604,467
71100	Investment income - unrestricted	110	-	1,072	-	1	-	5	30	1,218	-	1,218
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	23,302	-	-	-	-	-	23,302	-	23,302
71500	Other revenue	8,574	-	16,916	-	1,050	438,834	-	143	465,517	-	465,517
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	33	-	-	-	-	-	-	-	33	-	33
70000	Total Revenue	880,984	255,415	4,249,390	-	166,217	617,376	260,764	494,089	6,924,235	-	6,924,235
91100	Administrative salaries	32,643	36,850	379,782	-	33,043	23,657	10,913	92,397	609,285	-	609,285
91200	Auditing fees	8,000	-	14,000	-	2,000	-	-	2,250	26,250	-	26,250
91300	Management fee	-	-	-	-	-	-	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	26,251	30,150	-	-	-	-	-	-	56,401	-	56,401
91600	Office expenses	-	-	-	-	-	-	-	36	36	-	36
91700	Legal expense	3,496	-	5,051	-	-	-	-	2,087	10,634	-	10,634
91800	Travel	10,526	-	3,994	-	-	-	-	1,092	15,612	-	15,612
91810	Allocated Overhead	26,021	-	194,310	-	-	-	-	9,727	230,058	-	230,058
91900	Other	16,529	-	85,826	2,046	2,198	242,652	55,008	78,173	482,432	-	482,432
91000	Total Operating-Administrative	123,466	67,000	682,963	2,046	37,241	266,309	65,921	185,762	1,430,708	-	1,430,708
92100	Tenant services - salaries	-	-	-	-	-	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-	-	-
92400	Tenant services - other	5,020	-	-	-	-	-	-	-	5,020	-	5,020
92500	Total Tenant Services	5,020	-	-	-	-	-	-	-	5,020	-	5,020
93100	Water	54,165	-	-	-	-	-	-	16,437	70,602	-	70,602
93200	Electricity	76,194	-	-	-	-	-	-	59,078	135,272	-	135,272
93300	Gas	19,297	-	-	-	-	-	-	-	19,297	-	19,297
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	51,576	-	-	-	-	-	-	27,828	79,404	-	79,404
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-	-	-	-	-
93000	Total Utilities	201,232	-	-	-	-	-	-	103,343	304,575	-	304,575
94100	Ordinary maintenance and operations - labor	142,651	-	-	-	-	178,515	78,940	-	400,106	-	400,106
94200	Ordinary maintenance and operations - materials and other	38,906	-	-	-	-	189,660	105,125	25,476	359,167	-	359,167
94300	Ordinary Maintenance and Operations Contracts	85,808	-	-	-	123,886	-	-	49,747	259,441	-	259,441
94500	Employee benefit contribution - ordinary maintenance	53,299	-	-	-	-	-	-	-	53,299	-	53,299
94000	Total Maintenance and Operations	320,664	-	-	-	123,886	368,175	184,065	75,223	1,072,013	-	1,072,013

**HOUSING AUTHORITY OF THE
COUNTY OF ERIE**
FINANCIAL DATA SCHEDULES

2016												
	Description	Low Rent 14.850	CFP 14.872	Housing Choice 14.871	Rehab 14.218	CDBG 14.228	DOE 81.042	LIHEAP 93.568	Business Activities / Section 8 - N/C 14.182	Subtotal	Elimination	TOTAL
95100	Protective services - labor	-	-	-	-	-	-	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-	-	-	-	-
95000	Total Protective Services	-	-	-	-	-	-	-	-	-	-	-
96110	Property insurance	49,769	-	-	-	-	-	-	9,897	59,666	-	59,666
96120	Liability insurance	-	-	-	-	-	5,423	491	-	5,914	-	5,914
96130	Workmen's compensation	-	-	-	-	-	-	-	-	-	-	-
96140	All other insurance	-	-	-	-	-	-	-	-	-	-	-
96100	Total Insurance Premiums	49,769	-	-	-	-	5,423	491	9,897	65,580	-	65,580
96200	Other general expenses	-	-	-	-	-	-	-	-	-	-	-
96210	Compensated absences	25,538	-	22,498	-	1,646	6,090	9,134	15,717	80,623	-	80,623
96300	Payments in lieu of taxes	35,484	-	-	-	-	-	-	11,654	47,138	-	47,138
96400	Bad debt - tenant rents	5,739	-	-	-	-	-	-	-	5,739	-	5,739
96500	Bad debt - mortgages	-	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-
96000	Total Other General Expenses	66,761	-	22,498	-	1,646	6,090	9,134	27,371	133,500	-	133,500
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	-	-	-	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	766,912	67,000	705,461	2,046	162,773	645,997	259,611	401,596	3,011,396	-	3,011,396
97000	Excess Revenue Over Operating Expenses	114,072	188,415	3,543,929	(2,046)	3,444	(28,621)	1,153	92,493	3,912,839	-	3,912,839
97100	Extraordinary maintenance	2,151	-	-	-	-	-	-	-	2,151	-	2,151
97200	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-	-	-
97300-010	Mainstream 1 & 5 year	-	-	-	-	-	-	-	-	-	-	-
97300-020	Home-Ownership	-	-	-	-	-	-	-	-	-	-	-
97300-025	Litigation	-	-	-	-	-	-	-	-	-	-	-
97300-030	Hope IV	-	-	-	-	-	-	-	-	-	-	-
97300-035	Moving to Work	-	-	-	-	-	-	-	-	-	-	-
97300-040	Tenant Protection	-	-	-	-	-	-	-	-	-	-	-
97300-041	Portability Out	-	-	24,505	-	-	-	-	-	-	-	-
97300-045	FSS Escrow Deposits	-	-	-	-	-	-	-	-	-	-	-
97300-050	All Other	-	-	3,674,859	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	3,699,364	-	-	-	-	-	3,699,364	-	3,699,364
97350	HAP Portability-In	-	-	15,042	-	-	-	-	-	15,042	-	15,042
97400	Depreciation expense	212,045	105,200	6,791	-	-	4,419	2,189	66,206	396,850	-	396,850
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	-
90000	Total Expenses	981,108	172,200	4,426,658	2,046	162,773	650,416	261,800	467,802	7,124,803	-	7,124,803
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(100,124)	83,215	(177,268)	(2,046)	3,444	(33,040)	(1,036)	26,287	(200,568)	-	(200,568)

**HOUSING AUTHORITY OF THE
COUNTY OF ERIE**
FINANCIAL DATA SCHEDULES

2016												
	Description	Low Rent 14.850	CFP 14.872	Housing Choice 14.871	Rehab 14.218	CDBG 14.228	DOE 81.042	LIHEAP 93.568	Business Activities / Section 8 - N/C 14.182	Subtotal	Elimination	TOTAL
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-	-	-
11030	Beginning equity	3,692,459	-	567,542	2,046	(23,762)	102,803	13,902	857,737	5,212,727	-	5,212,727
11170-001	Administrative Fee Equity - Beginning Balance			491,873						491,873	-	491,873
11170-010	Administrative Fee Revenue			576,898						576,898	-	576,898
11170-020	Hard to House Fee Revenue			-						-	-	-
11170-030	Audit Costs			-						-	-	-
11170-040	Investment Income			1,072						1,072	-	1,072
11170-045	Fraud Recovery Revenue			11,651						11,651	-	11,651
11170-050	Other Revenue			16,916						16,916	-	16,916
11170-051	Comment for Other Revenue			-						-	-	-
11170-060	Total Admin Fee Revenues			606,537						606,537	-	606,537
11170-080	Total Operating Expenses			705,461						705,461	-	705,461
11170-090	Depreciation			6,791						6,791	-	6,791
11170-095	HAP port in			15,042						15,042	-	15,042
11170-100	Other Expenses			-						-	-	-
11170-101	Comment for Other Expense			-						-	-	-
11170-110	Total Expenses			727,294						727,294	-	727,294
11170-002	Net Administrative Fee			(120,757)						(120,757)	-	(120,757)
11170-003	Administrative Fee Equity - Ending Balance			371,116						371,116	-	371,116
11170	Administrative Fee Equity			371,116						371,116	-	371,116
11180-001	Housing Assistance Payments Equity - Beginning Balance			75,669						75,669	-	75,669
11180-010	Housing Assistance Payments Revenue			3,631,202						3,631,202	-	3,631,202
11180-015	Fraud Recovery Revenue			11,651						11,651	-	11,651
11180-020	Other revenue			-						-	-	-
11180-021	Comment for other revenue			-						-	-	-
11180-025	Investment Income			-						-	-	-
11180-030	Total HAP revenues			3,642,853						3,642,853	-	3,642,853
11180-080	Housing Assistance Payments			3,699,364						3,699,364	-	3,699,364
11180-090	Other expense			-						-	-	-
11180-091	Comment for other expense			-						-	-	-
11180-100	Total Housing Assistance Payments Expense			3,699,364						3,699,364	-	3,699,364
11180-002	Net Housing Assistance Payments			(56,511)						(56,511)	-	(56,511)
11180-003	Housing Assistance Payment Equity - Ending Balance			19,158						19,158	-	19,158
11180	Housing Assistance Payments Equity			19,158						19,158	-	19,158
11190	Unit Months Available	2,340	-	12,648	-	-	-	-	780	15,768	-	15,768
11210	Unit Months Leased	2,285	-	10,159	-	-	-	-	780	13,224	-	13,224
11270	Excess Cash	363,418								363,418	-	363,418
11610	Land Purchases	-	-	-	-	-	-	-		-	-	-
11620	Building Purchases	-	109,391	-	-	-	-	-		109,391	-	109,391
11630	Furniture & Equipment - Dwelling Purchases	9,289	-	-	-	-	-	-		9,289	-	9,289
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-		-	-	-
11650	Leasehold Improvements Purchases	-	79,024	-	-	-	-	-		79,024	-	79,024
11660	Infrastructure Purchases	-	-	-	-	-	-	-		-	-	-
13510	CFPP Debt Service Payments	-	-	-	-	-	-	-		-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-		-	-	-

HOUSING AUTHORITY OF THE COUNTY OF ERIE

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Low Rent / CFP	Section 8 Voucher	Rehab Programs	CDBG Programs	Weatherization Programs	Section 8 New Construction	Eliminations	Total
Assets and Deferred Outflows of Resources								
Assets:								
Current assets:								
Cash - unrestricted	\$ 506,684	\$ 649,801	\$ -	\$ -	\$ 25,643	\$ 592,606	\$ -	\$ 1,774,734
Cash - restricted	-	337,700	-	-	-	-	-	337,700
Cash - tenant security deposits	22,296	-	-	-	-	7,542	-	29,838
Total cash	528,980	987,501	-	-	25,643	600,148	-	2,142,272
Accounts receivable - other government	-	-	-	13,635	50,307	-	-	63,942
Accounts receivable - miscellaneous	-	-	-	-	64,574	7,988	-	72,562
Accounts receivable - tenants	11,551	-	-	-	-	656	-	12,207
Inter-program - due from	-	-	-	-	52,589	100,162	(152,751)	152,751
Prepaid expenses and other assets	-	-	-	-	3,012	-	-	3,012
Inventories	-	-	-	-	47,989	-	-	47,989
Total current assets	540,531	987,501	-	13,635	244,114	708,954	(152,751)	2,494,735
Noncurrent assets:								
Capital assets, net	3,357,247	23,959	-	-	65,483	280,365	-	3,727,054
Total Assets	3,897,778	1,011,460	-	13,635	309,597	989,319	(152,751)	6,221,789
Deferred Outflows of Resources:								
Deferred outflows of resources for pension	78,823	127,118	-	12,552	81,022	42,528	-	342,043
Total Assets and Deferred Outflows of Resources	\$ 3,976,601	\$ 1,138,578	\$ -	\$ 26,187	\$ 390,619	\$ 1,031,847	\$ (152,751)	\$ 6,563,832
Liabilities, Deferred Inflows of Resources, and Net Position								
Liabilities:								
Current liabilities:								
Accounts payable	\$ 46,713	\$ 662	\$ -	\$ 12,114	\$ 35,630	\$ 31,077	\$ -	\$ 126,196
Accrued wage and payroll taxes	-	-	-	-	-	2,943	-	2,943
Accrued compensated absences - current	16,209	30,348	-	2,753	6,892	6,988	-	63,190
Accounts payable - HUD	-	-	-	-	-	-	-	-
Accounts payable - other government	-	3,452	-	-	1,105	-	-	4,557
Tenant security deposits	22,296	-	-	-	-	7,542	-	29,838
Inter-program - due to	27,986	40,426	-	1,522	82,817	-	(152,751)	152,751
Unearned revenue	-	46,963	-	-	-	-	-	46,963
Total current liabilities	113,204	121,851	-	16,389	126,444	48,550	(152,751)	426,438
Noncurrent liabilities:								
Accrued compensated absences - non-current	19,152	35,857	-	3,253	8,143	8,257	-	74,662
Net pension liability	168,695	272,054	-	26,863	173,403	91,016	-	732,031
Total noncurrent liabilities	187,847	307,911	-	30,116	181,546	99,273	-	806,693
Total Liabilities	301,051	429,762	-	46,505	307,990	147,823	(152,751)	1,233,131
Deferred Inflows of Resources:								
Deferred inflows of resources - Voucher Program	-	318,542	-	-	-	-	-	318,542
Net Position:								
Net investment in capital assets	3,357,247	23,959	-	-	65,483	280,365	-	3,727,054
Restricted	-	19,158	-	-	-	-	-	19,158
Unrestricted	318,303	347,157	-	(20,318)	17,146	603,659	-	1,265,947
Total Net Position	3,675,550	390,274	-	(20,318)	82,629	884,024	-	5,012,159
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,976,601	\$ 1,138,578	\$ -	\$ 26,187	\$ 390,619	\$ 1,031,847	\$ (152,751)	\$ 6,563,832

HOUSING AUTHORITY OF THE COUNTY OF ERIE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2016

	Low Rent / CFP	Section 8 Voucher	Rehab Programs	CDBG Programs	Weatherization Programs	Section 8 New Construction	Total
Operating Revenues:							
Net tenant revenue	\$ 562,563	\$ -	\$ -	\$ -	\$ -	\$ 241,467	\$ 804,030
HUD PHA operating grants	376,704	4,208,100	-	-	-	252,449	4,837,253
Other governmental grants	-	-	-	165,166	439,301	-	604,467
Other revenue	8,574	40,218	-	1,050	438,834	143	488,819
Total operating revenues	947,841	4,248,318	-	166,216	878,135	494,059	6,734,569
Operating Expenses:							
Housing assistance payments	-	3,714,406	-	-	-	-	3,714,406
Administrative	190,466	682,963	-	37,241	332,230	185,762	1,428,662
Tenant services	5,020	-	-	-	-	-	5,020
Utilities	201,232	-	-	-	-	103,343	304,575
Maintenance and operations	320,664	-	-	123,886	552,240	75,223	1,072,013
Insurance premiums	49,769	-	-	-	5,914	9,897	65,580
Other general expenses	66,761	22,498	2,046	1,646	15,224	27,371	135,546
Total operating expenses	833,912	4,419,867	2,046	162,773	905,608	401,596	6,725,802
Operating Income (Loss)	113,929	(171,549)	(2,046)	3,443	(27,473)	92,463	8,767
Non-Operating Revenues (Expenses):							
Investment income - unrestricted	110	1,072	-	1	5	30	1,218
Investment income - restricted	33	-	-	-	-	-	33
Depreciation expense	(317,245)	(6,791)	-	-	(6,608)	(66,206)	(396,850)
Extraordinary maintenance	(2,151)	-	-	-	-	-	(2,151)
Total non-operating revenues (expenses)	(319,253)	(5,719)	-	1	(6,603)	(66,176)	(397,750)
Capital Contributions:							
HUD capital grants	188,415	-	-	-	-	-	188,415
Change in Net Position	(16,909)	(177,268)	(2,046)	3,444	(34,076)	26,287	(200,568)
Net position - beginning	3,692,459	567,542	2,046	(23,762)	116,705	857,737	\$ 5,212,727
Net position - ending	\$ 3,675,550	\$ 390,274	\$ -	\$ (20,318)	\$ 82,629	\$ 884,024	\$ 5,012,159

HOUSING AUTHORITY OF THE COUNTY OF ERIE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Total Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Public and Indian Housing (Low-Income Housing Assistance Program)	14.850	N/A	\$ 309,704	\$ -
Public Housing Capital Fund (CFP)	14.872	N/A	255,415	-
Housing Voucher Cluster / Section 8 Housing Choice Vouchers	14.871	N/A	4,419,867	24,505
Section 8 Project-Based Cluster / Section 8 New Construction and Substantial Rehabilitation	14.182	N/A	252,449	-
Passed through the Commonwealth of Pennsylvania:				
Community Development Block Grants	14.228	C000058614	60,737	-
Community Development Block Grants	14.228	C000061503	86,324	-
Community Development Block Grants	14.228	C000063285	18,105	-
Subtotal Community Development Block Grants - 14.228			<u>165,166</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>5,402,601</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed through the Commonwealth of Pennsylvania:				
Low-Income Home Energy Assistance	93.568	C000061672	<u>260,759</u>	<u>-</u>
<u>U.S. Department of Energy:</u>				
Passed through the Commonwealth of Pennsylvania:				
Weatherization Assistance for Low-Income Persons	81.042	C000055874	<u>127,164</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 5,790,524</u>	<u>\$ 24,505</u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE COUNTY OF ERIE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Housing Authority of the County of Erie (Authority) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance. The Authority has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. DISCLOSURE REQUIRED BY THE COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	LIHEAP C000061672	Weatherization C000055874	CDBG 2013 C000058614	CDBG 2014 C000061503	CDBG 2015 C000063285
Due from DCED at December 31, 2015	\$ 8,318	\$ 15,955	\$ 2,019	\$ 7,845	\$ -
Receipts	232,909	128,980	62,756	92,648	5,991
Disbursements	260,759	127,164	60,737	86,324	18,105
Due from DCED at December 31, 2016	<u>\$ 36,168</u>	<u>\$ 14,139</u>	<u>\$ -</u>	<u>\$ 1,521</u>	<u>\$ 12,114</u>

**Housing Authority of the
County of Erie**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended December 31, 2016

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
Housing Authority of the County of Erie

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 Housing Authority of the County of Erie (Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Board of Directors
Housing Authority of the County of Erie
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

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.

Mahe Duessel

Pittsburgh, Pennsylvania
July 19, 2017

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

Board of Directors
Housing Authority of the County of Erie

Report on Compliance for the Major Federal Program

We have audited the Housing Authority of the County of Erie's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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 its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Pittsburgh, Pennsylvania
July 19, 2017

HOUSING AUTHORITY OF THE COUNTY OF ERIE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

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 deficiencies 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 deficiencies 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 Programs:

CFDA Number(s)
14.871

Name of Federal Program or Cluster
Housing Voucher Cluster / Section 8 Housing Choice Vouchers

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

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

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

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

**HOUSING AUTHORITY OF THE
COUNTY OF ERIE**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2016

NO FINDINGS IN PRIOR YEAR