

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
HOUSING AUTHORITY OF THE COUNTY
OF ERIE, PENNSYLVANIA**

December 31, 2014

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Transmittal Letter

Members of the Board of Directors
Housing Authority of the County of Erie, Pennsylvania

We have performed the Single Audit of the Housing Authority of the County of Erie, Pennsylvania, for the year ended December 31, 2014, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133 and includes the following:

1. an audit of the financial statements and our opinion thereon, including our report on the schedule of expenditures of federal awards;
2. a 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*;
3. a report on compliance for each major program and on internal control over compliance required by OMB Circular A-133;

Root, Spitznas and Smiley, Inc.

June 12, 2015

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
FINANCIAL DATA SCHEDULE	19
COMBINING STATEMENT OF NET POSITION	24
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	25
COMBINING STATEMENT OF NET POSITION - WEATHERIZATION PROGRAMS	26
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - WEATHERIZATION PROGRAMS	27
COMBINING STATEMENT OF REVENUE AND EXPENSES - DEPARTMENT OF ENERGY	28
COMBINING STATEMENT OF REVENUE AND EXPENSES - LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	29
COMBINING STATEMENT OF NET POSITION - BUSINESS ACTIVITIES	30
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUSINESS ACTIVITIES	31
ACTUAL MODERNIZATION COST CERTIFICATE	32
SUPPLEMENTAL SCHEDULES	
ACTIVITIES OF THE HOUSING AUTHORITY OF THE COUNTY OF ERIE, PENNSYLVANIA	33
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 <i>GOVERNMENT AUDITING STANDARDS</i>	35
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	39
EXIT CONFERENCE	40
LIST OF REPORT DISTRIBUTION	41

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Independent Auditor's Report

Members of the Board of Directors
Housing Authority of the County of Erie, Pennsylvania

Report on the Financial Statements

We have audited the accompanying statement of net position of the Housing Authority of the County of Erie, Pennsylvania, as of December 31, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Erie, Pennsylvania, as of December 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 inquires 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other supplemental information listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other supplemental information 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 schedule of expenditures of federal awards and other supplemental information 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 June 12, 2015, on our consideration of the Housing Authority of the County of Erie, Pennsylvania'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.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
June 12, 2015

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
Required Supplemental Information

The following discussion and analysis of the Erie County Housing Authority (the "Authority") is to provide an introduction to the basic financial statements for the fiscal year ended December 31, 2014 with selected comparative information for the fiscal year ended December 31, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the 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 2014 by \$4,177,365 (net position). Of this amount, \$1,488,771 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- 2 Fixed assets decreased by \$106,812 primarily from the excess of current year depreciation expense over fixed assets additions.
- 3 Net position decreased by \$187,150 for the fiscal year ended December 31, 2014. This was due primarily to the decrease in fixed assets.
- 4 Operating revenues increased \$528,811 primarily due to the addition of the City of Corry CDBG 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 and liabilities 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, 2014 and 2013.

	2014	2013
Operating revenues	\$5,986,490	\$5,457,679
Operating expenses	6,316,286	5,762,389
Operating Income	(329,796)	(304,710)
Non-Operating Revenue & Expenses, net	142,646	161,408
Change in net position	(187,150)	(143,302)
Total Net Position – Beginning of year	4,364,510	4,008,237
Prior period adjustments/transfers	5	499,575
Total Net Position – End of year	\$4,177,365	\$4,364,510

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
Required Supplemental Information

Operating revenues increased by \$528,811. Operating expenses increased by \$553,897. These large increases were due to the addition of the City of Corry CDBG Programs.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended December 31, 2014 and 2013:

	2014	2013
Owned by Authority	120	120
Units under vouchers	895	895
Other Vouchers	65	65
Total Housing Units Managed	<u>1,080</u>	<u>1,080</u>

The Section 8 Voucher lease up rate averaged 81 percent during the fiscal year ended December 31, 2014. It is anticipated that the program lease-up will stay the same during FY 2015. After the absorption of the Corry Housing Authority (As noted below) we will see an increase of 75 Public Housing units and 159 Section 8 Vouchers.

NET POSITION

Total net position decreased from the previous year by \$187,150. 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, 2014 and 2013:

	2014	2013
Capital Assets	\$10,317,333	\$10,115,983
Less capital related debt	-	-
Less accumulated depreciation	(7,639,094)	(7,330,932)
Total Net Investment In Capital Assets	\$ 2,678,239	\$ 2,785,051

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, 2014 and 2013:

	2014	2013
Land	\$ 149,024	\$ 149,024
Building and Improvements	8,161,362	7,960,012
Furniture and equipment – dwellings	515,309	515,309
Furniture and equipment – administration	757,385	757,385
Leasehold Improvements	734,253	734,253
Total	\$10,317,333	\$10,115,983
Less: accumulated depreciation	(7,639,094)	(7,330,932)
Fixed assets, net	\$ 2,678,239	\$ 2,785,051

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
Required Supplemental Information

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 and 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, 2014 and 2013:

	2014	2013
Assets		
Current assets	\$1,724,019	\$1,788,664
Fixed assets	2,678,239	2,785,051
Total assets	\$4,402,258	\$4,573,715
Liabilities		
Current liabilities	\$ 156,785	\$ 138,487
Long-term liabilities	68,108	70,718
Total liabilities	\$ 224,893	\$ 209,205
Net position		
Net investment in capital assets	\$2,678,239	\$2,785,051
Restricted	10,355	163,459
Unrestricted	1,488,771	1,416,000
Total net position	\$4,177,365	\$4,364,510

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

SPECIAL NOTE

On December 12, 2014 the U.S. Department of Housing and Urban Development (HUD) approved the transfer of public housing and housing choice voucher programs from the Housing Authority of the City of Corry (CHA) to the Housing Authority of the County of Erie (ECHA), effective January 1, 2015. The ECHA will absorb all the assets and liabilities of the CHA and further manage and maintain all transferred properties. All affected tenants, applicants, and landlords were notified in writing of the approved transfer.

DEBT ADMINISTRATION

The Authority has an open-ended line of credit with a local bank. The outstanding balance of that line was \$12,633 at December 31, 2014.

ECONOMIC FACTORS

The economic outlook for the Authority is uncertain at this time. According to the most current information available from U.S. Department of Housing and Urban Development, there are no major changes anticipated to the Public Housing operating subsidy amounts. Section 8 administrative fees should stay the same in 2015. We will continue to monitor these funds and take corrective actions if there is any sign of shortfall. Locally we are being impacted by negative employment factors such as stagnant job growth and sluggish market.

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.

FINANCIAL STATEMENTS

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF NET POSITION

December 31, 2014

ASSETS	
CURRENT ASSETS	
Cash - unrestricted	\$ 1,379,308
Cash - restricted	10,355
Cash - tenant security deposits	18,259
Accounts receivable	
HUD	15,571
Other governments	214,197
Tenants	5,109
Other	38,908
Prepaid expenses	-
Inventories	5,741
Other assets	36,571
	<hr/>
Total current assets	1,724,019
FIXED ASSETS	
Land	149,024
Buildings	8,161,362
Furniture and equipment	
Dwelling	515,309
Administrative	757,385
Leasehold Improvements	734,253
Construction in progress	-
	<hr/>
	10,317,333
Less accumulated depreciation	<hr/>
	7,639,094
	<hr/>
Total fixed assets	2,678,239
	<hr/>
	\$ 4,402,258
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 72,105
Accrued wages and taxes	10,798
Accrued compensated absences	41,885
Accounts payable - other governments	1,105
Tenants security deposits	18,259
Current portion of long-term debt	
Operations	1,173
Capital projects	11,460
	<hr/>
Total current liabilities	156,785
NONCURRENT LIABILITIES	
Accrued compensated absences	<hr/>
	68,108
	<hr/>
Total noncurrent liabilities	68,108
	<hr/>
Total liabilities	224,893
NET POSITION	
Net investment in capital assets	2,678,239
Restricted	10,355
Unrestricted	1,488,771
	<hr/>
Total net position	4,177,365
	<hr/>
	\$ 4,402,258
	<hr/>

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2014

Operating revenue

Tenant rental revenue	\$ 592,968
Tenant revenue other	11,601
HUD PHA grants	4,033,406
Other governmental grants	903,873
Other income	444,642
	<hr/>
Total operating revenue	5,986,490

Operating expenses

Administrative	
Salaries	489,740
Audit	14,975
Employee benefit contributions	63,859
Other operating	641,662
Tenant services	61
Utilities	
Water	35,220
Electricity	126,775
Gas	11,892
Other	55,088
Ordinary maintenance and operation	
Labor	342,939
Materials	213,700
Contract costs	598,277
General expense	
Insurance	54,251
Compensated absences	53,874
Payments in lieu of taxes	36,449
Bad debts - tenant rents	116
Interest	190
Extraordinary maintenance	11,403
Housing assistance payments	3,257,650
Depreciation	308,165
	<hr/>
Total operating expenses	6,316,286

Operating loss (329,796)

Nonoperating revenue (expenses):

HUD PHA capital grants	142,375
Investment income-unrestricted	239
Investment income-restricted	32
	<hr/>

Change in net position (187,150)

Net position, beginning of year 4,364,510

Transfers

5

Net position, end of year

\$ 4,177,365

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

Cash flows from operating activities:	
Rental receipts	\$ 601,369
Receipts from governments	4,942,963
Other receipts	456,145
Payments for administrative	(1,172,581)
Payments for other operating expenses	(1,560,244)
Payments for housing assistance	(3,257,650)
Net cash provided by operating activities	10,002
Cash flows from capital and financing activities:	
HUD PHA capital grants	130,915
Acquisition of capital assets	(201,349)
Net drawdowns on line of credit	12,633
Net cash used in capital and financing activities	(57,801)
Cash flows from investing activities:	
Interest income	271
Net cash provided by investing activities	271
Net decrease in cash and cash equivalents	(47,528)
Cash and cash equivalents at beginning of year	1,455,450
Cash and cash equivalents at end of year	\$ 1,407,922
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (329,796)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Transfers	-
Prior period adjustment	-
Depreciation	308,165
Change in assets and liabilities:	
(Increase)decrease in:	
Accounts receivable - HUD	176
Accounts receivable - other governments	12,738
Accounts receivable - tenants	(2,253)
Accounts receivable - other	11,503
Prepaid expenses	-
Inventories	(417)
Other assets	6,835
Interprogram due to/due from	-
Increase (decrease) in:	
Accounts payable	(19,839)
Accrued wages and taxes	10,719
Accrued compensated absences	13,118
Accounts payable - other governments	-
Tenant security deposits	(947)
Advanced payments	-
Net cash provided by operating activities	\$ 10,002

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied in the preparation of the accompanying financial statements are summarized below. These policies conform to U.S. generally accepted accounting principles (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

1. Financial Reporting Entity

For financial reporting purposes, the Housing Authority of the County of Erie, Pennsylvania includes all programs that are controlled or dependent on the administration and Board of the Authority. The Housing Authority of the County of Erie, Pennsylvania is an operating authority which was created to administer housing and related programs for eligible low-income families and the elderly. The County of Erie, Pennsylvania has created various municipal authorities which operate independently of the County. The County Executive appoints members to the Boards of these authorities with the advice and consent of the Council. The Housing Authority of the County of Erie, Pennsylvania has been excluded from the financial statements of the County of Erie because the County does not provide significant financial assistance, exercise any budget controls, appoint management, influence daily operations or exercise control over their management. Therefore, the Housing Authority of the County of Erie, Pennsylvania is the sole entity included in these financial statements.

2. Basis of Presentation

All of the Authority's programs are accounted for as a single enterprise fund for financial reporting purposes. This financial presentation provides an indication of the financial performance of the Authority as a whole. The operations of each program within this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position and revenues and expenses. Government resources are allocated to and accounted for in individual programs based upon the purpose for which they are to be spent and means by which spending activities are controlled. All the programs in these financial statements are classified as Enterprise Funds which are part of the Proprietary Fund group.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These programs are used to account for the various housing related programs funded by the Federal Department of Housing and Urban Development (HUD), the Low-Income Weatherization Assistance Programs, the Erie County CDBG Rehab Program Administration, the Erie County Home Repair - Weatherization Interface Project, the Utility Weatherization Program and the Community Development Block Grants through the City of Corry.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of recorded transactions.

All Enterprise Funds are accounted for using the full accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority's Enterprise Fund is accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activities. The operating revenues consist of rent and other charges to tenants, governmental grants and miscellaneous income. The non-operating revenue consist of governmental capital grants and interest income.

4. Allocation of Personnel and Other Costs

The Housing Authority of the County of Erie, Pennsylvania functions as the common paymaster for the following Authorities:

Housing Authority of the County of Erie, Pennsylvania (ECHA)
Housing Authority of the City of Corry, Pennsylvania (CHA)

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Each Authority has separate unrelated boards which exercise budgetary controls, influence daily operations and control fiscal management of their respective Authority. Each Authority is considered a separate financial reporting entity. However, all payroll and related personnel costs are allocated based upon actual time reports, to the various programs/projects within the appropriate Authority.

Pension Plan

Effective January 1, 1988, the Board of the Housing Authority of the County of Erie, Pennsylvania entered into an agreement with the Pennsylvania Municipal Retirement System (PMRS), an agent multi-employer public employee retirement system that was created to administer sound, cost-effective pensions for local government employees, to establish a pension plan for their employees. The following information relates to this plan.

Funding Policy

Employees are required to pay 3% of their total compensation to the plan. Annual Authority contributions to the plan are determined by the PMRS. The contributions are determined in accordance with the requirements of Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, and Act 15 of 1974, the Pennsylvania Municipal Retirement Law, and subsequent amendments to each Act. The system issues a comprehensive annual financial report which may be obtained by writing to PMRS, PO Box 1165, Harrisburg, PA 17108-1165.

Total contributions made for the years ending December 31, 2014, 2013 and 2012 were \$74,507, \$89,800 and \$71,259, respectively, equal to the required contributions for each year.

5. Land, Structures and Equipment

Land, structures and equipment are stated at cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Buildings Equipment	40 years 7 years	Site Improvements	15 years	
	Balance <u>12/31/13</u>		<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/14</u>
Land	\$ 149,024		\$ -	\$ -	\$ 149,024
Buildings	7,960,013		201,349	-	8,161,362
Furniture and equipment					
Dwelling	515,309		-	-	515,309
Administrative	757,385		-	-	757,385
Leasehold improvements	734,253		-	-	734,253
Accumulated depreciation	(<u>7,330,929</u>)	(<u>308,165</u>)		<u>-</u>	(<u>7,639,094</u>)
Net	<u>\$2,785,055</u>	(<u>\$ 106,816</u>)	<u>\$ -</u>		<u>\$2,678,239</u>

6. Estimates in Financial Statements

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

7. Compensated Absences

The Authority's employees are permitted to accumulate unused vacation and compensatory time, subject to specific annual limitations. These vested amounts that are expected to be liquidated with expendable available financial resources are reported as expenditures and liabilities of the appropriate project. At December 31, 2013 the liability for compensated absences was \$96,874. During the year ended December 31, 2014 the balance increased \$13,119 to a total of \$109,993, \$41,885 of which is expected to be paid in the subsequent year and is classified as a current liability.

8. Inventory

Inventory is stated at cost and is accounted for using the FIFO method of inventory valuation. The ending inventory in the amount of \$5,741 consists of weatherization materials.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash and cash equivalents and investments include deposits with financial institutions including non-interest bearing checking accounts and savings accounts. The Authority's investment policies are governed by HUD regulations and Authority policy.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to attempt to secure the safety of deposits exceeding the bank's insurance limit. As of December 31, 2014, the book balance was \$1,407,922 and the bank balance was \$1,443,964. Of the bank balance, \$148,894 was uninsured. However, the balance is collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

Credit Risk

The Federal Department of Housing and Urban Development (HUD) policies allow the Authority to make investments in direct obligations of Federal Government Agencies, securities of Government-sponsored Agencies and demand deposits and certificates of deposit. The Authority's investment policy is to comply with HUD guidelines.

Concentration of Risk

The continued operation of the Authority and maintenance of its current programs are significantly dependent upon continued funding, at current levels, by the Federal Department of Housing and Urban Development.

NOTE C - 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, and injuries to employees for which the Authority purchases commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to prior years.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE D - ACCOUNTS RECEIVABLE/PAYABLE - HUD

The accounts receivable/payable - HUD consists of additional amounts due from/to the funding source because the amounts advanced were less/more than the expenditures made through the year ended December 31, 2014. In addition, any interest earned on restricted net position is required to be returned to HUD.

NOTE E - RESTRICTED NET POSITION

In accordance with HUD Directive PIH 2008-9, a portion of net position, and a respective amount of cash, are required to be shown as restricted for future housing assistance payments (HAP). These amounts are the results of current and prior years' HAP reimbursements and certain other receipts. The Authority's policy is to spend the restricted HAP funds prior to spending current period HAP funding.

NOTE F - LINE OF CREDIT

In June, 2013, the Authority established an open-ended, unsecured \$100,000 line of credit agreement with a local bank to provide short-term working capital. The line bears interest at the prime rate plus .5% times 68% and requires monthly payments of interest only. At December 31, 2014 the outstanding balance of the line was \$12,633, consisting of \$1,173 for operations and \$11,460 for capital projects.

NOTE G - TRANSFERS

Effective January 1, 2014, the City of Corry, Pennsylvania entered into a cooperation agreement to administer the Community Development Block Grant program. The program had been previously administered by the Corry Redevelopment Authority. This change resulted in a transfer of \$5 to the Housing Authority.

NOTE H - SUBSEQUENT EVENT

Effective January 1, 2015 the public housing, capital funding and housing choice voucher programs of the Housing Authority of the City of Corry, Pennsylvania were transferred to the Housing Authority of the County of Erie, Pennsylvania. This consolidation of Authorities/programs was approved by HUD.

SUPPLEMENTAL INFORMATION

Housing Authority of the County of Erie, Pennsylvania
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2014

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized
Department of Housing and Urban Development						
Public and Indian Housing- Public Housing (P-1561 PHA Owned)	D	14.850	N/A	January 1, 2014/ December 31, 2014	\$ 178,134 b	\$ 158,165
CFP Cluster:						
Capital Fund Program	D	14.872	N/A	September 9, 2013/ September 8, 2017	114,543	111,304
Capital Fund Program	D	14.872	N/A	May 13, 2014/ May 8, 2018	131,394	107,610
Capital Fund Program	D	14.872	N/A	N/A	218,573	11,460
Total CFDA #14.872					464,510	230,374
Housing Voucher Cluster:						
Section 8 Housing Choice Voucher Program- (P-76-321 Barnett Building)	D	14.871	N/A	December 31, 1995	N/A e	250,761
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2013/ December 31, 2013	3,472,271	-
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2014/ December 31, 2014	3,536,480	3,536,480
Total CFDA #14.871					7,008,751	3,787,241
State Administered CDBG Cluster:						
Community Development Block Grant No. C000049987 - 2010	I	14.228	N/A	October 5, 2010/ October 4, 2015	352,629	108,925
Community Development Block Grant No. C000052342 - 2011	I	14.228	N/A	April 12, 2012/ April 11, 2017	312,597	200,335
Community Development Block Grant No. C000053092 - 2012	I	14.228	N/A	October 11, 2012/ October 10, 2017	300,000	186,771
Community Development Block Grant No. C000058614 - 2013	I	14.228	N/A	May 15, 2014/ May 14, 2019	300,000	72,800
Total CFDA #14.228					1,265,226	568,831
Total Department of Housing and Urban Development					8,916,621	4,744,611

<u>Other Receipts</u>	<u>Total Funds Available</u>	<u>Accrued or (Advanced) Revenue at 1/1/14</u>	<u>Drawdowns</u>	<u>Other Receipts</u>	<u>Total Receipts</u>	<u>Federal Expenditures for the Year Ended 12/31/14</u>	<u>Accrued or (Advanced) Revenue at 12/31/14</u>
<u>\$ 378,891 a</u>	<u>\$ 537,056</u>	<u>\$ -</u>	<u>\$ 158,165</u>	<u>\$ 378,891</u>	<u>\$ 537,056</u>	<u>\$ 158,165</u>	<u>\$ -</u>
-	111,304	-	111,304	-	111,304	111,304	-
-	107,610	-	107,610	-	107,610	107,610	-
-	11,460	-	-	-	-	11,460	11,460
-	230,374	-	218,914	-	218,914	230,374	11,460
229,781 a	480,542	-	250,761	229,781 a	480,542	250,761	-
-	-	4,453	4,453	-	4,453	-	-
55,857 d	3,592,337	-	3,532,369	55,857 d	3,588,226	3,536,480	4,111 f
285,638	4,072,879	4,453	3,787,583	285,638	4,073,221	3,787,241	4,111
-	108,925	-	108,925	-	108,925	108,925	-
-	200,335	-	200,335	-	200,335	200,335	-
-	186,771	-	186,591	-	186,591	186,771	180
-	72,800	-	72,009	-	72,009	72,800	791
-	568,831	-	567,860	-	567,860	568,831	971
664,529	5,409,140	4,453	4,732,522	664,529	5,397,051	4,744,611	16,542

Housing Authority of the County of Erie, Pennsylvania
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2014

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized
<u>Department of Energy</u>						
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2012/ September 30, 2013	171,414	-
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2013/ September 30, 2014	30,872	30,872
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2014/ September 30, 2015	143,540	25,070
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2002/ September 30, 2003	160,343	-
Total Department of Energy/CFDA #81.042					506,169	55,942
<u>Department of Health and Human Services</u>						
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2013/ September 30, 2014	181,568	181,568
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2014/ September 30, 2015	218,772	29,010
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2012/ September 30, 2013	199,579	(1,948) c
Total Department of Health and Human Services/CFDA #93.568					599,919	208,630
TOTAL ALL SOURCES					\$ 10,022,709	\$ 5,009,183

<u>Other Receipts</u>	<u>Total Funds Available</u>	<u>Accrued or (Advanced) Revenue at 1/1/14</u>	<u>Drawdowns</u>	<u>Other Receipts</u>	<u>Total Receipts</u>	<u>Federal Expenditures for the Year Ended 12/31/14</u>	<u>Accrued or (Advanced) Revenue at 12/31/14</u>
-	-	18,465	18,465	-	18,465	-	-
-	30,872	-	30,872	-	30,872	30,872	-
-	25,070	-	-	-	-	25,070	25,070
-	-	(1,109)	-	-	-	-	(1,109)
-	55,942	17,356	49,337	-	49,337	55,942	23,961
-	181,568	-	181,568	-	181,568	181,568	-
-	29,010	-	-	-	-	29,010	29,010
-	(1,948)	30,000	28,052	-	28,052	(1,948) c	-
-	208,630	30,000	209,620	-	209,620	208,630	29,010
<u>\$ 664,529</u>	<u>\$ 5,673,712</u>	<u>\$ 51,809</u>	<u>\$ 4,991,479</u>	<u>\$ 664,529</u>	<u>\$ 5,656,008</u>	<u>\$ 5,009,183</u>	<u>\$ 69,513</u>

Housing Authority of the County of Erie, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Authority's federal awards programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B - FOOTNOTE KEY

- a Other receipts include tenant rents, service income, interest income and other income
- b Amounts include HUD Operating subsidy
- c Includes repayment of federal financial assistance
- d Other receipts include interest income
- e Program is not required to file budget documents and no program award amounts are established for grant period
- f Per HUD directive 06-3, excess revenue is maintained as reserves
- D Direct funding
- I Indirect funding

NOTE C - IDENTIFICATION OF 50% RULE (25% FOR LOW RISK AUDITEES):

Total federal expenditures		<u>\$5,009,183</u>
Programs selected for testing:		
Major Programs		
State Administered		
CDBG Cluster	14.228	\$ 568,831
Section 8 Housing		
Choice Voucher Program	14.871	<u>3,787,241</u>
Total		<u>\$4,356,072</u>
% of Total Federal Expenditures		<u>86.96%</u>

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
December 31, 2014

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
ASSETS				
CURRENT ASSETS				
Cash:				
Cash-unrestricted	\$380,535	\$491,611	\$7,636	\$1
Cash-restricted-modernization&development				
Cash-other restricted		10,355		
Cash-tenant security deposit	12,248	0		
Total cash	392,783	501,966	7,636	1
Accounts and notes receivables:				
A/R-PHA projects	0	4,111		
A/R-HUD other projects	0	0		
A/R-other government	13,481	17,584	0	971
A/R-miscellaneous		0		0
A/R-tenants-dwelling rents	1,979	0		
Allowance for doubtful accounts-dwell rents				
Allowance for doubtful accounts-other				
Notes/mortgage receivable-current				
Fraud recovery				
Allowance for doubtful accounts-fraud				
Accrued interest receivable				
Total receivables, net of allowances	15,460	21,695	0	971
Current investments:				
Investments-unrestricted	0	0		
Investments-restricted	0	0		
Prepaid expenses and other assets				
Inventories				
Allowance for obsolete inventories				
Interprogram due from	0	0	0	0
Amounts to be provided				
TOTAL CURRENT ASSETS	408,243	523,661	7,636	972
NONCURRENT ASSETS				
Fixed assets:				
Land	149,024	0	0	0
Buildings	5,052,362	0	0	0
Furniture,equipment&machinery-dwellings	321,552	0	0	0
Furniture,equipment&machinery-administrat	163,706	48,300	0	0
Leasehold improvements	407,010	0	0	0
Construction in progress	0	0	0	0
Accumulated depreciation	(4,717,129)	(38,925)	0	0
Total fixed assets,net of a/d	1,376,525	9,375	0	0

<u>DOE</u> <u>81.042</u>	<u>LIHEAP</u> <u>93.568</u>	<u>CFP</u> <u>14.872</u>	<u>Business</u> <u>Activities</u>	<u>TOTAL</u>
\$68,844	\$0	\$0	\$430,681	\$1,379,308
		0		0
				10,355
			6,011	18,259
<u>68,844</u>	<u>0</u>	<u>0</u>	<u>436,692</u>	<u>1,407,922</u>
		11,460		15,571
		0	0	0
25,070	29,010		128,081	214,197
38,908				38,908
			3,130	5,109
				0
				0
				0
				0
				0
<u>63,978</u>	<u>29,010</u>	<u>11,460</u>	<u>131,211</u>	<u>273,785</u>
				0
				0
				0
784	4,957			5,741
25,769	10,802			36,571
				0
56,763	2,967		97,060	156,790
				0
<u>216,138</u>	<u>47,736</u>	<u>11,460</u>	<u>664,963</u>	<u>1,880,809</u>
0	0	0	0	149,024
58,975	0	1,153,271	1,896,754	8,161,362
0	0	120,332	73,425	515,309
189,367	91,077	19,237	245,698	757,385
0	0	105,008	222,235	734,253
0	0	0	0	0
<u>(177,412)</u>	<u>(77,482)</u>	<u>(570,639)</u>	<u>(2,057,507)</u>	<u>(7,639,094)</u>
<u>70,930</u>	<u>13,595</u>	<u>827,209</u>	<u>380,605</u>	<u>2,678,239</u>

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
December 31, 2014

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
Notes/mortgage receivable-non current				
Notes/mortgage receivable-non curr past due				
Other assets			0	0
Undistributed debits				
Investment in joint ventures				
TOTAL NONCURRENT ASSETS	<u>1,376,525</u>	<u>9,375</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$1,784,768</u>	<u>\$533,036</u>	<u>\$7,636</u>	<u>\$972</u>
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	\$0	\$0	\$0	\$0
Accounts payable <90 days	27,701	0	800	180
Accounts payable >90 days past due				
Accrued wage/payroll taxes				
Accrued compensated absences	8,118	13,841	0	3,581
Accrued contingency liability				
Accrued interest payable				
Accounts payable -HUD PHA programs	0	0		
Accounts payable -PHA projects			0	
Accounts payable -other government			0	0
Tenant security deposits	12,248			
Deferred revenues	0	0	0	0
Current portion of LTD-capital projects				
Current portion of LTD-operating borrowings	1,173			
Other current liabilities				
Accrued liabilities-other				
Interprogram due to	<u>20,755</u>	<u>26,682</u>	<u>22,321</u>	<u>792</u>
TOTAL CURRENT LIABILITIES	<u>69,995</u>	<u>40,523</u>	<u>23,121</u>	<u>4,553</u>
NONCURRENT LIABILITIES				
LTD net of current-capital projects	0	0		
LTD net of current-operating borrowings				
Accrued compensated abs - non current	<u>13,201</u>	<u>22,505</u>	<u>0</u>	<u>5,823</u>
TOTAL NONCURRENT LIABILITIES	<u>13,201</u>	<u>22,505</u>	<u>0</u>	<u>5,823</u>
TOTAL LIABILITIES	<u>83,196</u>	<u>63,028</u>	<u>23,121</u>	<u>10,376</u>

DOE 81.042	LIHEAP 93.568	CFP 14.872	Business Activities	TOTAL
				0
				0
				0
				0
				0
70,930	13,595	827,209	380,605	2,678,239
\$287,068	\$61,331	\$838,669	\$1,045,568	\$4,559,048
\$0	\$0	\$0	\$0	\$0
8,025	18,563	0	16,836	72,105
				0
			10,798	10,798
1,370	2,055		12,920	41,885
				0
				0
				0
				0
1,105				1,105
			6,011	18,259
0	0	0		0
		11,460		11,460
				1,173
				0
				0
85,873	367	0		156,790
96,373	20,985	11,460	46,565	313,575
			0	0
				0
2,228	3,342		21,009	68,108
2,228	3,342	0	21,009	68,108
98,601	24,327	11,460	67,574	381,683

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
December 31, 2014

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
EQUITY				
Contributed capital:				
Long-term-debt-HUD guaranteed				
Net HUD PHA contributions	0	0	0	0
Other HUD contributions				
Other contributions	0		0	0
Total contributed capital	0	0	0	0
Invested in capital assets, net debt	1,376,525	9,375	0	0
Reserve fund balance:				
Reserved for operating activities				
Reserved for capital activities				
Total reserved fund balance	0	0	0	0
Restricted net assets	0	10,355	0	
Unrestricted net assets	325,047	450,278	(15,485)	(9,404)
TOTAL EQUITY	1,701,572	470,008	(15,485)	(9,404)
TOTAL LIABILITIES AND EQUITY	\$1,784,768	\$533,036	\$7,636	\$972
REVENUE				
Net tenant rental revenue	\$367,135	\$0	\$0	\$0
Tenant revenue-other	8,366	0	0	0
Total tenant revenue	375,501	0	0	0
HUD PHA grants-operating	158,165	3,536,480		
HUD PHA grants-capital				
Other governmental grants			25,982	568,831
Investment income-unrestricted	0	216	0	2
Mortgage interest income				
Fraud recovery		21,304		
Other revenue	3,358	34,337	0	18,000
Gain/loss on sale of fixed assets	0	0		
Investment income-restricted	32	0		
TOTAL REVENUE	\$537,056	\$3,592,337	\$25,982	\$586,833
EXPENSES				
Administrative:				
Salaries	\$22,987	\$183,584	\$0	\$43,391
Auditing fees	3,100	8,450	800	1,000
Outside management fees				
Employee benefit contributions	63,859	0		
Other operating	18,735	163,016	26,837	3,128

<u>DOE</u> <u>81.042</u>	<u>LIHEAP</u> <u>93.568</u>	<u>CFP</u> <u>14.872</u>	<u>Business</u> <u>Activities</u>	<u>TOTAL</u>
				0
0	0	0		0
				0
<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
70,930	13,595	827,209	380,605	2,678,239
				0
				0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
				10,355
<u>117,537</u>	<u>23,409</u>	<u>0</u>	<u>597,389</u>	<u>1,488,771</u>
<u>188,467</u>	<u>37,004</u>	<u>827,209</u>	<u>977,994</u>	<u>4,177,365</u>
<u>\$287,068</u>	<u>\$61,331</u>	<u>\$838,669</u>	<u>\$1,045,568</u>	<u>\$4,559,048</u>
\$0	\$0	\$0	\$225,833	\$592,968
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,235</u>	<u>11,601</u>
0	0	0	229,068	604,569
		88,000	250,761	4,033,406
		142,375		142,375
100,430	208,630			903,873
0			21	239
				0
				21,304
366,951			692	423,338
			0	0
			0	32
<u>\$467,381</u>	<u>\$208,630</u>	<u>\$230,375</u>	<u>\$480,542</u>	<u>\$6,129,136</u>
\$10,164	\$6,397	\$48,484	\$174,733	\$489,740
1,125	500		0	14,975
				0
			0	63,859
183,465	90,958	39,516	116,007	641,662

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
December 31, 2014

Account Description	Low Rent 14,850	Housing Choice 14,871	Rehab 14,218	CDBG 14,228
Tenant services:				
Salaries				
Relocation costs				
Employee benefit contributions				
Other	61	0		
Utilities:				
Water	18,274	0		
Electricity	61,304	0		
Gas	11,397	0		
Fuel				
Labor				
Employee benefit contributions				
Other	31,707	0		
Ordinary maintenance & operation:				
Labor	80,732	0		
Materials and other	36,157	0		
Contract costs	40,716	0		539,319
Employee benefit contributions				
Protective services:				
Labor				
Other contract costs				
Other				
Employee benefit contributions				
General expenses:				
Insurance premiums	38,715	0		
Other				
Compensated absences	9,425	16,068	0	9,404
Payments in lieu of taxes	24,445	0		
Bad debts-tenant rents	116	0		
Bad debts-mortgages				
Bad debts-other				
Interest expense	190	0		
Severance expense				
TOTAL OPERATING EXPENSES	461,920	371,118	27,637	596,242
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	75,136	3,221,219	(1,655)	(9,409)

DOE 81.042	LIHEAP 93.568	CFP 14.872	Business Activities	TOTAL
				0
				0
				0
			0	61
			16,946	35,220
			65,471	126,775
			495	11,892
				0
				0
				0
			23,381	55,088
219,296	42,911		0	342,939
76,401	59,073		42,069	213,700
			18,242	598,277
				0
				0
				0
				0
622	3,108		11,806	54,251
				0
1,591	2,386		15,000	53,874
			12,004	36,449
			0	116
				0
				0
			0	190
				0
<u>492,664</u>	<u>205,333</u>	<u>88,000</u>	<u>496,154</u>	<u>2,739,068</u>
(25,283)	3,297	142,375	(15,612)	3,390,068

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
December 31, 2014

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
Extraordinary maintenance	11,403	0	0	0
Casualty losses-non capitalized				
Housing assistance payments	0	3,257,650		
Depreciation expense	133,796	2,679	0	
Fraud losses				
Capital outlays-governmental funds				
Debt principal payments-governmental funds				
Dwelling units rent expense				
TOTAL EXPENSES	607,119	3,631,447	27,637	596,242
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
Operating transfers from/to primary govt				
Proceeds from notes,loans and bonds				
Proceeds from property sales				
TOTAL OTHER FINANCING SOURCES	0	0	0	0
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$(70,063)</u>	<u>\$(39,110)</u>	<u>\$(1,655)</u>	<u>\$(9,409)</u>
Capital contributions	0	0	0	0
Debt principal paymetns-enterprise funds	0	0	0	0
Beginning equity	1,771,635	509,118	(13,830)	0
Prior period adj and equity transfers	0	0	0	5
Change in comp abs liability balance				
Change in contingent liability balance				
Change in unrecog pension trans liability				
Change in spec term/severence ben liability				
Change in allowance - dwelling rents				
Change in allowance - other				
Depreciation add back	0	0	0	0
Maximum annual contributions commitment	0	0	0	0
Prorata maximum annual contributions applicable to a period of less than 12 mos		0		
Contingency reserve, ACC program reserve	0	0	0	0
Total annual contributions available	0	0	0	0
Unit months available	1,440	10,740		
Number of unit months leased	1,420	8,683		
Administrative fee equity		450,278		
Housing assistance payments equity		10,355		

23

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

December 31, 2014

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 380,535	\$ 491,611	\$ 7,636	\$ 68,844
Cash - restricted	-	10,355	-	-
Cash - tenant security deposits	12,248	-	-	-
Accounts receivable				
HUD	-	4,111	-	-
HUD other projects	-	-	-	-
Other governments	13,481	17,584	-	54,080
Tenants	1,979	-	-	-
Other	-	-	-	38,908
Prepaid expenses	-	-	-	-
Inventories	-	-	-	5,741
Other assets	-	-	-	36,571
Interprogram due from	-	-	-	59,730
Total current assets	408,243	523,661	7,636	263,874
FIXED ASSETS				
Land	149,024	-	-	-
Buildings	5,052,362	-	-	58,975
Furniture and equipment				
Dwelling	321,552	-	-	-
Administrative	163,706	48,300	-	280,444
Leasehold Improvements	407,010	-	-	-
Construction in progress	-	-	-	-
	6,093,654	48,300	-	339,419
Less accumulated depreciation	4,717,129	38,925	-	254,894
Total fixed assets	1,376,525	9,375	-	84,525
	\$ 1,784,768	\$ 533,036	\$ 7,636	\$ 348,399
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 27,701	\$ -	\$ 800	\$ 26,588
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	8,118	13,841	-	3,425
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	-	-	-	1,105
Tenants security deposits	12,248	-	-	-
Current portion of long-term debt				
Operations	1,173	-	-	-
Capital projects	-	-	-	-
Interprogram due to	20,755	26,682	22,321	86,240
Total current liabilities	69,995	40,523	23,121	117,358
NONCURRENT LIABILITIES				
Accrued compensated absences	13,201	22,505	-	5,570
Long-term debt	-	-	-	-
Total noncurrent liabilities	13,201	22,505	-	5,570
Total liabilities	83,196	63,028	23,121	122,928
NET POSITION				
Net investment in capital assets	1,376,525	9,375	-	84,525
Restricted	-	10,355	-	-
Unrestricted	325,047	450,278	(15,485)	140,946
Total net position	1,701,572	470,008	(15,485)	225,471
	\$ 1,784,768	\$ 533,036	\$ 7,636	\$ 348,399

CDBG Programs	Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ 1	\$ 430,681	\$ -	\$ 1,379,308
-	-	-	10,355
-	6,011	-	18,259
-	-	11,460	15,571
-	-	-	-
971	128,081	-	214,197
-	3,130	-	5,109
-	-	-	38,908
-	-	-	-
-	-	-	5,741
-	-	-	36,571
-	97,060	-	156,790
972	664,963	11,460	1,880,809
-	-	-	149,024
-	1,896,754	1,153,271	8,161,362
-	73,425	120,332	515,309
-	245,698	19,237	757,385
-	222,235	105,008	734,253
-	-	-	-
-	2,438,112	1,397,848	10,317,333
-	2,057,507	570,639	7,639,094
-	380,605	827,209	2,678,239
\$ 972	\$ 1,045,568	\$ 838,669	\$ 4,559,048
\$ 180	\$ 16,836	\$ -	\$ 72,105
-	10,798	-	10,798
3,581	12,920	-	41,885
-	-	-	-
-	-	-	-
-	-	-	1,105
-	6,011	-	18,259
-	-	-	1,173
-	-	11,460	11,460
792	-	-	156,790
4,553	46,565	11,460	313,575
5,823	21,009	-	68,108
-	-	-	-
5,823	21,009	-	68,108
10,376	67,574	11,460	381,683
-	380,605	827,209	2,678,239
-	-	-	10,355
(9,404)	597,389	-	1,488,771
(9,404)	977,994	827,209	4,177,365
\$ 972	\$ 1,045,568	\$ 838,669	\$ 4,559,048

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2014

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
Operating revenue				
Tenant rental revenue	\$ 367,135	\$ -	\$ -	\$ -
Tenant revenue other	8,366	-	-	-
HUD PHA grants	158,165	3,536,480	-	-
Other governmental grants	-	-	25,982	309,060
Other income	3,358	55,641	-	366,951
Total operating revenue	537,024	3,592,121	25,982	676,011
Operating expenses				
Administrative				
Salaries	22,987	183,584	-	16,561
Audit	3,100	8,450	800	1,625
Employee benefit contributions	63,859	-	-	-
Other operating	18,735	163,016	26,837	274,423
Tenant services	61	-	-	-
Utilities				
Water	18,274	-	-	-
Electricity	61,304	-	-	-
Gas	11,397	-	-	-
Other	31,707	-	-	-
Ordinary maintenance and operation				
Labor	80,732	-	-	262,207
Materials	36,157	-	-	135,474
Contract costs	40,716	-	-	-
General expense				
Insurance	38,715	-	-	3,730
Compensated absences	9,425	16,068	-	3,977
Payments in lieu of taxes	24,445	-	-	-
Bad debts - tenant rents	116	-	-	-
Interest	190	-	-	-
Extraordinary maintenance	11,403	-	-	-
Housing assistance payments	-	3,257,650	-	-
Depreciation	133,796	2,679	-	33,564
Total operating expenses	607,119	3,631,447	27,637	731,561
Operating income (loss)	(70,095)	(39,326)	(1,655)	(55,550)
Nonoperating revenue (expenses):				
HUD PHA capital grants	-	-	-	-
Investment income-unrestricted	-	216	-	-
Investment income-restricted	32	-	-	-
Interest expense	-	-	-	-
Change in net position	(70,063)	(39,110)	(1,655)	(55,550)
Net position, beginning of year	1,771,635	509,118	(13,830)	281,021
Transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Net position, end of year	\$ 1,701,572	\$ 470,008	\$ (15,485)	\$ 225,471

CDBG Programs	Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ -	\$ 225,833	\$ -	\$ 592,968
-	3,235	-	11,601
-	250,761	88,000	4,033,406
568,831	-	-	903,873
18,000	692	-	444,642
586,831	480,521	88,000	5,986,490
43,391	174,733	48,484	489,740
1,000	-	-	14,975
-	-	-	63,859
3,128	116,007	39,516	641,662
-	-	-	61
-	16,946	-	35,220
-	65,471	-	126,775
-	495	-	11,892
-	23,381	-	55,088
-	-	-	342,939
-	42,069	-	213,700
539,319	18,242	-	598,277
-	11,806	-	54,251
9,404	15,000	-	53,874
-	12,004	-	36,449
-	-	-	116
-	-	-	190
-	-	-	11,403
-	-	-	3,257,650
-	61,057	77,069	308,165
596,242	557,211	165,069	6,316,286
(9,411)	(76,690)	(77,069)	(329,796)
-	-	142,375	142,375
2	21	-	239
-	-	-	32
-	-	-	-
(9,409)	(76,669)	65,306	(187,150)
-	1,054,663	761,903	4,364,510
5	-	-	5
-	-	-	-
\$ (9,404)	\$ 977,994	\$ 827,209	\$ 4,177,365

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

WEATHERIZATION PROGRAMS

December 31, 2014

	Department of Energy	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization	Total DOE
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 732	\$ -	\$ 68,112	\$ 68,844
Cash - tenant security deposits	-	-	-	-
Accounts receivable	-	-	-	-
HUD	-	-	-	-
HUD other projects	-	-	-	-
Other governments	25,070	-	-	25,070
Tenants	-	-	-	-
Other	-	-	38,908	38,908
Investments - restricted	-	-	-	-
Prepaid expenses	-	-	784	784
Inventories	25,769	-	-	25,769
Interprogram due from	14,763	-	42,000	56,763
Total current assets	66,334	-	149,804	216,138
FIXED ASSETS				
Land	-	-	-	-
Buildings	-	-	58,975	58,975
Furniture and equipment	-	-	-	-
Dwelling	-	-	-	-
Administrative	133,821	-	55,546	189,367
Leasehold Improvements	-	-	-	-
Construction in progress	-	-	-	-
	133,821	-	114,521	248,342
Less accumulated depreciation	123,429	-	53,983	177,412
Total fixed assets	10,392	-	60,538	70,930
	\$ 76,726	\$ -	\$ 210,342	\$ 287,068
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 6,975	\$ -	\$ 1,050	\$ 8,025
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	1,370	-	-	1,370
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	1,105	-	-	1,105
Tenants security deposits	-	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	68,142	-	17,731	85,873
Total current liabilities	77,592	-	18,781	96,373
NONCURRENT LIABILITIES				
Accrued compensated absences	2,228	-	-	2,228
Long-term debt	-	-	-	-
Total noncurrent liabilities	2,228	-	-	2,228
Total liabilities	79,820	-	18,781	98,601
NET POSITION				
Net investment in capital assets	10,392	-	60,538	70,930
Restricted	-	-	-	-
Unrestricted	(13,486)	-	131,023	117,537
Total net position	(3,094)	-	191,561	188,467
	\$ 76,726	\$ -	\$ 210,342	\$ 287,068

Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ -	\$ 68,844
-	-
-	-
-	-
29,010	54,080
-	-
-	38,908
-	-
4,957	5,741
10,802	36,571
2,967	59,730
47,736	263,874
-	-
-	58,975
-	-
91,077	280,444
-	-
-	-
91,077	339,419
77,482	254,894
13,595	84,525
\$ 61,331	\$ 348,399
\$ 18,563	\$ 26,588
-	-
2,055	3,425
-	-
-	-
-	1,105
-	-
-	-
367	86,240
20,985	117,358
3,342	5,570
-	-
3,342	5,570
24,327	122,928
13,595	84,525
-	-
23,409	140,946
37,004	225,471
\$ 61,331	\$ 348,399

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEATHERIZATION PROGRAMS

Year Ended December 31, 2014

	Department of Energy	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization	Total DOE
Operating revenue				
Tenant rental revenue	\$ -	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-	-
HUD PHA grants	-	-	-	-
Other governmental grants	55,942	44,488	-	100,430
Other income	-	-	366,951	366,951
Total operating revenue	55,942	44,488	366,951	467,381
Operating expenses				
Administrative				
Salaries	1,431	-	8,733	10,164
Audit	75	-	1,050	1,125
Employee benefit contributions	-	-	-	-
Other operating	23,261	-	160,204	183,465
Tenant services	-	-	-	-
Utilities				
Water	-	-	-	-
Electricity	-	-	-	-
Gas	-	-	-	-
Other	-	-	-	-
Ordinary maintenance and operation				
Labor	10,137	44,488	164,671	219,296
Materials	16,628	-	59,773	76,401
Contract costs	-	-	-	-
General expense				
Insurance	622	-	-	622
Compensated absences	1,591	-	-	1,591
Payments in lieu of taxes	-	-	-	-
Bad debts - tenant rents	-	-	-	-
Housing assistance payments	-	-	-	-
Depreciation	14,379	-	3,279	17,658
Total operating expenses	68,124	44,488	397,710	510,322
Operating income (loss)	(12,182)	-	(30,759)	(42,941)
Nonoperating revenue (expenses):				
Investment income-unrestricted	-	-	-	-
Investment income-restricted	-	-	-	-
Interest expense	-	-	-	-
Change in net position	(12,182)	-	(30,759)	(42,941)
Net position, beginning of year	9,088	-	222,320	231,408
Transfers	-	-	-	-
Net position, end of year	\$ (3,094)	\$ -	\$ 191,561	\$ 188,467

Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ -	\$ -
-	-
-	-
208,630	309,060
-	366,951
208,630	676,011
6,397	16,561
500	1,625
-	-
90,958	274,423
-	-
-	-
-	-
-	-
42,911	262,207
59,073	135,474
-	-
3,108	3,730
2,386	3,977
-	-
-	-
-	-
15,906	33,564
221,239	731,561
(12,609)	(55,550)
-	-
-	-
-	-
(12,609)	(55,550)
49,613	281,021
-	-
\$ 37,004	\$ 225,471

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

DEPARTMENT OF ENERGY

Year Ended December 31, 2014

Department of Energy ME #C000055874 Grant Period 7/01/13-9/30/14			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	30,872	-	30,872
Other income	-	-	-
Total operating revenue	30,872	-	30,872
Operating expenses			
Administrative			
Salaries	898	-	898
Audit	75	-	75
Employee benefit contributions	-	-	-
Other operating	11,577	-	11,577
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	9,028	-	9,028
Materials	8,672	-	8,672
Contract costs	-	-	-
General expense			
Insurance	622	-	622
Compensated absences	-	-	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	-	-	-
Total operating expenses	30,872	-	30,872
Operating income (loss)	-	-	-
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	\$ -	\$ -	\$ -

Department of Energy ME #C000055874 Grant Period 7/01/14-9/30/15				Total
Cumulative	Previous Period	Current Period		Current Period
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
25,070	-	25,070	55,942	-
-	-	-	-	-
25,070	-	25,070	55,942	-
533	-	533	1,431	-
-	-	-	75	-
-	-	-	-	-
11,684	-	11,684	23,261	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,109	-	1,109	10,137	-
7,956	-	7,956	16,628	-
-	-	-	-	-
-	-	-	622	-
1,591	-	1,591	1,591	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
14,379	-	14,379	14,379	-
37,252	-	37,252	68,124	-
(12,182)	-	(12,182)	(12,182)	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ (12,182)	\$ -	\$ (12,182)	\$ (12,182)	-

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Year Ended December 31, 2014

LIHEAP ME #C000052989 7/01/12-12/31/13			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	197,631	199,579	(1,948)
Other income	-	-	-
Total operating revenue	197,631	199,579	(1,948)
Operating expenses			
Administrative			
Salaries	5,692	5,692	-
Audit	1,160	1,160	-
Employee benefit contributions	-	-	-
Other operating	52,372	52,372	-
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	37,705	37,705	-
Materials	84,878	86,826	(1,948)
Contract costs	-	-	-
General expense			
Insurance	1,190	1,190	-
Compensated absences	3,846	3,846	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	16,243	16,243	-
Total operating expenses	203,086	205,034	(1,948)
Operating income (loss)	(5,455)	(5,455)	-
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Total expenses	203,086	205,034	(1,948)
Change in net position	\$ (5,455)	\$ (5,455)	\$ -

LIHEAP ME #C000055874 Grant Period 7/01/13-9/30/14			LIHEAP ME #C000055874 Grant Period 7/01/14-9/30/15			Total
Cumulative	Previous Period	Current Period	Cumulative	Previous Period	Current Period	Current Period
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
181,568	-	181,568	29,010	-	29,010	208,630
-	-	-	-	-	-	-
181,568	-	181,568	29,010	-	29,010	208,630
6,004	-	6,004	393	-	393	6,397
500	-	500	-	-	-	500
-	-	-	-	-	-	-
90,945	-	90,945	13	-	13	90,958
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,404	-	39,404	3,507	-	3,507	42,911
41,607	-	41,607	19,414	-	19,414	59,073
-	-	-	-	-	-	-
3,108	-	3,108	-	-	-	3,108
-	-	-	2,386	-	2,386	2,386
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	15,906	-	15,906	15,906
181,568	-	181,568	41,619	-	41,619	221,239
-	-	-	(12,609)	-	(12,609)	(12,609)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
181,568	-	181,568	41,619	-	41,619	221,239
\$ -	\$ -	\$ -	\$ (12,609)	\$ -	\$ (12,609)	\$ (12,609)

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

BUSINESS ACTIVITIES

December 31, 2014

	Barnett Building	Revolving Fund	Total
ASSETS			
CURRENT ASSETS			
Cash - unrestricted	\$ 135,538	\$ 295,143	\$ 430,681
Cash - tenant security deposits	6,011	-	6,011
Accounts receivable	-	-	-
HUD	-	-	-
HUD other projects	-	-	-
Other governments	15,826	112,255	128,081
Tenants	3,130	-	3,130
Other	-	-	-
Investments - restricted	-	-	-
Prepaid expenses	-	-	-
Inventories	-	-	-
Interprogram due from	493,660	(396,600)	97,060
Total current assets	654,165	10,798	664,963
FIXED ASSETS			
Land	-	-	-
Buildings	1,896,754	-	1,896,754
Furniture and equipment	-	-	-
Dwelling	73,425	-	73,425
Administrative	245,698	-	245,698
Leasehold Improvements	222,235	-	222,235
Construction in progress	-	-	-
	2,438,112	-	2,438,112
Less accumulated depreciation	2,057,507	-	2,057,507
Total fixed assets	380,605	-	380,605
	<u>\$ 1,034,770</u>	<u>\$ 10,798</u>	<u>\$ 1,045,568</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 16,836	\$ -	\$ 16,836
Accrued wages and taxes	-	10,798	10,798
Accrued compensated absences	12,920	-	12,920
Accounts payable - HUD	-	-	-
Accounts payable - HUD other projects	-	-	-
Accounts payable - other governments	-	-	-
Tenants security deposits	6,011	-	6,011
Current portion of long-term debt - capital projects	-	-	-
Interprogram due to	-	-	-
Total current liabilities	35,767	10,798	46,565
NONCURRENT LIABILITIES			
Accrued compensated absences	21,009	-	21,009
Long-term debt	-	-	-
Total noncurrent liabilities	21,009	-	21,009
Total liabilities	56,776	10,798	67,574
NET POSITION			
Net investment in capital assets	380,605	-	380,605
Restricted	-	-	-
Unrestricted	597,389	-	597,389
Total net position	977,994	-	977,994
	<u>\$ 1,034,770</u>	<u>\$ 10,798</u>	<u>\$ 1,045,568</u>

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUSINESS ACTIVITIES

Year Ended December 31, 2014

	Barnett Building	Revolving Fund	Total
Operating revenue			
Tenant rental revenue	\$ 225,833	\$ -	\$ 225,833
Tenant revenue other	3,235	-	3,235
HUD PHA grants	250,761	-	250,761
Other governmental grants	-	-	-
Other income	692	-	692
Total operating revenue	480,521	-	480,521
Operating expenses			
Administrative			
Salaries	174,733	-	174,733
Audit	-	-	-
Employee benefit contributions	-	-	-
Other operating	116,007	-	116,007
Tenant services	-	-	-
Utilities			
Water	16,946	-	16,946
Electricity	65,471	-	65,471
Gas	495	-	495
Other	23,381	-	23,381
Ordinary maintenance and operation			
Labor	-	-	-
Materials	42,069	-	42,069
Contract costs	18,242	-	18,242
General expense			
Insurance	11,806	-	11,806
Compensated absences	15,000	-	15,000
Payments in lieu of taxes	12,004	-	12,004
Bad debts - tenant rents	-	-	-
Interest	-	-	-
Housing assistance payments	-	-	-
Depreciation	61,057	-	61,057
Total operating expenses	557,211	-	557,211
Operating income (loss)	(76,690)	-	(76,690)
Nonoperating revenue (expenses):			
HUD PHA capital grants	-	-	-
Investment income-unrestricted	21	-	21
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	(76,669)	-	(76,669)
Net position, beginning of year	1,054,663	-	1,054,663
Transfers	-	-	-
Net position, end of year	\$ 977,994	\$ -	\$ 977,994

Housing Authority of the County of Erie, Pennsylvania

ACTUAL MODERNIZATION COST CERTIFICATE

MODERNIZATION PROJECT NUMBER

Year Ended December 31, 2014

Project Number	<u>#PA28P087501-13</u>
Original Funds Approved	114,543
Funds Disbursed	114,543
Funds Expended (Actual)	114,543
Amount to be Recaptured	N/A
Excess of Funds Disbursed	N/A

SUPPLEMENTAL SCHEDULE

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES

December 31, 2014

Low Rent P-1561

The Authority manages and operates three buildings under Annual Contributions Contract P-1561. The first building (PA-87-1) contains 65 units, the second building (PA-87-2) contains 40 units, and the third building (PA-87-3) contains 15 units. The Authority also receives funding through HUD under the Capital Fund Program to assist in the ongoing maintenance and capital improvements of these facilities.

Section 8 Voucher P-1526V

During 1989 the Authority began operating a Section 8 existing voucher program. During the year ended December 31, 2011, there were 788 available units per month under Annual Contributions Contract P-1526V. Beginning July 1, 2011, 34 units were added to the program. Beginning September 1, 2012 an additional 73 units were added. The annual total for 2014 was of 10,740 units available.

Business Activities

The Authority owns and operates the Barnett Building, containing 65 units, which is a Section 8 program in Erie County under Annual Contributions Contract P-76-321. The common paymaster (revolving fund) balances are also reported as Business Activities.

Erie County CDBG Rehab Program Administration

Funding is provided under a cooperation agreement with the County of Erie, Department of Planning with Community Development Block Grant (CDBG) funds for the Authority to provide the following services for the County's Housing Rehabilitation Projects: screen applicants for income eligibility; perform inspections of homes; develop detailed work specifications and prepare bid packages; conduct pre-bid conferences; perform on-site and final inspection of rehab work; file mortgage liens; maintain an adequate record system; and ensure all program activities are in compliance with laws and regulations.

Weatherization Programs:

Department of Community and Economic Development

Department of Energy and Low-Income Home Energy Assistance Program funding are to be utilized to operate the standard weatherization programs including furnace retrofit and replacement.

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES - Continued

December 31, 2014

Home Repair - Weatherization Interface Project

Funding is provided under an agreement with the County of Erie, Department of Planning with Affordable Housing funds for the Authority to provide home repairs and weatherization measures for low income households not included in the other weatherization programs administered by the Authority.

Utility Weatherization Programs:

Penelec

Funding is provided under agreements with Penelec for the Authority to provide quality, cost-effective electric energy reduction and energy education services to eligible Penelec customers under Penelec's WARM, WARM Plus, and PCAP Programs. The current WARM contract is effective from July 1, 2013 through June 30, 2015. The current WARM Plus contract is effective from May 23, 2013 through May 31, 2016. The current PCAP contract is effective from September 1, 2012 through August 31, 2015.

National Fuel Gas

Funding is provided under an agreement with National Fuel Gas for the Authority to provide services to low income National Fuel customers under National Fuel's Low Income Usage Reduction Program (LIURP). The agreement is an ongoing evergreen agreement with the current rates being effective through 2017.

Community Development Block Grants

The City of Corry, Pennsylvania is the recipient of various Community Development Block Grants (CDBG) from the Commonwealth of Pennsylvania Department of Community and Economic Development. However the City has entered into a cooperation agreement with the Authority to undertake, develop and carry out the projects. The activity of contract #C000049987, #C000052342, #C000053092 and #C000058614 have been included in this report.

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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

Members of the Board of Directors
Housing Authority of the County of Erie, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Housing Authority of the County of Erie, Pennsylvania, as of and for the year ended December 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 12, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
June 12, 2015

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Directors
Housing Authority of the County of Erie, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Erie, Pennsylvania's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Erie, Pennsylvania 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, 2014.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Erie, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
June 12, 2015

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2014

Summary of Auditor's Results:

Financial Statements

1. Type of auditor's report issued: unqualified
2. Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Control deficiency(ies) identified
that are not considered to be
material weaknesses? _____ yes X no
3. Noncompliance material to financial
statements noted? _____ yes X no

Federal Awards

1. Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Control deficiency(ies) identified
that are not considered to be
material weaknesses? _____ yes X no
2. Type of auditor's report issued
on compliance for major programs: unqualified
3. Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? _____ yes X no
4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	State Administered CDBG Cluster
14.871	Section 8 Housing Choice Voucher Program
5. Dollar threshold used to distinguish
between type A and type B programs: \$300,000
6. Auditee qualified as low-risk auditee? X yes _____ no

Audit Findings:

The audit resulted in no current findings. In addition, there were no findings in the prior year's audit.

Housing Authority of the County of Erie, Pennsylvania

EXIT CONFERENCE

December 31, 2014

An exit conference was held via telephone with the Housing Authority of the County of Erie, Pennsylvania, on June 12, 2015. Participating were:

Michael McNierney, Executive Director
Housing Authority of the County of Erie

Jarid Pettit, Controller
Housing Authority of the County of Erie

Michael N. Barko, CPA
Root, Spitznas and Smiley, Inc.

John W. Orlando, CPA
Root, Spitznas and Smiley, Inc.

A draft of the single audit report for the Housing Authority of the County of Erie for the year ended December 31, 2014 was presented and reviewed.

Housing Authority of the County of Erie, Pennsylvania

LIST OF REPORT DISTRIBUTION

December 31, 2014

Number of Copies

1	U.S. Department of Housing and Urban Development William Moorehead Federal Building 1000 Liberty Ave., Suite 1000 Pittsburgh, Pennsylvania 15222-2507 Attn: Mr. Paul K. Miller, Financial Analyst
1	Commonwealth of Pennsylvania Office of the Budget Bureau of Audits filed electronically
1	Federal Audit Clearing House filed electronically
1	County Executive County of Erie, Pennsylvania Erie County Courthouse 140 West 6th Street Erie, Pennsylvania 16501
1	Director of Finance County of Erie, Pennsylvania Erie County Courthouse 140 West 6th Street Erie, Pennsylvania 16501