

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

**December 31, 2015**

# 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, 2015, 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 the Uniform Guidance;

*Root, Spitznas and Smiley, Inc.*

June 14, 2016

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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, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, 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, 2015, 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.

### ***Change in Accounting Principle***

As described in Note H to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***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 and the schedules, as listed in the table of contents, on pages 21 through 22 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 14, 2016, 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 14, 2016

Erie County Housing Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
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, 2015 with selected comparative information for the fiscal year ended December 31, 2014. The comparative information for the fiscal year ended December 31, 2014 combines the Audited Financials from both the Erie County Housing Authority and the Corry Housing Authority. The December 31, 2014 figures were also restated due to the new Government Accounting Standards Board (GASB) pension liability requirements (see Special Notes below). 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 2015 by \$5,212,727 (net position). Of this amount, \$1,210,859 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- 2 Fixed assets decreased by \$270,561 primarily from the excess of current year depreciation expense over fixed assets additions.
- 3 Net position decreased by \$193,108 for the fiscal year ended December 31, 2015. This was due primarily to the decrease in fixed assets.
- 4 Operating revenues decreased \$451,493 primarily due to the decrease in projects completed for the City of Corry CDBG program.

#### 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, 2015 and 2014.

	2015	2014 (Restated)
Operating revenues	\$6,481,382	\$6,932,875
Operating expenses	6,723,234	7,383,899
<b>Operating Income</b>	<b>( 241,852)</b>	<b>( 451,024)</b>
Non-Operating Revenue & Expenses, net	48,744	171,144
<b>Change in net position</b>	<b>( 193,108)</b>	<b>( 279,880)</b>
Total Net Position – Beginning of year	5,405,835	6,121,545
Prior period adjustments/transfers	0	( 435,830)
<b>Total Net Position – End of year</b>	<b>\$ 5,212,727</b>	<b>\$ 5,405,835</b>

Erie County Housing Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
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Operating revenues decreased by \$451,493. Operating expenses decreased by \$660,665. These large decreases were primarily due to the decrease in projects completed for the City of Corry CDBG program.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended December 31, 2015 and 2014:

	2015	2014
Owned by Authority	195	195
Units under vouchers	1,054	1,054
Other Vouchers	65	65
Total Housing Units Managed	<u>1,314</u>	<u>1,314</u>

The Section 8 Voucher lease up rate averaged 79 percent during the fiscal year ended December 31, 2015. It is anticipated that the program lease-up will stay the same during FY 2016. After the absorption of the Corry Housing Authority (As noted below) we saw an increase of 75 Public Housing units and 159 Section 8 Vouchers.

**NET POSITION**

Total net position decreased from the previous year by \$193,108. 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, 2015 and 2014:

	2015	2014 (Restated)
Capital Assets	\$15,104,286	\$14,975,720
Less capital related debt	-	-
Less accumulated depreciation	( 11,178,087)	( 10,778,960)
<b>Total Net Investment In Capital Assets</b>	<b>\$ 3,926,199</b>	<b>\$ 4,196,760</b>

**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, 2015 and 2014:

	2015	2014 (Restated)
Land	\$ 359,361	\$ 359,360
Building and Improvements	11,813,275	11,784,396
Furniture and equipment – dwellings	728,500	703,758
Furniture and equipment – administration	1,039,646	975,852
Leasehold Improvements	1,163,504	1,152,354
<b>Total</b>	<b>\$ 15,104,286</b>	<b>\$ 14,975,720</b>
Less: accumulated depreciation	( 11,178,087)	( 10,778,960)
<b>Fixed assets, net</b>	<b>\$ 3,926,199</b>	<b>\$ 4,196,760</b>

**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, 2015 and 2014:



Erie County Housing Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
Required Supplemental Information

	2015	2014 (Restated)
<b>Assets</b>		
Current assets	\$ 1,921,423	\$ 1,926,362
Fixed assets	3,926,199	4,196,760
<b>Total assets</b>	<b>\$ 5,847,622</b>	<b>\$ 6,123,122</b>
<b>Deferred Outflows - Pension</b>	<b>\$ 150,588</b>	<b>\$ 68,560</b>
<b>Liabilities</b>		
Current liabilities	\$ 193,724	\$ 194,091
Long-term liabilities	591,759	591,756
<b>Total liabilities</b>	<b>\$ 785,483</b>	<b>\$ 785,847</b>
<b>Net position</b>		
Net investment in capital assets	\$ 3,926,199	\$ 4,196,760
Restricted	75,669	13,377
Unrestricted	1,210,859	1,195,698
<b>Total net position</b>	<b>\$ 5,212,727</b>	<b>\$ 5,405,835</b>

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

#### **SPECIAL NOTES**

On January 1, 2015 the public housing and housing choice voucher programs were transferred from the Housing Authority of the City of Corry (CHA) to the Housing Authority of the County of Erie (ECHA). The ECHA absorbed all the assets and liabilities of the CHA and now manages and maintains all transferred properties. All affected tenants, applicants, and landlords were notified in writing of the HUD approved transfer.

Beginning in FYE 2015 the authority is required to follow new accounting standards as published in GASB Statement No. 68 and later amended in GASB Statement No. 71. The two major changes involved are as follows:

1. First, and most notable, is the new requirement for governments to record their proportionate share of any net pension liabilities (or assets, if any).
2. Next, pension expense is no longer equal to the pension contributions made by member governments. It is now equal to the change in net pension liability from year to year, with adjustments for deferred amounts.

#### **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, 2015.

#### **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 should stay the same in 2016. 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, 2015

ASSETS	
CURRENT ASSETS	
Cash - unrestricted	\$ 1,616,594
Cash - restricted	75,669
Cash - tenant security deposits	25,916
Accounts receivable	
HUD	3,475
Other governments	38,657
Tenants	6,742
Other	24,960
Prepaid expenses	87,476
Inventories	41,934
Total current assets	1,921,423
FIXED ASSETS	
Land	359,361
Buildings	11,813,275
Furniture and equipment	
Dwelling	728,500
Administrative	1,039,646
Leasehold Improvements	1,163,504
Construction in progress	-
	15,104,286
Less accumulated depreciation	11,178,087
Total fixed assets	3,926,199
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	150,588
	\$ 5,998,210
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 96,743
Accrued wages and taxes	12,597
Accrued compensated absences	53,911
Accounts payable - HUD	3,452
Accounts payable - other governments	1,105
Tenants security deposits	25,916
Total current liabilities	193,724
NONCURRENT LIABILITIES	
Accrued compensated absences	87,364
Net pension liability	504,395
Total noncurrent liabilities	591,759
Total liabilities	785,483
NET POSITION	
Net investment in capital assets	3,926,199
Restricted	75,669
Unrestricted	1,210,859
Total net position	5,212,727
	\$ 5,998,210

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, 2015

Operating revenue

Tenant rental revenue	\$ 762,555
Tenant revenue other	23,242
HUD PHA grants	4,796,029
Other governmental grants	491,123
Other income	408,433
	<hr/>
Total operating revenue	6,481,382

Operating expenses

Administrative	
Salaries	598,234
Audit	33,525
Employee benefit contributions	87,562
Other operating	661,003
Tenant services	230
Utilities	
Water	58,545
Electricity	128,873
Gas	21,612
Other	73,579
Ordinary maintenance and operation	
Labor	363,527
Materials	339,235
Contract costs	146,275
General expense	
Insurance	85,878
Compensated absences	61,487
Payments in lieu of taxes	50,318
Bad debts - tenant rents	9,303
Interest	156
Extraordinary maintenance	3,036
Housing assistance payments	3,601,731
Depreciation	399,125
	<hr/>
Total operating expenses	6,723,234

Operating loss	(241,852)
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Nonoperating revenue (expenses):

HUD PHA capital grants	40,029
Gain on sale of assets	8,350
Investment income-unrestricted	333
Investment income-restricted	32
	<hr/>

Change in net position	(193,108)
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Net position, beginning of year, as restated	3,741,530
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Transfers	1,664,305
	<hr/>

Net position, end of year	<u>\$ 5,212,727</u>
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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, 2015

Cash flows from operating activities:	
Rental receipts	\$ 787,272
Receipts from governments	5,523,823
Other receipts	422,381
Payments for administrative	(1,299,742)
Payments for other operating expenses	(1,440,754)
Payments for housing assistance	(3,601,731)
Net cash provided by operating activities	391,249
Cash flows from capital and financing activities:	
HUD PHA capital grants	48,014
Acquisition of capital assets	(125,088)
Proceeds from sale of capital assets	8,350
Net payments on line of credit	(12,633)
Net cash used in capital and financing activities	(81,357)
Cash flows from investing activities:	
Interest income	365
Net cash provided by investing activities	365
Net increase in cash and cash equivalents	310,257
Cash and cash equivalents at beginning of year	1,407,922
Cash and cash equivalents at end of year	\$ 1,718,179
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (241,852)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Transfers	186,281
Depreciation	399,125
Change in assets, liabilities and deferred outflows:	
(Increase)decrease in:	
Accounts receivable - HUD	4,111
Accounts receivable - other governments	187,263
Accounts receivable - tenants	2,706
Accounts receivable - other	13,948
Prepaid expenses	(81,735)
Inventories	(5,363)
Interprogram due to/due from	-
Increase (decrease) in:	
Accounts payable	7,877
Accrued wages and taxes	1,799
Accrued compensated absences	188
Accounts payable - HUD	161
Tenant security deposits	(1,231)
Net pension liability	-
Increase in deferred outflows	(82,029)
Net cash provided by operating activities	\$ 391,249

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

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. 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 of the City of Corry.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 deferred outflows and all liabilities (whether current or noncurrent) and deferred inflows 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. Pension Plan Description

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. See Note G for detailed information.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

	Buildings Equipment	40 years 7 years	Site Improvements	15 years	
	Balance 12/31/14	Additions	Deletions	Balance 12/31/15	
Land	\$ 359,361	\$ -	\$ -	\$ 359,361	
Buildings	11,784,395	28,880	-	11,813,275	
Furniture and equipment					
Dwelling	703,758	24,742	-	728,500	
Administrative	975,855	63,791	-	1,039,646	
Leasehold improvements	1,152,354	11,150	-	1,163,504	
Accumulated depreciation	( 10,778,962 )	( 399,125 )	-	( 11,178,087 )	
Net	<u>\$ 4,196,761</u>	<u>( \$ 270,562 )</u>	<u>\$ -</u>	<u>\$ 3,926,199</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, deferred outflows, liabilities, and deferred inflows 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, 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, 2014 the liability for compensated absences was \$141,087. During the year ended December 31, 2015 the balance increased \$188 to a total of \$141,275, \$53,911 of which is expected to be paid in the subsequent year and is classified as a current liability.



Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 \$6,597 consists of weatherization materials.

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, 2015, the book balance was \$1,718,179 and the bank balance was \$1,797,535. Of the bank balance, \$544,936 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, 2015

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, 2015. 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. Effective December 31, 2014, the agreement was amended to increase the limit to \$175,000. At December 31, 2015 the outstanding balance of the line was \$0.

NOTE G - NET PENSION LIABILITY

DEFINED BENEFIT PLAN

For purposes of measuring the net pension asset/(liability), deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Housing Authority of the County of Erie Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - NET PENSION LIABILITY - Continued

*1. Plan Description*

The Plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 204 adopted pursuant to Act 15 of 1974. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer defined benefit pension plan. All full-time employees are eligible to participate in the Plan. Employees are eligible and required to participate in the Plan after their 90 day probation period is completed. PMRS issues a separate Comprehensive Annual Financial Report (CAFR) which is available on the PMRS website [www.pmrs.state.pa.us](http://www.pmrs.state.pa.us).

Benefits provided

The Plan provides retirement, disability, and survivor benefits. Plan benefits become fully vested after eight years of service. Members are entitled to begin receiving retirement benefits on the first of the month coincident with or next following the attainment of age 60, or age 55 with 20 years of credited service.

Upon a participant's Normal Retirement Date, the participant is entitled to receive their accrued benefit equal to 1% of their Final Average Salary (FAS) per year of credited service, where the FAS is based upon the last three years of annualized salary.

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 10 years of service and who is unable to perform gainful employment.

Survivor benefits are payable to a beneficiary upon death of a member who was eligible to retire at the time of death. The beneficiary receives the present value of the accrued retirement benefit. At retirement, a member may select a survivor benefit.

Employees covered by benefit terms

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

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - NET PENSION LIABILITY - Continued

Contributions

*Member Contributions:*

In accordance with the Plan's governing document, members are required to contribute 3% of compensation to the Plan.

*Employer Contributions:*

The Plan is funded by the Housing Authority of the County of Erie on an annual basis pursuant to the provisions of Act 205 of 1984. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO).

Total contributions made to the Plan were \$87,338 for the year ended December 31, 2015. There were no amounts payable to the plan as of December 31, 2015.

*2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At December 31, 2015, the Authority reported a net pension liability of \$504,395. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was measured as of December 31, 2014 based upon the January 1, 2015 actuarial valuation. Updated information on the total pension liability at December 31, 2015 is not available yet.

For the year ended December 31, 2014, the Authority recognized pension expense of \$101,870. At December 31, 2015, 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
Difference between expected and actual experience	\$ 118,315	\$ -
Difference between actual and projected earnings	-	55,065
Contributions subsequent to the measurement date	87,338	-
Total	<u>\$ 205,653</u>	<u>\$ 55,065</u>

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - NET PENSION LIABILITY - Continued

\$87,338 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

Year ended December 31:

2016	\$ 5,308
2017	5,308
2018	5,308
2019	23,663
2020	23,663
Thereafter	-

3. Actuarial Assumptions

The total pension liability as of December 31, 2014 was based on the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal
- Amortization period - level dollar based upon the amortization periods in Act 205
- Asset valuation method - based upon the municipal reserves
- Investment rate of return - 5.5%, includes inflation at 3%
- Salary increases - age related scale with merit and inflation component
- COLA increases - 3% for those eligible for a COLA
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 1 year for males and 5 years for females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set forward 10 years for both males and females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010, as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - NET PENSION LIABILITY - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities-large cap	25%	8.7%
Domestic equities-small cap	15%	8.4%
International equities-developed	15%	4.6%
International equities-emerging	10%	8.1%
Real estate	20%	6.7%
Fixed income	15%	1.0%
	<u>100%</u>	

4. *Discount Rate*

The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that the employees will continue to contribute to the plan at the current rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Adherence to the actuarial funding policy described above will result in the Plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - NET PENSION LIABILITY - Continued

Sensitivity of the NPL to changes in the discount rate

The following presents the Authority's net pension liability, calculated using the discount rate of 5.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.5%) or 1-percentage-point higher (6.5%) than the current rate:

	1% Decrease 4.5%	Current Rate 5.5%	1% Increase 6.5%
Net pension liability	\$964,054	\$ 504,395	\$ 115,255

5. Pension Plan Fiduciary Net Position

Detailed information about PMRS' fiduciary net position is available in PMRS Comprehensive Annual Financial Report, which can be found on the System's website at [www.pmr.state.pa.us](http://www.pmr.state.pa.us).

6. Changes in Net Pension Liability

	<u>Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/13	<u>\$4,317,697</u>	<u>\$ 3,909,204</u>	<u>\$ 408,493</u>
Changes for the year:			
Service cost	85,986	-	85,986
Interest	226,445	-	226,445
Differences between expected and actual experience	165,642	-	165,642
Contribution-employer	-	74,527	( 74,527 )
Contribution-employee	-	30,750	( 30,750 )
Net investment income	-	285,316	( 285,316 )
Transfers	( 372,337 )	( 372,337 )	-
Benefit payments	( 208,430 )	( 208,430 )	-
PMRS administrative expense	-	( 1,000 )	1,000
Other administrative expense	<u>-</u>	<u>( 7,422 )</u>	<u>7,422</u>
Net changes	<u>( 102,694 )</u>	<u>( 198,596 )</u>	<u>95,902</u>
Balance at 12/31/14	<u>\$4,215,003</u>	<u>\$ 3,710,608</u>	<u>\$ 504,395</u>

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H - CHANGE IN ACCOUNTING PRINCIPLE

As of and for the year ended December 31, 2015, the Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 68 - *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

As a result of implementing the above Statements, the beginning net position, after the merger (See Note I) has been restated as follows:

Net position as previously reported at December 31, 2014	\$ 4,177,365
Prior period adjustments:	
Net pension liability	( 504,395 )
Deferred outflows of resources	<u>68,560</u>
Net position as restated, January 1, 2015	<u>\$ 3,741,530</u>

NOTE I - MERGER

Effective January 1, 2015 the public housing, capital funding and housing choice voucher programs of the Housing Authority of the City of Corry, Pennsylvania (CHA) were transferred to the Housing Authority of the County of Erie, Pennsylvania (ECHA). This merger of what were previously separately reported Authorities and programs was approved by HUD. The merger was done in order to improve the efficiency in operating the projects of both Authorities, as well as eliminate some duplication of administrative and reporting expenses. As of January 1, 2015, the following amounts were transferred from CHA to ECHA:

Current assets	\$ 202,343
Capital assets	1,518,521
Current liabilities	37,306
Noncurrent liabilities	19,253
Net position	
Net investment in capital assets	1,518,521
Restricted	3,022
Unrestricted	142,762

No significant adjustments were necessary in order to transfer the carrying value of the above amounts to ECHA as both Authorities had identical accounting policies and ECHA had previously served as the common paymaster for CHA.



REQUIRED SUPPLEMENTAL INFORMATION

Housing Authority of the County of Erie, Pennsylvania  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years\*

	<u>2014</u>
Total Pension Liability	
Service cost	\$85,986
Interest	226,445
Changes of benefit terms	-
Differences between expected and actual experience	165,642
Changes of assumptions	-
Transfers	(372,337)
Benefit payments, including refunds of contributions	<u>(208,430)</u>
Net change in total pension liability	(102,694)
Total pension liability - beginning	<u>4,317,697</u>
Total pension liability - ending	<u><u>\$4,215,003</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$74,527
Contributions - member	30,750
Investment income	285,316
Transfers	(372,337)
Benefit payments, including refunds of contributions	(208,430)
PMRS administrative expense	(1,000)
Other administrative expense	<u>(7,422)</u>
Net change in plan fiduciary net position	(198,596)
Plan fiduciary net position - beginning	<u>3,909,204</u>
Plan fiduciary net position - ending	<u><u>\$3,710,608</u></u>
Net Pension Liability - ending	<u><u>\$504,395</u></u>
Plan fiduciary net position as a % of total pension liability	88.03%
Covered employee payroll	1,222,304
NPL as a % of covered payroll	41.27%

\* - for those years that are available

Notes to schedule:

Benefit changes - none

Assumption changes - none

Housing Authority of the County of Erie, Pennsylvania  
SCHEDULE OF AUTHORITY CONTRIBUTIONS  
Pennsylvania Municipal Retirement System  
Last 10 Fiscal Years\*

	2015	2014
Actuarially determined contribution	87,338	74,507
Contributions in relation to the actuarially determined contribution	87,338	74,527
Contribution deficiency (excess)	-	(20)
Authority's covered-employee payroll	1,075,774	1,222,304
Contributions as a percentage of covered-employee payroll	8.12%	6.10%

\* - for those years that are available

Notes to schedule:

Valuation date - Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported.

Methods and assumptions:

Actuarial cost method	Entry Age
Amortization period	Level dollar based on Act 205
Asset valuation method	Based on municipal reserves
Discount rate	5.5%
Inflation	3.0%
Salary increases	Age related scale with merit and inflation component
COLA increases	3.0%, for those eligible
Pre-retirement mortality	Males - RP 2000 with 1 year set back
	Females - RP 2000 with 5 year set back
Post-retirement mortality	Sex distinct RP 2000 Combined Healthy Mortality

## SUPPLEMENTAL INFORMATION

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2015

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized	Other Receipts	Total Funds Available
<b>Department of Housing and Urban Development</b>							
Public and Indian Housing- Public Housing (P-1561 PHA Owned)	14.850	N/A	January 1, 2015/ December 31, 2015	\$ 282,355 b	\$ 282,355	\$ 557,754 a	\$ 840,109
<b>CFP Cluster:</b>							
Capital Fund Program	14.872	N/A	May 13, 2014/ May 8, 2018	131,394	23,784	-	23,784
Capital Fund Program	14.872	N/A	March 26, 2015/ April 12, 2019	218,573	95,880	-	95,880
Total CFDA #14.872				349,967	119,664	-	119,664
<b>Housing Voucher Cluster:</b>							
Section 8 Housing Choice Voucher Program- (P-76-321 Barnett Building)	14.871	N/A	December 31, 1995	N/A e	245,226	247,928 a	493,154
Section 8 Housing Choice Voucher Program - (P-1526V)	14.871	N/A	January 1, 2014/ December 31, 2014	3,536,480	-	-	-
Section 8 Housing Choice Voucher Program - (P-1526V)	14.871	N/A	January 1, 2015/ December 31, 2015	4,188,813	4,188,813	61,104 d	4,249,917
Section 8 Housing Choice Voucher Program - (P-1540E)	14.871	N/A	January 1, 2014/ December 31, 2014	587,887	-	-	-
Total CFDA #14.871				8,313,180	4,434,039	309,032	4,743,071
<b>State Administered CDBG Cluster:</b>							
Community Development Block Grant No. C000052342 - 2014 (via City of Corry)	14.228	N/A	June 30, 2015/ June 29, 2020	288,311	27,818	-	27,818
Community Development Block Grant No. C000053092 - 2012 (via City of Corry)	14.228	N/A	October 11, 2012/ October 10, 2017	300,000	14,324	-	14,324
Community Development Block Grant No. C000058614 - 2013 (via City of Corry)	14.228	N/A	May 15, 2014/ May 14, 2019	300,000	60,947	-	60,947
Total CFDA #14.228				888,311	103,089	-	103,089
Total Department of Housing and Urban Development				9,833,813	4,939,147	866,786	5,805,933
<b>Department of Energy</b>							
Weatherization Assistance for Low-Income Persons (via PA DCED)	81.042	N/A	July 1, 2015/ September 30, 2016	181,728	15,954	-	15,954
Weatherization Assistance for Low-Income Persons (via PA DCED)	81.042	N/A	July 1, 2014/ September 30, 2015	143,540	118,470	-	118,470
Weatherization Assistance for Low-Income Persons (via PA DCED)	81.042	N/A	July 1, 2002/ September 30, 2003	160,343	-	-	-
Total Department of Energy/CFDA #81.042				485,611	134,424	-	134,424

Accrued or (Advanced) Revenue at 1/1/15 (g)	Drawdowns	Other Receipts	Total Receipts	Federal Expenditures for the Year Ended 12/31/15			Passed Through to Subrecipients	Accrued or (Advanced) Revenue at 12/31/15
				Pass-Thru	Direct	Total		
\$ -	\$ 282,355	\$ 557,754	\$ 840,109	\$ -	\$ 282,355	\$ 282,355	\$ -	\$ -
-	20,309	-	20,309	-	23,784	23,784	-	3,475
11,460	107,340	-	107,340	-	95,880	95,880	-	-
11,460	127,649	-	127,649	-	119,664	119,664	-	3,475
-	245,226	247,928 a	493,154	-	245,226	245,226	-	-
4,111	4,111	-	4,111	-	-	-	-	-
-	4,188,974	61,104 d	4,250,078	-	4,188,813	4,188,813	-	(161) f
(3,291)	-	-	-	-	-	-	-	(3,291) f
820	4,438,311	309,032	4,747,343	-	4,434,039	4,434,039	-	(3,452)
-	19,973	-	19,973	27,818	-	27,818	-	7,845
180	14,504	-	14,504	14,324	-	14,324	-	-
791	59,719	-	59,719	60,947	-	60,947	-	2,019
971	94,196	-	94,196	103,089	-	103,089	-	9,864
13,251	4,942,511	866,786	5,809,297	103,089	4,836,058	4,939,147	-	9,887
-	-	-	-	15,954	-	15,954	-	15,954
25,070	143,540	-	143,540	118,470	-	118,470	-	-
(1,109)	-	-	-	-	-	-	-	(1,109)
23,961	143,540	-	143,540	134,424	-	134,424	-	14,845

Housing Authority of the County of Erie, Pennsylvania  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2015

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized	Other Receipts	Total Funds Available
<u>Department of Health and Human Services</u>							
Low-Income Home Energy Assistance (via PA DCED)	93.568	N/A	July 1, 2014/ September 30, 2015	218,772	189,762	-	189,762
Low-Income Home Energy Assistance (via PA DCED)	93.568	N/A	July 1, 2014/ September 30, 2015	<u>218,554</u>	<u>33,818</u>	<u>-</u>	<u>33,818</u>
Total Department of Health and Human Services/CFDA #93.568				<u>437,326</u>	<u>223,580</u>	<u>-</u>	<u>223,580</u>
TOTAL ALL SOURCES				<u>\$ 10,756,750</u>	<u>\$ 5,297,151</u>	<u>\$ 866,786</u>	<u>\$ 6,163,937</u>

Accrued or (Advanced) Revenue at 1/1/15 (g)	Drawdowns	Other Receipts	Total Receipts	Federal Expenditures for the Year Ended 12/31/15			Passed Through to Subrecipients	Accrued or (Advanced) Revenue at 12/31/15
				Pass-Thru	Direct	Total		
29,010	218,772	-	218,772	189,762	-	189,762	-	-
-	25,500	-	25,500	33,818	-	33,818	-	8,318
29,010	244,272	-	244,272	223,580	-	223,580	-	8,318
<u>\$ 66,222</u>	<u>\$ 5,330,323</u>	<u>\$ 866,786</u>	<u>\$ 6,197,109</u>	<u>\$ 461,093</u>	<u>\$ 4,836,058</u>	<u>\$ 5,297,151</u>	<u>\$ -</u>	<u>\$ 33,050</u>



Housing Authority of the County of Erie, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the same basis of accounting, the accrual basis in accordance with generally accepted accounting principles, as the Authority's financial statements. The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs may be more than shown for a particular grant. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - INDIRECT COST RATE

The Authority has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance

NOTE C - 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
- g Beginning balances include amounts transferred from Housing Authority of the City of Corry

NOTE D - IDENTIFICATION OF 40% RULE (20% FOR LOW RISK AUDITEES):

Total federal expenditures		<u>\$5,297,151</u>
Programs selected for testing:		
Major Programs		
Section 8 Housing		
Choice Voucher Program	14.871	<u>\$4,434,039</u>
% of Total Federal Expenditures		<u>83.71%</u>

Housing Authority of the County of Erie  
FINANCIAL DATA SCHEDULE  
December 31, 2015

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash:				
Cash-unrestricted	\$416,176	\$653,801	\$2,046	\$0
Cash-restricted-modernization&development				
Cash-other restricted		75,669		
Cash-tenant security deposit	20,329	0		
Total cash	436,505	729,470	2,046	0
Accounts and notes receivables:				
A/R-PHA projects	0	0		
A/R-HUD other projects	0	0		
A/R-other government	0	0	0	9,864
A/R-miscellaneous				0
A/R-tenants-dwelling rents	5,902	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	5,902	0	0	9,864
Current investments:				
Investments-unrestricted	0	0		
Investments-restricted	0	0		
Prepaid expenses and other assets	44,197	27,553		
Inventories				
Allowance for obsolete inventories				
Interprogram due from	0	0	0	0
Amounts to be provided				
<b>TOTAL CURRENT ASSETS</b>	<b>486,604</b>	<b>757,023</b>	<b>2,046</b>	<b>9,864</b>
<b>NONCURRENT ASSETS</b>				
Fixed assets:				
Land	359,361	0	0	0
Buildings	8,126,436	0	0	0
Furniture,equipment&machinery-dwellings	476,340	0	0	0
Furniture,equipment&machinery-administratic	407,901	78,663	0	0
Leasehold improvements	818,111	0	0	0
Construction in progress	0	0	0	0
Accumulated depreciation	(7,956,415)	(47,913)	0	0
Total fixed assets,net of a/d	2,231,734	30,750	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>
\$40,868	\$4,320	\$0 0	\$499,383	\$1,616,594 0 75,669
			5,587	25,916
<u>40,868</u>	<u>4,320</u>	<u>0</u>	<u>504,970</u>	<u>1,718,179</u>
		3,475 0	0	3,475 0
15,955	8,318		4,520	38,657
24,960				24,960
			840	6,742
				0
				0
				0
				0
				0
<u>40,915</u>	<u>8,318</u>	<u>3,475</u>	<u>5,360</u>	<u>73,834</u>
				0
				0
				0
439	6,158		9,129	87,476
41,934	0			41,934
				0
981	20,159		144,875	166,015
				0
<u>125,137</u>	<u>38,955</u>	<u>3,475</u>	<u>664,334</u>	<u>2,087,438</u>
0	0	0	0	359,361
58,975	0	1,731,110	1,896,754	11,813,275
0	0	157,692	94,468	728,500
197,070	91,077	19,237	245,698	1,039,646
0	0	123,158	222,235	1,163,504
0	0	0	0	0
<u>(188,203)</u>	<u>(86,828)</u>	<u>(776,854)</u>	<u>(2,121,874)</u>	<u>(11,178,087)</u>
<u>67,842</u>	<u>4,249</u>	<u>1,254,343</u>	<u>337,281</u>	<u>3,926,199</u>

Housing Authority of the County of Erie  
FINANCIAL DATA SCHEDULE  
December 31, 2015

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
Investment in joint ventures				
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,231,734</u>	<u>30,750</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>2,718,338</u>	<u>787,773</u>	<u>2,046</u>	<u>9,864</u>
<b>DEFERRED OUTFLOWS</b>	<u>43,415</u>	<u>53,986</u>	<u>0</u>	<u>7,228</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<u>\$2,761,753</u>	<u>\$841,759</u>	<u>\$2,046</u>	<u>\$17,092</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank overdraft	\$0	\$0	\$0	\$0
Accounts payable <90 days	40,929	0	0	7,950
Accounts payable >90 days past due				
Accrued wage/payroll taxes				
Accrued compensated absences	15,542	19,325	0	2,587
Accrued contingency liability				
Accrued interest payable				
Accounts payable -HUD PHA programs	0	3,452		
Accounts payable -PHA projects			0	
Accounts payable -other government			0	0
Tenant security deposits	20,329	0		
Deferred revenues	0	0	0	0
Current portion of LTD-capital projects				
Current portion of LTD-operating borrowings	0	0		
Other current liabilities				
Accrued liabilities-other				
Interprogram due to	<u>76,233</u>	<u>39,298</u>	<u>0</u>	<u>1,914</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>153,033</u>	<u>62,075</u>	<u>0</u>	<u>12,451</u>
<b>NONCURRENT LIABILITIES</b>				
LTD net of current-capital projects	0	0		
LTD net of current-operating borrowings				
Accrued compensated abs - non current	25,187	31,316	0	4,192
Net pension liability	<u>145,417</u>	<u>180,826</u>	<u>0</u>	<u>24,211</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>170,604</u>	<u>212,142</u>	<u>0</u>	<u>28,403</u>
<b>TOTAL LIABILITIES</b>	<u>323,637</u>	<u>274,217</u>	<u>0</u>	<u>40,854</u>

<u>DOE</u>	<u>LIHEAP</u>	<u>CFP</u>	<u>Business</u>	<u>TOTAL</u>
<u>81,042</u>	<u>93,568</u>	<u>14,872</u>	<u>Activities</u>	
				0
				0
				0
				0
<u>67,842</u>	<u>4,249</u>	<u>1,254,343</u>	<u>337,281</u>	<u>3,926,199</u>
<u>192,979</u>	<u>43,204</u>	<u>1,257,818</u>	<u>1,001,615</u>	<u>6,013,637</u>
<u>7,321</u>	<u>5,825</u>	<u>0</u>	<u>32,813</u>	<u>150,588</u>
<u>\$200,300</u>	<u>\$49,029</u>	<u>\$1,257,818</u>	<u>\$1,034,428</u>	<u>\$6,164,225</u>

\$0	\$0	\$0	\$0	\$0
19,033	7,545	3,475	17,811	96,743
				0
			12,597	12,597
2,622	2,086		11,749	53,911
				0
				0
				3,452
				0
1,105				1,105
			5,587	25,916
0	0	0		0
		0		0
				0
				0
				0
<u>45,966</u>	<u>2,604</u>	<u>0</u>		<u>166,015</u>
<u>68,726</u>	<u>12,235</u>	<u>3,475</u>	<u>47,744</u>	<u>359,739</u>
			0	0
				0
4,249	3,381		19,039	87,364
<u>24,522</u>	<u>19,511</u>		<u>109,908</u>	<u>504,395</u>
<u>28,771</u>	<u>22,892</u>	<u>0</u>	<u>128,947</u>	<u>591,759</u>
<u>97,497</u>	<u>35,127</u>	<u>3,475</u>	<u>176,691</u>	<u>951,498</u>

Housing Authority of the County of Erie  
FINANCIAL DATA SCHEDULE  
December 31, 2015

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
<b>EQUITY</b>				
Contributed capital:				
Long-term-debt-HUD guaranteed				
Net HUD PHA contributions	0	0	0	0
Other HUD contributions				
Other contributions	0	0	0	0
Total contributed capital	0	0	0	0
Invested in capital assets, net debt	2,231,734	30,750	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	75,669	0	
Unrestricted net assets	206,382	461,123	2,046	(23,762)
<b>TOTAL EQUITY</b>	<b>2,438,116</b>	<b>567,542</b>	<b>2,046</b>	<b>(23,762)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$2,761,753</b>	<b>\$841,759</b>	<b>\$2,046</b>	<b>\$17,092</b>
<b>REVENUE</b>				
Net tenant rental revenue	\$528,705	\$0	\$0	\$0
Tenant revenue-other	9,789	0	0	0
Total tenant revenue	538,494	0	0	0
HUD PHA grants-operating	282,355	4,188,813		
HUD PHA grants-capital				
Other governmental grants			17,921	103,089
Investment income-unrestricted	80	230	0	0
Mortgage interest income				
Fraud recovery		19,785		
Other revenue	10,798	41,089	0	0
Gain/loss on sale of fixed assets	8,350	0		
Investment income-restricted	32	0		
<b>TOTAL REVENUE</b>	<b>\$840,109</b>	<b>\$4,249,917</b>	<b>\$17,921</b>	<b>\$103,089</b>
<b>EXPENSES</b>				
Administrative:				
Salaries	\$41,007	\$287,359	\$0	\$20,508
Auditing fees	8,050	14,650	0	4,600
Outside management fees				
Employee benefit contributions	87,562	0		
Other operating	37,187	214,541	390	2,103

<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>
67,842	4,249	1,254,343	337,281	3,926,199
				0
				0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
				75,669
<u>34,961</u>	<u>9,653</u>	<u>0</u>	<u>520,456</u>	<u>1,210,859</u>
<u>102,803</u>	<u>13,902</u>	<u>1,254,343</u>	<u>857,737</u>	<u>5,212,727</u>
<u>\$200,300</u>	<u>\$49,029</u>	<u>\$1,257,818</u>	<u>\$1,034,428</u>	<u>\$6,164,225</u>
\$0	\$0	\$0	\$233,850	\$762,555
<u>0</u>	<u>0</u>	<u>0</u>	<u>13,453</u>	<u>23,242</u>
0	0	0	247,303	785,797
		79,635	245,226	4,796,029
		40,029		40,029
164,454	223,580			509,044
0			23	333
				0
				19,785
318,238			602	370,727
			0	8,350
			<u>0</u>	<u>32</u>
<u>\$482,692</u>	<u>\$223,580</u>	<u>\$119,664</u>	<u>\$493,154</u>	<u>\$6,530,126</u>
\$17,329	\$9,478	\$40,949	\$181,604	\$598,234
5,850	375		0	33,525
				0
			0	87,562
227,077	47,469	38,686	93,550	661,003

Housing Authority of the County of Erie  
FINANCIAL DATA SCHEDULE  
December 31, 2015

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	230	0		
Utilities:				
Water	43,530	0		
Electricity	76,236	0		
Gas	21,612	0		
Fuel				
Labor				
Employee benefit contributions				
Other	48,073	0		
Ordinary maintenance & operation:				
Labor	168,438	0		
Materials and other	67,020	0		
Contract costs	66,743	0		67,078
Employee benefit contributions				
Protective services:				
Labor				
Other contract costs				
Other				
Employee benefit contributions				
General expenses:				
Insurance premiums	63,253	0		
Other				
Compensated absences	23,085	19,385	0	2,238
Payments in lieu of taxes	34,904	0		
Bad debts-tenant rents	7,209	0		
Bad debts-mortgages				
Bad debts-other				
Interest expense	156	0		
Severance expense				
TOTAL OPERATING EXPENSES	<u>794,295</u>	<u>535,935</u>	<u>390</u>	<u>96,527</u>
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	45,814	3,713,982	17,531	6,562



<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	230
			15,015	58,545
			52,637	128,873
			0	21,612
				0
				0
				0
			25,506	73,579
136,076	59,013		0	363,527
143,572	100,932		27,711	339,235
			12,454	146,275
				0
				0
				0
				0
3,200	3,140		16,285	85,878
				0
3,273	70		13,436	61,487
			15,414	50,318
			2,094	9,303
				0
				0
			0	156
				0
<u>536,377</u>	<u>220,477</u>	<u>79,635</u>	<u>455,706</u>	<u>2,719,342</u>
(53,685)	(3,103)	40,029	37,448	3,810,784

Housing Authority of the County of Erie  
FINANCIAL DATA SCHEDULE  
December 31, 2015

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	CDBG 14.228
Extraordinary maintenance	3,036	0	0	0
Casualty losses-non capitalized				
Housing assistance payments	0	3,601,731		
Depreciation expense	221,542	5,070	0	
Fraud losses				
Capital outlays-governmental funds				
Debt principal payments-governmental funds				
Dwelling units rent expense				
<b>TOTAL EXPENSES</b>	<b>1,018,873</b>	<b>4,142,736</b>	<b>390</b>	<b>96,527</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in				
Operating transfers out				
Operating transfers from/to primary govt				
Proceeds from notes, loans and bonds				
Proceeds from property sales				
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<b>\$(178,764)</b>	<b>\$107,181</b>	<b>\$17,531</b>	<b>\$6,562</b>
Capital contributions	0	0	0	0
Debt principal paymetns-enterprise funds	0	0	0	0
Beginning equity	1,701,572	470,008	(15,485)	(9,404)
Equity transfers	1,040,959	146,600	0	0
Prior period adjustments	(125,651)	(156,247)	0	(20,920)
Change in comp abs liability balance				
Change in contingent liability balance				
Change in unrecog pension trans liability				
Change in allowance - dwelling rents				
Change in allowance - other				
Depreciation add back	0	0	0	0
Max annual contrib commitment (per ACC)	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	2,281	12,648		
Number of unit months leased	2,340	9,975		
Administrative fee equity		347,130		
Housing assistance payments equity		75,669		

DOE	LIHEAP	CFP	Business	
81,042	93,568	14,872	Activities	TOTAL
0	0	0	0	3,036
				0
			0	3,601,731
10,790	9,346	88,010	64,367	399,125
				0
				0
				0
				0
547,167	229,823	167,645	520,073	6,723,234
				0
				0
				0
				0
				0
0	0	0	0	0
<u>\$(64,475)</u>	<u>\$(6,243)</u>	<u>\$(47,981)</u>	<u>\$(26,919)</u>	<u>\$(193,108)</u>
0	0	0	0	0
0	0	0	0	0
188,467	37,004	827,209	977,994	4,177,365
0	0	475,115	1,631	1,664,305
(21,189)	(16,859)		(94,969)	(435,835)
				0
				0
				0
				0
				0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
			780	15,709
			780	13,095
				347,130
				75,669

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

December 31, 2015

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash - unrestricted	\$ 416,176	\$ 653,801	\$ 2,046	\$ 45,188
Cash - restricted	-	75,669	-	-
Cash - tenant security deposits	20,329	-	-	-
Accounts receivable	-	-	-	-
HUD	-	-	-	-
Other governments	-	-	-	24,273
Tenants	5,902	-	-	-
Other	-	-	-	24,960
Prepaid expenses	44,197	27,553	-	6,597
Inventories	-	-	-	41,934
Interprogram due from	-	-	-	21,140
Total current assets	486,604	757,023	2,046	164,092
<b>FIXED ASSETS</b>				
Land	359,361	-	-	-
Buildings	8,126,436	-	-	58,975
Furniture and equipment	-	-	-	-
Dwelling	476,340	-	-	-
Administrative	407,901	78,663	-	288,147
Leasehold Improvements	818,111	-	-	-
Construction in progress	-	-	-	-
	10,188,149	78,663	-	347,122
Less accumulated depreciation	7,956,415	47,913	-	275,031
Total fixed assets	2,231,734	30,750	-	72,091
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	43,415	53,986	-	13,146
	\$ 2,761,753	\$ 841,759	\$ 2,046	\$ 249,329
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 40,929	\$ -	\$ -	\$ 26,578
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	15,542	19,325	-	4,708
Accounts payable - HUD	-	3,452	-	-
Accounts payable - other governments	-	-	-	1,105
Tenants security deposits	20,329	-	-	-
Current portion of long-term debt	-	-	-	-
Operations	-	-	-	-
Capital projects	-	-	-	-
Interprogram due to	76,233	39,298	-	48,570
Total current liabilities	153,033	62,075	-	80,961
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	25,187	31,316	-	7,630
Net pension liability	145,417	180,826	-	44,033
Total noncurrent liabilities	170,604	212,142	-	51,663
Total liabilities	323,637	274,217	-	132,624
<b>NET POSITION</b>				
Net investment in capital assets	2,231,734	30,750	-	72,091
Restricted	-	75,669	-	-
Unrestricted	206,382	461,123	2,046	44,614
Total net position	2,438,116	567,542	2,046	116,705
	\$ 2,761,753	\$ 841,759	\$ 2,046	\$ 249,329

CDBG Programs	Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ -	\$ 499,383	\$ -	\$ 1,616,594
-	-	-	75,669
-	5,587	-	25,916
-	-	3,475	3,475
9,864	4,520	-	38,657
-	840	-	6,742
-	-	-	24,960
-	9,129	-	87,476
-	-	-	41,934
-	144,875	-	166,015
9,864	664,334	3,475	2,087,438
-	-	-	359,361
-	1,896,754	1,731,110	11,813,275
-	94,468	157,692	728,500
-	245,698	19,237	1,039,646
-	222,235	123,158	1,163,504
-	-	-	-
-	2,459,155	2,031,197	15,104,286
-	2,121,874	776,854	11,178,087
-	337,281	1,254,343	3,926,199
7,228	32,813	-	150,588
\$ 17,092	\$ 1,034,428	\$ 1,257,818	\$ 6,164,225
\$ 7,950	\$ 17,811	\$ 3,475	\$ 96,743
-	12,597	-	12,597
2,587	11,749	-	53,911
-	-	-	3,452
-	-	-	1,105
-	5,587	-	25,916
-	-	-	-
-	-	-	-
1,914	-	-	166,015
12,451	47,744	3,475	359,739
4,192	19,039	-	87,364
24,211	109,908	-	504,395
28,403	128,947	-	591,759
40,854	176,691	3,475	951,498
-	337,281	1,254,343	3,926,199
-	-	-	75,669
(23,762)	520,456	-	1,210,859
(23,762)	857,737	1,254,343	5,212,727
\$ 17,092	\$ 1,034,428	\$ 1,257,818	\$ 6,164,225

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2015

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
Operating revenue				
Tenant rental revenue	\$ 528,705	\$ -	\$ -	\$ -
Tenant revenue other	9,789	-	-	-
HUD PHA grants	282,355	4,188,813	-	-
Other governmental grants	-	-	-	388,034
Other income	10,798	60,874	17,921	318,238
Total operating revenue	831,647	4,249,687	17,921	706,272
Operating expenses				
Administrative				
Salaries	41,007	287,359	-	26,807
Audit	8,050	14,650	-	6,225
Employee benefit contributions	87,562	-	-	-
Other operating	37,187	214,541	390	274,546
Tenant services	230	-	-	-
Utilities				
Water	43,530	-	-	-
Electricity	76,236	-	-	-
Gas	21,612	-	-	-
Other	48,073	-	-	-
Ordinary maintenance and operation				
Labor	168,438	-	-	195,089
Materials	67,020	-	-	244,504
Contract costs	66,743	-	-	-
General expense				
Insurance	63,253	-	-	6,340
Compensated absences	23,085	19,385	-	3,343
Payments in lieu of taxes	34,904	-	-	-
Bad debts - tenant rents	7,209	-	-	-
Interest	156	-	-	-
Extraordinary maintenance	3,036	-	-	-
Housing assistance payments	-	3,601,731	-	-
Depreciation	221,542	5,070	-	20,136
Total operating expenses	1,018,873	4,142,736	390	776,990
Operating income (loss)	(187,226)	106,951	17,531	(70,718)
Nonoperating revenue (expenses):				
HUD PHA capital grants	-	-	-	-
Gain on sale of assets	8,350	-	-	-
Investment income-unrestricted	80	230	-	-
Investment income-restricted	32	-	-	-
Interest expense	-	-	-	-
Change in net position	(178,764)	107,181	17,531	(70,718)
Net position, beginning of year, as restated	1,575,921	313,761	(15,485)	187,423
Transfers	1,040,959	146,600	-	-
Prior period adjustment	-	-	-	-
Net position, end of year	\$ 2,438,116	\$ 567,542	\$ 2,046	\$ 116,705

CDBG Programs	Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ -	\$ 233,850	\$ -	\$ 762,555
-	13,453	-	23,242
-	245,226	79,635	4,796,029
103,089	-	-	491,123
-	602	-	408,433
103,089	493,131	79,635	6,481,382
20,508	181,604	40,949	598,234
4,600	-	-	33,525
-	-	-	87,562
2,103	93,550	38,686	661,003
-	-	-	230
-	15,015	-	58,545
-	52,637	-	128,873
-	-	-	21,612
-	25,506	-	73,579
-	-	-	363,527
-	27,711	-	339,235
67,078	12,454	-	146,275
-	16,285	-	85,878
2,238	13,436	-	61,487
-	15,414	-	50,318
-	2,094	-	9,303
-	-	-	156
-	-	-	3,036
-	-	-	3,601,731
-	64,367	88,010	399,125
96,527	520,073	167,645	6,723,234
6,562	(26,942)	(88,010)	(241,852)
-	-	40,029	40,029
-	-	-	8,350
-	23	-	333
-	-	-	32
-	-	-	-
6,562	(26,919)	(47,981)	(193,108)
(30,324)	883,025	827,209	3,741,530
-	1,631	475,115	1,664,305
-	-	-	-
\$ (23,762)	\$ 857,737	\$ 1,254,343	\$ 5,212,727

## Housing Authority of the County of Erie, Pennsylvania

## COMBINING STATEMENT OF NET POSITION

## WEATHERIZATION PROGRAMS

December 31, 2015

	Department of Energy	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization	Total DOE
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash - unrestricted	\$ -	\$ -	\$ 40,868	\$ 40,868
Cash - tenant security deposits	-	-	-	-
Accounts receivable	-	-	-	-
HUD	-	-	-	-
HUD other projects	-	-	-	-
Other governments	15,955	-	-	15,955
Tenants	-	-	-	-
Other	-	-	24,960	24,960
Investments - restricted	-	-	-	-
Prepaid expenses	-	-	439	439
Inventories	-	-	41,934	41,934
Interprogram due from	981	-	-	981
Total current assets	16,936	-	108,201	125,137
<b>FIXED ASSETS</b>				
Land	-	-	-	-
Buildings	-	-	58,975	58,975
Furniture and equipment	-	-	-	-
Dwelling	-	-	-	-
Administrative	141,524	-	55,546	197,070
Leasehold Improvements	-	-	-	-
Construction in progress	-	-	-	-
	141,524	-	114,521	256,045
Less accumulated depreciation	132,016	-	56,187	188,203
Total fixed assets	9,508	-	58,334	67,842
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	7,321	-	-	7,321
	<u>\$ 33,765</u>	<u>\$ -</u>	<u>\$ 166,535</u>	<u>\$ 200,300</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 8,596	\$ -	\$ 10,437	\$ 19,033
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	2,622	-	-	2,622
Accounts payable - HUD	-	-	-	-
Accounts payable - other governments	1,105	-	-	1,105
Tenants security deposits	-	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	24,825	-	21,141	45,966
Total current liabilities	37,148	-	31,578	68,726
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	4,249	-	-	4,249
Net pension liability	24,522	-	-	24,522
Total noncurrent liabilities	28,771	-	-	28,771
Total liabilities	65,919	-	31,578	97,497
<b>NET POSITION</b>				
Net investment in capital assets	9,508	-	58,334	67,842
Restricted	-	-	-	-
Unrestricted	(41,662)	-	76,623	34,961
Total net position	(32,154)	-	134,957	102,803
	<u>\$ 33,765</u>	<u>\$ -</u>	<u>\$ 166,535</u>	<u>\$ 200,300</u>



Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ 4,320	\$ 45,188
-	-
-	-
-	-
8,318	24,273
-	-
-	24,960
-	-
6,158	6,597
-	41,934
20,159	21,140
38,955	164,092
-	-
-	58,975
-	-
91,077	288,147
-	-
-	-
91,077	347,122
86,828	275,031
4,249	72,091
5,825	13,146
\$ 49,029	\$ 249,329
\$ 7,545	\$ 26,578
-	-
2,086	4,708
-	-
-	1,105
-	-
-	-
2,604	48,570
12,235	80,961
3,381	7,630
19,511	44,033
22,892	51,663
35,127	132,624
4,249	72,091
-	-
9,653	44,614
13,902	116,705
\$ 49,029	\$ 249,329

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEATHERIZATION PROGRAMS

Year Ended December 31, 2015

	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	134,424	30,030	-	164,454
Other income	-	-	318,238	318,238
Total operating revenue	134,424	30,030	318,238	482,692
Operating expenses				
Administrative				
Salaries	8,545	-	8,784	17,329
Audit	375	-	5,475	5,850
Employee benefit contributions	-	-	-	-
Other operating	65,918	-	161,159	227,077
Tenant services	-	-	-	-
Utilities				
Water	-	-	-	-
Electricity	-	-	-	-
Gas	-	-	-	-
Other	-	-	-	-
Ordinary maintenance and operation				
Labor	26,388	30,030	79,658	136,076
Materials	26,009	-	117,563	143,572
Contract costs	-	-	-	-
General expense				
Insurance	3,200	-	-	3,200
Compensated absences	3,273	-	-	3,273
Payments in lieu of taxes	-	-	-	-
Bad debts - tenant rents	-	-	-	-
Housing assistance payments	-	-	-	-
Depreciation	8,587	-	2,203	10,790
Total operating expenses	142,295	30,030	374,842	547,167
Operating income (loss)	(7,871)	-	(56,604)	(64,475)
Nonoperating revenue (expenses):				
Investment income-unrestricted	-	-	-	-
Investment income-restricted	-	-	-	-
Interest expense	-	-	-	-
Change in net position	(7,871)	-	(56,604)	(64,475)
Net position, beginning of year, as restated	(24,283)	-	191,561	167,278
Transfers	-	-	-	-
Net position, end of year	\$ (32,154)	\$ -	\$ 134,957	\$ 102,803

Low-Income Home Energy Assistance Program		Total Weatherization Programs	
\$	-	\$	-
	-		-
	-		-
	223,580		388,034
	-		318,238
	223,580		706,272
	9,478		26,807
	375		6,225
	-		-
	47,469		274,546
	-		-
	-		-
	-		-
	-		-
	59,013		195,089
	100,932		244,504
	-		-
	3,140		6,340
	70		3,343
	-		-
	-		-
	-		-
	9,346		20,136
	229,823		776,990
	(6,243)		(70,718)
	-		-
	-		-
	-		-
	(6,243)		(70,718)
	20,145		187,423
	-		-
\$	13,902	\$	116,705

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

DEPARTMENT OF ENERGY

Year Ended December 31, 2015

Department of Energy ME #C000055874 Grant Period 7/01/14-9/30/15			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	143,540	25,070	118,470
Other income	-	-	-
Total operating revenue	143,540	25,070	118,470
Operating expenses			
Administrative			
Salaries	6,670	533	6,137
Audit	375	-	375
Employee benefit contributions	-	-	-
Other operating	76,417	11,684	64,733
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	26,120	1,109	25,011
Materials	26,969	7,956	19,013
Contract costs	-	-	-
General expense			
Insurance	3,200	-	3,200
Compensated absences	1,591	1,591	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	14,379	14,379	-
Total operating expenses	155,721	37,252	118,469
Operating income (loss)	(12,181)	(12,182)	1
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	\$ (12,181)	\$ (12,182)	\$ 1

Department of Energy ME #C000055874 Grant Period 7/01/15-12/31/15				Total
Cumulative	Previous Period	Current Period	Current Period	
\$ -	\$ -	\$ -	\$ -	
-	-	-	-	
-	-	-	-	
15,954	-	15,954	134,424	
-	-	-	-	
15,954	-	15,954	134,424	
2,408	-	2,408	8,545	
-	-	-	375	
-	-	-	-	
1,185	-	1,185	65,918	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
1,377	-	1,377	26,388	
6,996	-	6,996	26,009	
-	-	-	-	
-	-	-	3,200	
3,273	-	3,273	3,273	
-	-	-	-	
-	-	-	-	
-	-	-	-	
8,587	-	8,587	8,587	
23,826	-	23,826	142,295	
(7,872)	-	(7,872)	(7,871)	
-	-	-	-	
-	-	-	-	
-	-	-	-	
\$ (7,872)	\$ -	\$ (7,872)	\$ (7,871)	

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Year Ended December 31, 2015

LIHEAP ME #C000055874 Grant Period 7/01/14-9/30/15			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	218,772	29,010	189,762
Other income	-	-	-
Total operating revenue	218,772	29,010	189,762
Operating expenses			
Administrative			
Salaries	8,451	393	8,058
Audit	375	-	375
Employee benefit contributions	-	-	-
Other operating	43,621	13	43,608
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	56,019	3,507	52,512
Materials	101,483	19,414	82,069
Contract costs	-	-	-
General expense			
Insurance	3,140	-	3,140
Compensated absences	2,386	2,386	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	15,906	15,906	-
Total operating expenses	231,381	41,619	189,762
Operating income (loss)	(12,609)	(12,609)	-
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	\$ (12,609)	\$ (12,609)	\$ -

LIHEAP ME #C000061672 Grant Period 7/01/15-12/31/15				Total
Cumulative	Previous Period	Current Period	Current Period	Current Period
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
33,818	-	33,818	223,580	-
-	-	-	-	-
33,818	-	33,818	223,580	-
1,420	-	1,420	9,478	-
-	-	-	375	-
-	-	-	-	-
3,861	-	3,861	47,469	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,501	-	6,501	59,013	-
18,863	-	18,863	100,932	-
-	-	-	-	-
-	-	-	3,140	-
70	-	70	70	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,346	-	9,346	9,346	-
40,061	-	40,061	229,823	-
(6,243)	-	(6,243)	(6,243)	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ (6,243)	\$ -	\$ (6,243)	\$ (6,243)	-

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

BUSINESS ACTIVITIES

December 31, 2015

	Barnett Building	Revolving Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash - unrestricted	\$ 185,180	\$ 314,203	\$ 499,383
Cash - tenant security deposits	5,587	-	5,587
Accounts receivable	-	-	-
HUD	-	-	-
Other governments	-	4,520	4,520
Tenants	840	-	840
Other	-	-	-
Investments - restricted	-	-	-
Prepaid expenses	9,129	-	9,129
Inventories	-	-	-
Interprogram due from	451,001	(306,126)	144,875
Total current assets	651,737	12,597	664,334
<b>FIXED ASSETS</b>			
Land	-	-	-
Buildings	1,896,754	-	1,896,754
Furniture and equipment	-	-	-
Dwelling	94,468	-	94,468
Administrative	245,698	-	245,698
Leasehold improvements	222,235	-	222,235
Construction in progress	-	-	-
	2,459,155	-	2,459,155
Less accumulated depreciation	2,121,874	-	2,121,874
Total fixed assets	337,281	-	337,281
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	32,813	-	32,813
	<u>\$ 1,021,831</u>	<u>\$ 12,597</u>	<u>\$ 1,034,428</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 17,811	\$ -	\$ 17,811
Accrued wages and taxes	-	12,597	12,597
Accrued compensated absences	11,749	-	11,749
Accounts payable - HUD	-	-	-
Accounts payable - other governments	-	-	-
Tenants security deposits	5,587	-	5,587
Current portion of long-term debt - capital projects	-	-	-
Interprogram due to	-	-	-
Total current liabilities	35,147	12,597	47,744
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences	19,039	-	19,039
Net pension liability	109,908	-	109,908
Total noncurrent liabilities	128,947	-	128,947
Total liabilities	164,094	12,597	176,691
<b>NET POSITION</b>			
Net investment in capital assets	337,281	-	337,281
Restricted	-	-	-
Unrestricted	520,456	-	520,456
Total net position	857,737	-	857,737
	<u>\$ 1,021,831</u>	<u>\$ 12,597</u>	<u>\$ 1,034,428</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, 2015

	Barnett Building	Revolving Fund	Total
Operating revenue			
Tenant rental revenue	\$ 233,850	\$ -	\$ 233,850
Tenant revenue other	13,453	-	13,453
HUD PHA grants	245,226	-	245,226
Other governmental grants	-	-	-
Other income	602	-	602
	<hr/>	<hr/>	<hr/>
Total operating revenue	493,131	-	493,131
Operating expenses			
Administrative			
Salaries	181,604	-	181,604
Audit	-	-	-
Employee benefit contributions	-	-	-
Other operating	93,550	-	93,550
Tenant services	-	-	-
Utilities			
Water	15,015	-	15,015
Electricity	52,637	-	52,637
Gas	-	-	-
Other	25,506	-	25,506
Ordinary maintenance and operation			
Labor	-	-	-
Materials	27,711	-	27,711
Contract costs	12,454	-	12,454
General expense			
Insurance	16,285	-	16,285
Compensated absences	13,436	-	13,436
Payments in lieu of taxes	15,414	-	15,414
Bad debts - tenant rents	2,094	-	2,094
Interest	-	-	-
Housing assistance payments	-	-	-
Depreciation	64,367	-	64,367
	<hr/>	<hr/>	<hr/>
Total operating expenses	520,073	-	520,073
Operating income (loss)	(26,942)	-	(26,942)
Nonoperating revenue (expenses):			
HUD PHA capital grants	-	-	-
Investment income-unrestricted	23	-	23
Investment income-restricted	-	-	-
Interest expense	-	-	-
	<hr/>	<hr/>	<hr/>
Change in net position	(26,919)	-	(26,919)
Net position, beginning of year, as restated	883,025	-	883,025
Transfers	1,631	-	1,631
	<hr/>	<hr/>	<hr/>
Net position, end of year	\$ 857,737	\$ -	\$ 857,737

SUPPLEMENTAL SCHEDULE

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES

December 31, 2015

**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. After the January 1, 2015 merger with CHA, the Authority manages and operated an additional four buildings with a total of 75 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. An additional 159 units per month were added due to the merger with CHA. The annual total for 2015 was 12,648 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, 2015

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, 2016. 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, 2016.

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 #C000053092, #C000058614 and #C000061503 have been included in this report.

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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, 2015, 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 14, 2016.

## 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 14, 2016

# Root, Spitznas & Smiley, Inc.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2015. 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's 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 each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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.

*Root, Spitznagel and Smiley, Inc.*

ERIE, PENNSYLVANIA  
June 14, 2016



Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

**Summary of Auditor's Results:**

*Financial Statements*

1. Type of auditor's report issued: unmodified
2. Internal control over financial reporting:  
  
Material weakness(es) identified? ☐ yes ☒ no  
  
Significant deficiency(ies) identified? ☐ yes ☒ no
3. Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

1. Internal control over major programs:  
  
Material weakness(es) identified? ☐ yes ☒ no  
  
Significant deficiency(ies) identified? ☐ yes ☒ no
2. Type of auditor's report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ☐ yes ☒ no
4. Identification of major programs:  

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Voucher Program
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk auditee? ☒ 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, 2015

An exit conference was held via telephone with the Housing Authority of the County of Erie, Pennsylvania, on June 16, 2016. 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, 2015 was presented and reviewed.

Housing Authority of the County of Erie, Pennsylvania

LIST OF REPORT DISTRIBUTION

December 31, 2015

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
1	Mayor Pat Migliaccio City of Corry, Pennsylvania 100 South Center Street Corry, Pennsylvania 16407