

**ERIE METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, OH 44870

We have reviewed the *Independent Auditor's Report* of the Erie Metropolitan Housing Authority, Erie County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 1, 2016

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ERIE METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie Metropolitan Housing Authority
Sandusky, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Erie Metropolitan Housing Authority, Ohio (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Erie Metropolitan Housing Authority, Ohio, as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statement, during the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Statement No. 68, *Accounting and Financial Reporting for Pension - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at June 30, 2014. 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 12 and Schedules of the Authority's Proportionate Share of the Net Position Liability and the Authority's Contributions Ohio Public Employees Retirement System Pension Contributions on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Erie Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Erie Metropolitan Housing Authority, Ohio'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.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzupka@eriemh.com, c=US
Date: 2015.12.29 16:56:05 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 11, 2015

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

The Erie Metropolitan Housing Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's authority-wide statements reflect a decrease in total net position of \$595,653 (or 15.8 percent) during 2015. Net position was \$3.171 million and \$3.767 million for 2015 and 2014 respectively (after restatement).
- The business-type activity revenue increased by \$676,232 (or 8.79 percent) during 2015, and was \$8.366 million and \$7.690 million for 2015 and 2014 respectively.
- The total expenses of all Authority programs increased by \$293,607 (or 3.39 percent). Total expenses were \$8.962 million and \$8.668 million for 2015 and 2014 respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Authority-Wide Financial Statements (Continued)

Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, and maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the funds maintained by the Authority.

THE AUTHORITY'S PROGRAMS

Business-Type Activities

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Business-type Activities (Continued)

The Authority converted to asset management starting July 1, 2007 and has separated its' properties into two asset management projects - AMP #1 consists of all scattered sites and AMP #2 consists of all units at the Bayshore Towers. The Authority tracks income and expenses at the AMP level for better management and control.

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's Public Housing physical and management improvements. Funds are provided by formula allocation and based on size and age of the Authority's Public Housing units.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Authority subsidizes the balance.

Central Office Cost Center - As part of the conversion to asset management, the Authority has established a central office cost center (COCC) fund by fees charged to the individual AMPs. Salaries and benefits of administrative personnel and charged to the COCC as are other administrative-related expenses. The profit remaining in the COCC is deprogrammed and is available for any housing use. As part of the conversion to asset management, the management fees received from the Erie Community Plaza, Inc. (a 202 PRAC project) and the Sandusky Metropolitan Housing Authority are now reported under the Central Office Cost Center.

Special Programs for the Aging - Title III-C - Under the Title III-C Program, the Authority oversees the administration of the nutrition program by the Erie County Senior Center. Funding is received from the Area Office on Aging of Northwest Ohio, Inc. through the Department of Health and Human Services to provide nutritionally balanced meals to residents of Erie County age 60 and older. Meals are provided for a donation only.

Special Programs for the Aging - Title III-B - represents resources derived from the administration of the Title III-B program by the Erie County Senior Center. The program provides services for the elderly of Erie County for transportation, escort, education, information and referral, volunteer placement, health assessment and socialization. Funding is received through the Area Office on Aging of Northwest Ohio, Inc. from the Department of Health and Human Services.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Business-type Activities (Continued)

State and Local Grants - Represents resources derived from local grants for training and protective services at both the Bayshore Towers and the Erie County Senior Center.

During 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems required additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68 pension accounts, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. The implementation also had the effect of restating net position at June 30, 2014, from \$4,709,412 to \$3,766,701.

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**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1 - Statement of Net Position

	2015	Restated 2014
<u>Assets and Deferred Outflows of Resources</u>		
Current Assets	\$ 1,187,873	\$ 1,028,219
Capital and Other Assets	5,135,676	4,888,735
Deferred Outflows of Resources	110,025	56,967
Total Assets and Deferred Outflows of Resources	<u>\$ 6,433,574</u>	<u>\$ 5,973,921</u>
<u>Liabilities</u>		
Current Liabilities	\$ 327,114	\$ 272,452
Non-Current Liabilities	2,915,427	1,934,768
Total Liabilities	<u>3,242,541</u>	<u>2,207,220</u>
Deferred Inflows of Resources	<u>19,985</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	3,581,440	4,033,940
Restricted	113,973	104,896
Unrestricted	(524,365)	(372,135)
Total Net Position	<u>3,171,048</u>	<u>3,766,701</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,433,574</u>	<u>\$ 5,973,921</u>

For more detail information, see Statement of Net Position presented on page 11.

Major Factors Affecting the Statement of Net Position:

Current assets increased by \$159,654 and current liabilities increased by \$54,662. The increase in current assets was primarily due to the unspent debt proceeds of \$301,680. The increase in current liabilities is primarily due to an increase in the current portion of the mortgage payable.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Table 2- Change of Unrestricted Net Position

Restated Unrestricted Net Position, June 30, 2014	<u>\$ (372,135)</u>
Results of Operations	(595,653)
Adjustments:	
Depreciation (1)	541,894
Capital Asset Disposals	2,300
Capital Expenditures	(784,626)
Debt Proceeds Received - Less Unspent Amount	754,764
Debt Principal Payments	(61,832)
Transfers to Restricted Net Position	<u>(9,077)</u>
Unrestricted Net Position, June 30, 2015	<u>\$ (524,365)</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position provides a clearer change in financial well being. The Authority's unrestricted net position decreased \$152,230.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

Table 3 - Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014
<u>Revenues</u>		
Tenant Revenues	\$ 431,300	\$ 449,495
Operating Subsidies and Grants	6,806,369	6,108,905
Capital Grants	55,866	97,787
Investment Income	1,210	1,506
Other Revenues	<u>1,071,749</u>	<u>1,032,569</u>
Total Revenues	<u>8,366,494</u>	<u>7,690,262</u>
<u>Expenses</u>		
Administrative	1,371,544	1,373,058
Tenant and Protective Services	152,035	171,309
Utilities	220,937	260,844
Maintenance	1,193,903	1,112,528
General and Interest	275,762	212,828
Housing Assistance Payments	5,206,072	4,994,537
Depreciation	<u>541,894</u>	<u>543,436</u>
Total Expenses	<u>8,962,147</u>	<u>8,668,540</u>
Net (Decreases) in Net Position	<u>\$ (595,653)</u>	<u>\$ (978,278)</u>

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION**

REVENUES: Operating Subsidies, Grants and Capital Grants increased by \$697,464, or 11.42 percent. The majority of the increase was due to increased voucher funding due to lease up of more units in 2015.

EXPENSES: Maintenance expenses increased by \$81,375 primarily due to a delay in billing for AMP2 that caused two years to be paid in FY 2015. Housing assistance payments increased \$211,535 due to more units under lease in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$5.129 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (addition, deductions and depreciation) of \$240,432 from the end of last year.

Table 4 - Capital Assets at Year-End (Net of Depreciation)

	2015	2014
Land	\$ 674,630	\$ 676,780
Building and Improvements	16,111,525	15,354,590
Equipment	894,447	892,227
Accumulated Depreciation	<u>(12,551,435)</u>	<u>(12,034,862)</u>
Total	<u>\$ 5,129,167</u>	<u>\$ 4,888,735</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail in Note 4 of the financial statements.

Table 5 - Change in Capital Assets

Beginning Balance, June 30, 2014	\$4,888,735
Current Year Additions	784,626
Asset Disposal	(2,300)
Depreciation	<u>(541,894)</u>
Ending Balance - June 30, 2015	<u>\$5,129,167</u>

Debt Administration

At year-end, the Authority had \$1,849,407 in long-term debt. The current year debt increased due to issuing the Energy Performance Equipment Lease of \$1,056,444. See Note 5 for more information on long-term debt.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

IN CONCLUSION

The Authority had a \$152,230 decrease in unrestricted net position and a reduction of \$595,653 in total net position.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Ralph Chamberlain, Executive Director of the Erie Metropolitan Housing Authority at (419) 502-2321.

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 474,374
Restricted Cash and Cash Equivalents	493,621
Receivables, Net	111,516
Prepaid Expenses and Other Assets	46,346
Inventory	62,016
Total Current Assets	<u>1,187,873</u>

Non-Current Assets

Non-Depreciable Capital Assets	674,630
Depreciable Capital Assets, Net	4,454,537
Other Assets	6,509
Total Non-Current Assets	<u>5,135,676</u>

DEFERRED OUTFLOWS OF ASSETS

Pension	<u>110,025</u>
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TOTAL ASSETS AND DEFERRED INFLOWS OF RESOURCES \$ 6,433,574

LIABILITIES

Current Liabilities

Accounts Payable	\$ 124,908
Current Portion of Compensated Absences	27,327
Accrued Liabilities	22,586
Tenant Security Deposits	24,050
Other Current Liabilities	33,771
Current Portion - Mortgages Payable	94,472
Total Current Liabilities	<u>327,114</u>

Noncurrent Liabilities

Mortgages Payable	1,754,935
Net Pension Liability	1,024,595
Accrued Compensated Absences - Non-Current	81,979
Other Non-Current Liabilities	53,918
Total Noncurrent Liabilities	<u>2,915,427</u>
Total Liabilities	<u>3,242,541</u>

DEFERRED INFLOWS OF RESOURCES

Pension	<u>19,985</u>
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NET POSITION

Net Investment in Capital Assets	3,581,440
Restricted	113,973
Unrestricted	(524,365)
Total Net Position	<u>3,171,048</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION \$ 6,433,574

See accompanying notes to the basic financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Operating Revenues</u>	
Tenant Rental Income	\$ 431,300
Government Operating Grants	6,806,369
Other Revenue	<u>1,072,897</u>
Total Operating Revenues	<u>8,310,566</u>
<u>Operating Expenses</u>	
Administrative Salaries	1,371,544
Tenant and Protective Services	152,035
Utilities	220,937
Maintenance	1,193,903
General	142,985
Housing Assistance Payment	5,206,072
Depreciation Expense	<u>541,894</u>
Total Operating Expenses	<u>8,829,370</u>
Operating Income (Loss)	<u>(518,804)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	1,210
Interest Expense and Bond Issuance Costs	(132,777)
Loss on Disposal of Capital Assets	<u>(1,148)</u>
Total Non-Operating Revenues (Expenses)	<u>(132,715)</u>
Income (Loss) Before Capital Grants	(651,519)
Capital Grants	<u>55,866</u>
Change in Net Position	(595,653)
Total Net Position, Beginning of Year as Restated	<u>3,766,701</u>
Net Position, End of Year	<u>\$ 3,171,048</u>

See accompanying notes to the basic financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities

Cash Received - HUD Operating Subsidies and Grants	\$ 6,801,708
Cash Received from Tenants	430,876
Other Revenue	1,077,233
Cash Payments for Housing Assistance Payments	(5,206,072)
Cash Payments for Administrative Costs	(1,380,305)
Cash Payment for Other Operating Expenses	(1,710,359)
Net Cash Used in by Operating Activities	<u>13,081</u>

Cash Flows from Capital and Related Financing Activities

Cash from Asset Sale	1,152
Capital Additions	(784,626)
Capital Grants	55,866
Proceeds from Debt Issuance	1,056,444
Interest and Bond Issuance Costs	(132,777)
Repayment of Long Term Debt	(61,832)
Net Cash Provided (Used) by Capital and Other Related Financing Activities	<u>134,227</u>

Cash Flows from Investing Activities

Investment Income	<u>1,210</u>
Net Cash Provided (Used) by Investing Activities	<u>1,210</u>
Net Increase (Decrease) in Cash and Cash Equivalents	148,518
Cash and Cash Equivalents, Beginning	<u>819,477</u>

Cash and Cash Equivalents, Ending \$ 967,995

Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities

Net Operating (Loss)	\$ (518,804)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	541,894
(Increase) Decrease in:	
Accounts Receivable	(21,092)
Prepaid Expenses	(270)
Inventory and Other Assets	1,944
Deferred Outflows of Resources	(110,025)
Increase (Decrease) in:	
Accounts Payable	1,240
Compensated Absences	(9,605)
Security Deposits	(2,850)
Non-Current Liabilities	13,055
Net Pension Liability	81,884
Accrued Expenses and Other Current Liabilities	15,725
Deferred Inflows of Resources	19,985
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 13,081</u></u>

See accompanying notes to the basic financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Reporting Entity

The Erie Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, located in Sandusky, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the Authority and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintenance, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

B. Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GAB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Basis of Presentation (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Property and Equipment

Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	40 years
Land and Building Improvements	15 years
Equipment	7 years
Autos	5 years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2015 fiscal year was \$541,894.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Cash Equivalents**

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash and cash equivalents.

F. **Investments**

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

G. **Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Authority's housing units.

H. **Net Position**

Net position represents the difference between assets and liabilities. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes the Housing Choice Voucher Program HAP Equity. That is funding provided to the Authority by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was \$17,540 at June 30, 2015. In addition, there is restricted net position of \$96,433 from the Public Housing Program.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. Budgetary Accounting

The Authority annually prepares funding requests as prescribed by HUD. After HUD approval of these requests, a budget is adopted by the Board of the Authority.

K. Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

L. Financial Statement Format and Content

The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 7).

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 2: CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB GASB Statement No. 68*.

The objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the Authority's financial statements.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, and have been implemented by the Authority.

A net position restatement at June 30, 2014 is required in order to implement GASB Statements No. 68 and 71 as follows:

Net Position as previously Stated June 30, 2014	\$	4,709,412
Adjustments:		
Net Pension Liability (OPERS Tradition Plan)		(1,001,451)
Net Pension Asset (OPERS Combined Plan)		1,773
Deferred Outflow - Payment Subsequent to Measurement Date		56,967
Net Position, Restated June 30, 2014	\$	3,766,701

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS**

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This standard revised the existing requirement regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

A. Deposits

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority had identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed to immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At June 30, 2015, the Authority had undeposited cash on hand (petty cash) of \$490.

At June 30, 2015, the carrying amount of the Authority's cash deposits was \$967,505 and the bank balance was \$975,268. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2015, deposits totaling \$902,004 were covered by Federal Depository Insurance Corporation, while the balance of \$73,264 was collateralized by securities pledged in the name of the Authority.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

A. **Deposits** (Continued)

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

B. **Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2015, the Authority has no investments.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

C. **Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

D. **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

E. **Concentration of Credit Risk**

Generally, the Authority places no limit on the amount it may invest in any one financial institution. However, the investment policy limits the investment of HUD-approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represent 100 percent of its deposits.

F. **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2015, by class is as follows:

Land	\$ 674,630
Building and Building Improvements	16,111,525
Furniture, Equipment	<u>894,447</u>
Total	17,680,602
Less Accumulated Depreciation	<u>(12,551,435)</u>
Net Property and Equipment	<u>\$ 5,129,167</u>

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 4: **CAPITAL ASSETS** (Continued)

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

	Balance June 30, 2014	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 676,780	\$ 0	\$ (2,150)	\$ 674,630
Total Capital Assets Not Being Depreciated	<u>676,780</u>	<u>0</u>	<u>(2,150)</u>	<u>674,630</u>
Capital Assets Being Depreciated				
Buildings and Improvements	15,354,590	756,935	0	16,111,525
Furniture and Equipment	<u>892,227</u>	<u>29,841</u>	<u>(27,621)</u>	<u>894,447</u>
Total Capital Assets Being Depreciated	<u>16,246,817</u>	<u>786,776</u>	<u>(27,621)</u>	<u>17,005,972</u>
Less Accumulated Depreciation				
Buildings and Improvements	(11,401,142)	(472,423)	0	(11,873,565)
Furniture and Equipment	<u>(633,720)</u>	<u>(69,471)</u>	<u>25,321</u>	<u>(677,870)</u>
Less Accumulated Depreciation	<u>(12,034,862)</u>	<u>(541,894)</u>	<u>25,321</u>	<u>(12,551,435)</u>
Total Capital Assets being Depreciated, Net	<u>4,211,955</u>	<u>244,882</u>	<u>(2,300)</u>	<u>4,454,537</u>
Total Capital Assets, Net	<u>\$ 4,888,735</u>	<u>\$ 244,882</u>	<u>\$ (4,450)</u>	<u>\$ 5,129,167</u>

NOTE 5: **LONG-TERM DEBT**

The long-term debt consists of bond payable dated July 17, 2007, due June 2027, and was funded by a bond issue in the principal amount of \$40,532,000, of which the Authority's share is \$1,130,000. Repayment of the loan is funded through contributions from HUD under the Capital Fund Program and investment earnings. Payments are made by reducing the Capital Fund Program subsidy due to the Authority. Payments are due semi-annually beginning October 1, 2007, totaling approximately \$90,000 annually. Serial bonds were issued with fixed interest rates between 3.90 percent and 4.67 percent. The bonds were issued to provide major renovations at Bayshore Towers. The outstanding balance as of June 30, 2015 is \$803,272.

The Authority entered into an Energy Performance agreement in December, 2014 which was funded in the amount of \$1,056,444 with an interest rate of 4.75 percent. The funds were used for energy conservation improvements and equipment for the Public Housing units. The repayment of this debt began in February, 2015 with the final payment due in February, 2030. The balance outstanding as June 30, 2015 was \$1,046,135.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 5: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Description</u>	Balance 06/30/14	Issued	Retired	Balance 06/30/15	Current Portion
U. S. Department of HUD	\$ 835,000	\$ 0	\$ (50,000)	\$ 785,000	\$ 50,000
Unamortized Premium	19,795	0	(1,523)	18,272	1,523
Energy Performance Equipment Lease	0	1,056,444	(10,309)	1,046,135	42,949
Compensated Absence	118,911	48,318	(57,923)	109,306	27,327
Total	<u>\$ 973,706</u>	<u>\$1,104,762</u>	<u>\$ (119,755)</u>	<u>\$1,958,713</u>	<u>\$ 121,799</u>

Debt maturities for the next five years are estimated as follows:

For the Year Ended June, 30	Amortized Premium	<u>U.S. Department of HUD</u>		<u>Energy Performance Equipment Lease</u>	
		Principal	Interest	Principal	Interest
2016	\$ 1,523	\$ 50,000	\$ 39,250	\$ 42,949	\$ 38,641
2017	1,523	50,000	36,750	47,319	36,966
2018	1,523	55,000	34,250	51,380	35,139
2019	1,523	55,000	31,500	56,573	33,141
2020	1,523	60,000	28,750	61,621	30,941
2021-2025	7,613	350,000	96,250	365,163	116,282
2026-2030	3,044	165,000	12,500	421,130	40,585
Totals	<u>\$ 18,272</u>	<u>\$ 785,000</u>	<u>\$ 279,250</u>	<u>\$ 1,046,135</u>	<u>\$ 331,695</u>

NOTE 6: RESTRICTED CASH

The restricted cash balance of \$493,621 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by:	
Energy Performance Equipment Lease - Unspent Proceeds	\$ 301,680
HUD for Housing Assistance Payments	17,540
Tenant Security Deposits	24,050
FSS Escrow Funds	53,918
Capital Fund Bond Cash	96,433
Total Restricted Cash	<u>\$ 493,621</u>

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

A. **Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (800) 222-7377, or by visiting the OPERS Web site at www.opers.org.

OPERS administers three retirement plans, as described below:

- The Traditional Pension Plan (TP) - a defined benefit plan;
- The Member-Directed Plan (MD) - a defined benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

Pension Benefits – All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)
(Continued)

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)
(Continued)

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

Contributions - The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contribution rates were approved based upon the recommendations of the System's external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contributions rates, as a percent of covered payroll, were the same for each covered group across all three plans for fiscal year ended June 30, 2015. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determined the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority's contractually required contributions to OPERS for fiscal year 2015 were \$143,589 for the Traditional and \$8,343 for the Combined Plan. Total contractually required contributions, including contributions for post-retirement health care, was \$173,637. The amount was contributed during the fiscal year.

**ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The Authority's proportion of the net pension liability was based on the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>Traditional</u>	<u>Combined</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,024,593	\$ (6,508)
Proportion of the Net Pension Liability (Asset)	0.008495%	0.016901%
Pension Expense	\$ 111,866	\$ 4,324

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 54,668	\$ 397	\$ 55,065
Authority Contributions Subsequent to the Measurement Date	51,934	3,026	54,960
Total Deferred Outflows of Resources	<u>\$ 106,602</u>	<u>\$ 3,423</u>	<u>\$ 110,025</u>
Deferred Inflows of Resources			
Difference between expected and actual experience	\$ 18,000	\$ 1,985	\$ 19,985
Total Deferred Inflows of Resources	<u>\$ 18,000</u>	<u>\$ 1,985</u>	<u>\$ 19,985</u>

\$54,960 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Tradition Plan</u>	<u>Combined Plan</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ 5,362	\$ (137)	\$ 5,225
2017	5,362	(137)	5,225
2018	12,278	(137)	12,141
2019	13,667	(137)	13,530
2020	0	(236)	(236)
Thereafter	0	(944)	(944)
Total	\$ 36,669	\$ (1,728)	\$ 34,941

D. Actuarial Assumptions - OPERS

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., future employment, mortality, cost trends). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

<u>Actuarial Information</u>	<u>Traditional Plan</u>	<u>Combined Plan</u>
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5 year Period Ended December 31, 2010	5 year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25%-10.05% (includes wage inflation at 3.75%)	4.25%-8.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

**ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

D. Actuarial Assumptions - OPERS

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

<u>Authority's proportionate share of the net pension liability (asset)</u>	<u>1% Decrease (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Traditional Pension Plan	\$ 1,884,956	\$ 1,024,593	\$ 299,958
Combined Plan	\$ 845	\$ (6,508)	\$ (12,338)

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

The Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, by calling 614-222-5601 or 1-800-222-7377, or by using the OPERS website of www.opers.org.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employer to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2015, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent during fiscal year 2015.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy** (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2015, 2014 and 2013, which were used to fund post-employment benefits, were \$21,704, \$16,732, and \$27,783, respectively.

Changes to the Health Care Plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the Health Care Fund after the end of the transition period.

NOTE 9: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of the Authority based on local and state laws. All permanent employees will earn 4.62 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. After ten (10) or more years of service and upon retirement, employees shall be paid the value of twenty-five percent of unused sick leave subject to a maximum payment equal to 30 days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

NOTE 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 11: **INVESTMENT IN CAPITAL ASSETS**

Investment in Capital Assets at June 30, 2015 is determined as follows:

Net Capital Assets	\$ 5,129,167
Less: Current Portion - Mortgages Payable	(94,472)
Mortgages Payable - Long Term	(1,754,935)
Unspent Debt Proceeds	<u>301,680</u>
Investment in Capital Assets - June 30, 2015	<u>\$ 3,581,440</u>

NOTE 12: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 13: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**ERIE METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS (1)**

<u>Traditional Plan</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability/Asset	0.008495%	0.008495%
Authority's Proportionate Share of the Net Pension Liability	\$1,024,593	\$1,001,450
Authority's Covered-Employee Payroll	\$ 1,196,583	\$1,234,575
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	85.63%	81.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset	86.45%	86.36%
<u>Combined Plan</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability/Asset	0.016901%	0.016901%
Authority's Proportionate Share of the Net Pension Asset	\$1,773	\$7,470
Authority's Covered-Employee Payroll	\$69,525	\$68,492
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	2.55%	10.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset	114.83%	104.33%

(1) Information prior to 2014 is not available.

Amounts presented as of the Authority's measurement date which is the December 31, 2014 and 2013.

**ERIE METROPOLITAN HOUSING AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS**

(UNAUDITED)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions										
Traditional Plan	\$ 143,590	\$ 148,149	\$ 147,060	\$ 140,589	\$ 140,687	\$ 138,417	\$ 135,338	\$ 129,000	\$ 129,925	\$ 143,801
Combined Plan	8,343	8,219	8,137	7,801	2,446	0	0	0	1,315	157
Total Required Contributions	151,933	156,368	155,197	148,390	143,133	138,417	135,338	129,000	131,240	143,958
Contribution In Relation to the Contractually Required Contributions										
Required Contributions	(151,933)	(156,368)	(155,197)	(148,390)	(143,133)	(138,417)	(135,338)	(129,000)	(131,240)	(143,958)
Contribution Deficiency/(Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Authority's Covered-Employee Payroll										
Traditional Plan	\$ 1,196,583	\$ 1,234,575	\$ 1,131,231	\$ 1,405,890	\$ 1,406,870	\$ 1,357,967	\$ 1,392,212	\$ 1,842,857	\$ 1,689,060	\$ 1,592,456
Combined Plan	\$ 69,525	\$ 68,492	\$ 62,592	\$ 98,126	\$ 30,767	\$ 0	\$ 0	\$ 0	\$ 16,924	\$ 1,737
Contributions as a Percentage of Covered-Employee-Payroll	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%	9.04%
Traditional Plan	12.00%	12.00%	13.00%	7.95%	7.95%	9.77%	9.27%	8.10%	7.77%	9.04%
Combined Plan										

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2015**

	Project Total	93.044 Special Programs for the Aging - Title III, Part B Grants for Supportive	93.045 Special Programs for the Aging - Title III, Part C-Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELLM	Total
111 Cash - Unrestricted	94,706	-	-	76,772	-	25,112	277,784	474,374		474,374
112 Cash - Restricted - Modernization and Development	96,433							96,433		96,433
113 Cash - Other Restricted	301,680			71,458				373,138		373,138
114 Cash - Tenant Security Deposits	24,050							24,050		24,050
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	516,869	-	-	148,230	-	25,112	277,784	967,995	-	967,995
121 Accounts Receivable - PHA Projects							4,661	4,661		4,661
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	1,114					53,697	20,573	75,384		75,384
126 Accounts Receivable - Tenants	20,657							20,657		20,657
126.1 Allowance for Doubtful Accounts - Tenants	-6,499							-6,499		-6,499
126.2 Allowance for Doubtful Accounts - Other										
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery				471,065				471,065		471,065
128.1 Allowance for Doubtful Accounts - Fraud				-453,752				-453,752		-453,752
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	15,272	-	-	17,313	-	53,697	25,234	111,516	-	111,516
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	36,417			1,467		3,915	4,547	46,346		46,346
143 Inventories	42,467					13,289	8,503	64,259		64,259
143.1 Allowance for Obsolete Inventories	-2,124						-119	-2,243		-2,243
144 Inter Program Due From							23,142	23,142	-23,142	
145 Assets Held for Sale										
150 Total Current Assets	608,901	-	-	167,010	-	96,013	339,091	1,211,015	-23,142	1,187,873

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2015**

	Project Total	93.044 Special Programs for the Aging- Title III, Part B- Grants for Supportive	93.045 Special Programs for the Aging- Title III, Part C-Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
161 Land	638,695						35,935	674,630		674,630
162 Buildings	15,503,999			72,305			535,221	16,111,525		16,111,525
163 Furniture, Equipment & Machinery - Dwellings	143,758							143,758		143,758
164 Furniture, Equipment & Machinery - Administration	321,517			79,502		73,158	276,512	750,689		750,689
165 Leasehold Improvements								-		-
166 Accumulated Depreciation	-11,693,927			-109,529		-63,803	-684,176	-12,551,435		-12,551,435
167 Construction in Progress								-		-
168 Infrastructure								-		-
160 Total Capital Assets, Net of Accumulated Depreciation	4,914,042	-	-	42,278	-	9,355	163,492	5,129,167	-	5,129,167
171 Notes, Loans and Mortgages Receivable - Non-Current								-		-
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								-		-
173 Grants Receivable - Non-Current								-		-
174 Other Assets	1,296			1,698		1,878	1,637	6,509		6,509
176 Investments in Joint Ventures								-		-
180 Total Non-Current Assets	4,915,338	-	-	43,976	-	11,233	165,129	5,135,676	-	5,135,676
200 Deferred Outflow of Resources	21,912			28,706		31,747	27,660	110,025		110,025
290 Total Assets and Deferred Outflow of Resources	5,546,151	-	-	239,692	-	138,993	531,880	6,456,716	-23,142	6,433,574
311 Bank Overdraft								-		-
312 Accounts Payable <=90 Days	35,397			16,295		20,932	45,892	118,516		118,516
313 Accounts Payable >90 Days Past Due							6,392	6,392		6,392
321 Accrued Wage/Payroll Taxes Payable							2,791	2,791		2,791
322 Accrued Compensated Absences - Current Portion	3,995			5,566		7,753	10,013	27,327		27,327
324 Accrued Contingency Liability								-		-
325 Accrued Interest Payable								-		-
331 Accounts Payable - HUD PHA Programs								-		-
332 Account Payable - PHA Projects								-		-
333 Accounts Payable - Other Government						15,000		15,000		15,000
341 Tenant Security Deposits	24,050							24,050		24,050
342 Unearned Revenue	100					15,543	1,688	17,331		17,331
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	94,472							94,472		94,472
344 Current Portion of Long-term Debt - Operating Borrowings								-		-
345 Other Current Liabilities	1,440							1,440		1,440
346 Accrued Liabilities - Other	19,795							19,795		19,795
347 Inter Program - Due To	23,142							23,142	-23,142	-
348 Loan Liability - Current								-		-
310 Total Current Liabilities	202,391	-	-	21,861	-	59,228	66,776	350,256	-23,142	327,114

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2015**

	Project Total	98.044 Special Programs for the Aging- Title III, Part B Grants for Supportive	98.045 Special Programs for the Aging- Title III, Part C-Nutrition Services	14.871 Housing Choice Vouchers	98.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	1,754,935							1,754,935		1,754,935
352 Long-term Debt, Net of Current - Operating Borrowings								-		-
353 Non-current Liabilities - Other				53,918				53,918		53,918
354 Accrued Compensated Absences - Non Current	11,983			16,697		23,259	30,040	81,979		81,979
355 Loan Liability - Non Current								-		-
356 FASB 5 Liabilities								-		-
357 Accrued Pension and OPEB Liabilities	204,052			267,323		295,641	257,579	1,024,595		1,024,595
360 Total Non-Current Liabilities	1,970,970	-	-	337,938	-	318,900	287,619	2,915,427	-	2,915,427
300 Total Liabilities	2,173,361	-	-	359,799	-	378,128	354,395	3,265,683	-23,142	3,242,541
400 Deferred Inflow of Resources	3,980			5,214		5,767	5,024	19,985		19,985
508.4 Net Investment in Capital Assets	3,366,315			42,278		9,355	163,492	3,581,440		3,581,440
511.4 Restricted Net Position	96,433			17,540				113,973		113,973
512.4 Unrestricted Net Position	-93,938	-	-	-185,139	-	-254,257	8,969	-524,365		-524,365
513 Total Equity - Net Assets / Position	3,368,810	-	-	-125,321	-	-244,902	172,461	3,171,048	-	3,171,048
600 Total Liabilities, Deferred Inflow of Resources, and Equity-Net	5,546,151	-	-	239,692	-	138,993	531,880	6,456,716	-23,142	6,433,574

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	93,044 Special Programs for the Aging-Title III, Part B-Grants for Supportive	93,045 Special Programs for the Aging-Title III, Part C-Nutrition Services	14,871 Housing Choice Vouchers	93,778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	392,479							392,479		392,479
70400 Tenant Revenue - Other	38,821							38,821		38,821
70500 Total Tenant Revenue	431,300	-	-	-	-	-	-	431,300	-	431,300
70600 HUD PHA Operating Grants	868,217			5,767,225				6,635,442		6,635,442
70610 Capital Grants	55,866							55,866		55,866
70710 Management Fee							139,863	139,863	-139,863	-
70720 Asset Management Fee							27,240	27,240	-27,240	-
70730 Book Keeping Fee							19,950	19,950	-19,950	-
70740 Front Line Service Fee							84,200	84,200	-84,200	-
70750 Other Fees							171,543	171,543		171,543
70700 Total Fee Revenue	-	-	-	-	-	-	442,796	442,796	-271,253	171,543
70800 Other Government Grants		26,108	108,169		36,650			170,927		170,927
71100 Investment Income - Unrestricted	272			144			794	1,210		1,210
71200 Mortgage Interest Income								-		-
71300 Proceeds from Disposition of Assets Held for Sale								-		-
71310 Cost of Sale of Assets								-		-
71400 Fraud Recovery				17,314				17,314		17,314
71500 Other Revenue	68,819			20,894		793,257	1,070	884,040		884,040
71600 Gain or Loss on Sale of Capital Assets	-1,148							-1,148		-1,148
72000 Investment Income - Restricted								-		-
70000 Total Revenue	1,423,326	26,108	108,169	5,805,577	36,650	793,257	444,660	8,637,747	-271,253	8,366,494
91100 Administrative Salaries	71,912			253,487		315,817	273,157	916,373		916,373
91200 Auditing Fees	1,326			10,687		3,146		15,159		15,159
91300 Management Fee	139,863							139,863	-139,863	-
91310 Book-keeping Fee	19,950							19,950	-19,950	-
91400 Advertising and Marketing	1,647			727			31	2,405		2,405
91500 Employee Benefit contributions - Administrative	23,231			80,725		95,552	74,565	274,073		274,073
91600 Office Expenses	5,995			41,230		12,816	32,545	92,586	-84,200	8,386
91700 Legal Expense	14,519			4,959		47	567	20,092		20,092
91800 Travel	14,653			11,519		3,354	3,684	33,210		33,210
91810 Allocated Overhead								-		-
91900 Other	68,315			732		29,201	3,598	101,846		101,846
91000 Total Operating - Administrative	361,411	-	-	404,066	-	459,933	390,147	1,615,557	-244,013	1,371,544

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Project Total	93.044 Special Programs for the Aging- Title III, Part B-Grants for Supportive	93.045 Special Programs for the Aging- Title III, Part C-Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	27,240							27,240	-27,240	-
92100 Tenant Services - Salaries	15,641			32,079				47,720		47,720
92200 Relocation Costs								-		-
92300 Employee Benefit Contributions - Tenant Services	6,687			8,953				15,640		15,640
92400 Tenant Services - Other	11,702							11,702		11,702
92500 Total Tenant Services	34,030	-	-	41,032	-	-	-	75,062	-	75,062
93100 Water	7,917			49		7	877	8,850		8,850
93200 Electricity	105,168			4,196		466	1,470	111,300		111,300
93300 Gas	70,694			1,088		143	381	72,306		72,306
93400 Fuel				80		11,586		11,666		11,666
93500 Labor								-		-
93600 Sewer	16,776					11	28	16,815		16,815
93700 Employee Benefit Contributions - Utilities								-		-
93800 Other Utilities Expense								-		-
93000 Total Utilities	200,555	-	-	5,413	-	12,213	2,756	220,937	-	220,937
94100 Ordinary Maintenance and Operations - Labor	130,423							130,423		130,423
94200 Ordinary Maintenance and Operations - Materials and Other	153,306			3,300		479,096	254	635,956		635,956
94300 Ordinary Maintenance and Operations Contracts	282,618			69,494		13,909	20,588	386,609		386,609
94500 Employee Benefit Contributions - Ordinary Maintenance	40,915							40,915		40,915
94000 Total Maintenance	607,262	-	-	72,794	-	493,005	20,842	1,193,903	-	1,193,903
95100 Protective Services - Labor								-		-
95200 Protective Services - Other Contract Costs	54,531					22,442		76,973		76,973
95300 Protective Services - Other								-		-
95500 Employee Benefit Contributions - Protective Services								-		-
95000 Total Protective Services	54,531	-	-	-	-	22,442	-	76,973	-	76,973
96110 Property Insurance	60,276			1,660			507	62,443		62,443
96120 Liability Insurance	654			990			663	2,307		2,307
96130 Workmen's Compensation	1,156			1,870			1,304	4,330		4,330
96140 All Other Insurance	8,088			808		5,323	1,436	15,655		15,655
96100 Total Insurance Premiums	70,174	-	-	5,328	-	5,323	3,910	84,735	-	84,735

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Project Total	99.044 Special Programs for the Aging - Title III, Part B Grants for Supportive	99.045 Special Programs for the Aging - Title III, Part C Nutrition Services	14.871 Housing Choice Vouchers	99.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
9600 Other General Expenses				3,850				3,850		3,850
9620 Compensated Absences						-1,422	2,251	829		829
9630 Payments in Lieu of Taxes	19,795							19,795		19,795
9640 Bnd debt - Tenant Rents	14,906							14,906		14,906
9650 Bnd debt - Mortgages								-		-
9660 Bnd debt - Other	8,397							8,397		8,397
9680 Severance Expense	1,067			5,921		2,400		9,408		9,408
96000 Total Other General Expenses	44,165	-	-	9,771	-	998	2,251	57,185	-	57,185
9670 Interest of Mortgage (or Bonds) Payable	5,325							5,325		5,325
96720 Interest on Notes Payable (Short and Long Term)	12,061							12,061		12,061
96730 Amortization of Bond Issue Costs	115,391							115,391		115,391
96700 Total Interest Expense and Amrtization Cost	132,777	-	-	-	-	-	-	132,777	-	132,777
96900 Total Operating Expenses	1,532,145	-	-	538,404	-	993,914	419,906	3,484,369	-271,253	3,213,116
97000 Excess of Operating Revenue over Operating Expenses	-108,819	26,108	108,169	5,267,173	36,650	-200,657	24,754	5,153,378	-	5,153,378
97100 Extraordinary Maintenance	1,065							1,065		1,065
97200 Casualty Losses - Non-capitalized								-		-
97300 Housing Assistance Payments				5,194,993				5,194,993		5,194,993
97350 HAP Portability-In				11,079				11,079		11,079
97400 Depreciation Expense	490,407			7,676		5,057	38,754	541,894		541,894
97500 Fraud Losses								-		-
97600 Capital Outlays - Governmental Funds								-		-
97700 Debt Principal Payment - Governmental Funds								-		-
97800 Dwelling Units Rent Expense								-		-
90000 Total Expenses	2,023,617	-	-	5,752,152	-	998,971	438,660	9,233,400	-271,253	8,962,147

**ERIE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Project Total	93,044 Special Programs for the Aging-Title III, Part B-Grants for Supportive	93,045 Special Programs for the Aging-Title III, Part C-Nutrition Services	14,871 Housing Choice Vouchers	93,778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
10010 Operating Transfer In						170,927		170,927		170,927
10020 Operating transfer Out		-26,108	-108,169		-36,650			-170,927		-170,927
10030 Operating Transfers from/to Primary Government								-		-
10040 Operating Transfers from/to Component Unit								-		-
10050 Proceeds from Notes, Loans and Bonds								-		-
10060 Proceeds from Property Sales								-		-
10070 Extraordinary Items, Net Gain/Loss								-		-
10080 Special Items (Net Gain/Loss)								-		-
10091 InterProject Excess Cash Transfer In								-		-
10092 InterProject Excess Cash Transfer Out								-		-
10093 Transfers between Program and Project - In								-		-
10094 Transfers between Project and Program - Out								-		-
10100 Total Other financing Sources (Uses)	-	-26,108	-108,169	-	-36,650	170,927	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-600,291	-	-	53,425	-	-34,787	-14,000	-595,653	-	-595,653
11020 Required Annual Debt Principal Payments	106,495	-	-	-	-	-	-	106,495		106,495
11030 Beginning Equity	4,156,845	-	-	67,213	-	61,899	423,455	4,709,412		4,709,412
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-187,744			-245,959		-272,014	-236,994	-942,711		-942,711
11050 Changes in Compensated Absence Balance								-		-
11060 Changes in Contingent Liability Balance								-		-
11070 Changes in Unrecognized Pension Transition Liability								-		-
11080 Changes in Special Term Severance Benefits Liability								-		-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								-		-
11100 Changes in Allowance for Doubtful Accounts - Other								-		-
11170 Administrative Fee Equity				-142,861				-142,861		-142,861
11180 Housing Assistance Payments Equity				17,540				17,540		17,540
11190 Unit Months Available	2,728			12,564			-	15,292		15,292
11210 Number of Unit Months Leased	2,660			11,413			-	14,073		14,073
11270 Excess Cash	-270,753							-270,753		-270,753
11610 Land Purchases	-							-		-
11620 Building Purchases	5,866							5,866		5,866
11630 Furniture & Equipment - Dwelling Purchases	-							-		-
11640 Furniture & Equipment - Administrative Purchases	-							-		-
11650 Leasehold Improvements Purchases	-							-		-
11660 Infrastructure Purchases	-							-		-
13510 CFFP Debt Service Payments	93,960							93,960		93,960
13901 Replacement Housing Factor Funds	-							-		-

**ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Low Rent Public Housing Program	14.850	\$ 705,942
Section 8 Housing Choice Voucher Program	14.871	5,767,225
Public Housing - Capital Fund Program	14.872	218,141
Total U.S. Department of Housing and Urban Development		6,691,308
<u>U.S. Department of Health and Human Services</u>		
<u>Pass-Through Programs</u>		
<i>Area Office on Aging of Northwestern Ohio, Inc.</i>		
Aging Programs (Cluster):		
Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Center	93.044	26,108
Special Programs for the Aging - Title III, Part C, Nutrition Services	93.045	108,169
Total Aging Program Cluster		134,277
Medical Assistance Program - Passport Medicaid Waiver Program	93.778	36,650
Total U. S. Department of Health and Human Services		170,927
Total Federal Expenditures		\$ 6,862,235

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Erie Metropolitan Housing
Sandusky, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Erie Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Erie Metropolitan Housing Authority's basic financial statements and have issued our report thereon dated December 11, 2015, wherein we noted that during the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at June 30, 2014.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, which is identified as **Finding 2015-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Erie Metropolitan Housing Authority, Ohio'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*.

Erie Metropolitan Housing Authority's Response to Finding

The Erie Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA,
President
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o=James G. Zupka, CPA, Inc., ou=Accounting,
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Date: 2015.12.29 16:57:03 -0500

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 11, 2015

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Erie Metropolitan Housing Authority
Sandusky, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Erie Metropolitan Housing Authority, Ohio's, (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the 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, Erie Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,
CPA, President

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G. Zupka, CPA, Inc., ou=Accounting,
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Date: 2015.12.29 16:57:30 -0500

James G. Zupka CPA, Inc.
Certified Public Accountants

December 11, 2015

**ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR’S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Programs’ Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): CFDA #14.871 - Housing Choice Voucher Program	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

**ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505 (CONTINUED)
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2015-001 - Significant Deficiency - Internal Controls Over Financial Reporting

Statement of Condition/Criteria

Financial reporting is the responsibility of the Authority's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, the following errors to the financial statements were identified:

1. Understated cash balance.
2. Incorrectly reported transfers between programs.

As a result, audit adjustments have been proposed and made to correct the financial activity for fiscal year 2015.

Cause/Effect

The changes in financial presentation resulted in various adjustments to the financial report as noted above. Also, the lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the Authority implement controls and procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response

Erie Metropolitan Housing Authority concurs with the above comments and have made all the adjustments in the corrected financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain.
2014-001	Internal Controls over Financial Reporting	No	Partially corrected.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

ERIE COUNTY METROPOLITAN HOUSING AUTHORITY

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2016**