Erie Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2017

Dave Yost • Auditor of State

Board of Commissioners
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, Ohio44870

We have reviewed the *Independent Auditor's Report* of the Erie Metropolitan Housing Authority, Erie County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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.

Dave Yost
Auditor of State

April 2, 2018

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ERIE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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SALVATORE CONSIGLIO, CPA, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Erie Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2017, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Erie Metropolitan Housing Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Erie Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule ("FDS") and the PHA Statement of Certificate and Actual Modernization Costs are not required part of the basic financial statements. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements.

The financial data schedule (FDS) and the PHA Statement of Certificate and Actual Modernization Costs are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was 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 my opinion, the Schedule of Expenditure of Federal Awards, the financial data schedule ("FDS") and the PHA Statement of Certificate and Actual Modernization Costs 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*, I have also issued my report dated February 28, 2018, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Entity's internal control over financial reporting and compliance.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

Unaudited

The Erie Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis (MD&A) 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 position, and (d) identify individual fund issues of concerns.

Since the MD&A is designed to focus of the 2017 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased by $256,492 (or 8.49 percent) during fiscal year ended 2017. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was $2,764,978 and $3,021,470 for 2017 and 2016 respectively.

- The business-type activities revenue decreased by $693,845 (or 7.69 percent) during fiscal year ended 2017. The amounts were $8,333,253 and $9,027,098 for 2017 and 2016 respectively.

- The total expenses of all Authority programs decreased by $586,931 (or 6.40 percent). Total expenses were $8,589,745 and $9,176,676 for fiscal year ended 2017 and 2016 respectively.

AUTHORITY 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.

Unaudited

TABLE 1 - STATEMENT OF NET POSITION

	2017	2016
Current and Other Assets	$ 1,387,617	$ 1,084,793
Capital Assets	4,649,127	5,087,622
Deferred Outflows of Resources	577,227	479,167
Total Assets and Defereed Outflows of Resources	$ 6,613,971	$ 6,651,582
Current Liabilities	$ 395,676	$ 321,705
Long-Term Liabilities	3,316,083	3,265,938
Deferred Inflows of Resources	137,234	42,469
Total Liabilities and Deferred Inflows of Resources	3,848,993	3,630,112
Net Position:		
Net Investment in Capital Assets	2,993,034	3,332,687
Restricted Net Position	116,113	47
Unrestricted Net Position	(344,169)	(311,264)
Total Net Position	2,764,978	3,021,470
Total Liabilities and Net Position	$ 6,613,971	$ 6,651,582

For more detail information see Statement of Net Position presented elsewhere in this report.

Major Factors Affecting the Statement of Net Position

During 2017, current and other assets increased by $302,824 and current liabilities increased by $73,971. The increase in current assets is mainly due to the change in cash and accounts receivable due to the result of current activities. The increase in total liabilities is primarily due to an increase in the net pension liability.

Capital assets also changed, decreasing from $5,087,622 to $4,649,127. The $438,495 decrease may be contributed primarily to a combination of total acquisitions less current year depreciation expense.

The following table presents details on the change in Net Position.

Unaudited

TABLE 2 - CHANGE OF NET POSITION

	Unrestricted	Net Investment in Capital Assets	Restricted
Beginning Balance	($311,264)	$3,332,687	$47
Results of Operation	(372,558)	0	116,066
Adjustments:			
Current year Depreciation Expense (1)	523,875	(523,875)	0
Capital Expenditure (2)	(86,611)	86,611	0
Net Result of Disposition of Assets (3)	1,230	(1,230)	0
Retirement of Debt	(98,842)	98,842	0
Rounding Adjustment	1	(1)	0
Ending Balance	($344,169)	$2,993,034	$116,113

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.

(3) The net restricted position is the amount of equity restricted for Housing Assistance Payments.

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 presentation of financial position.

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

Unaudited

TABLE 3 - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016
Revenues		
Total Tenant Revenues	$ 436,589	$ 417,537
Operating Subsidies	6,893,502	6,970,688
Capital Grants	33,238	227,587
Investment Income	774	2,466
Other Revenues	969,150	1,408,820
Total Revenues	**8,333,253**	**9,027,098**
Expenses		
Administrative	1,880,845	1,497,883
Tenant and Protective Services	146,251	161,628
Utilities	179,371	202,992
Maintenance	615,722	1,424,637
General and Interest Expenses	210,966	201,463
Housing Assistance Payments	5,032,715	5,122,539
Depreciation	523,875	565,534
Total Expenses	**8,589,745**	**9,176,676**
Total Change in Net Position	(256,492)	(149,578)
Net Position - Beginning	3,021,470	3,171,048
Net Position - Ending	**$ 2,764,978**	**$ 3,021,470**

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

Operating Subsidy reflects a decrease of $77,186 or 1.11%. The decrease in operating subsidy is mainly due to less housing assistance money received during the year. Capital grants also decreased by $194,349 due to capital funded activities during the year. Total tenant revenue increased by $19,052 (or 4.56 %). The increase in tenant revenue was primarily due to increase in tenant rents and units leased.

Total expenses decreased $586,931 due to decrease in maintenance expenses and housing assistance payments.

Unaudited

CAPITAL ASSETS

As of year-end, the Authority had $4,649,127 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $438,495 or 8.62% from the end of 2017. This decrease was due to depreciation expense net of current year capital additions.

TABLE 4 - CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2017	2016
Land and Land Rights	$ 674,630	$ 674,630
Buildings and Improvement	16,627,280	16,556,089
Equipment	857,723	876,412
Accumulated Depreciation	(13,510,506)	(13,019,509)
Total	$ 4,649,127	$ 5,087,622

The following reconciliation identifies the change in Capital Assets:

TABLE 5 - CHANGE IN CAPITAL ASSETS

Beginning Balance - June 30, 2016	$ 5,087,622
Current year Additions	86,611
Current Year Dispositions, net of depreciation	(1,230)
Current year Depreciation Expense	(523,875)
Rounding Adjustment	(1)
Ending Balance - June 30, 2017	$ 4,649,127

Current year Additions are summarized as follows:	
Leasehold Improvements	$ 72,361
Various Equipment	14,250
Total 2017 Additions	$ 86,611

Unaudited

DEBT OUTSTANDING

As of year-end, the change in the Authority outstanding debt was as follows:

Beginning Balance - June 30, 2016	$	1,754,935
Current Year Principal Payments		(98,842)
Ending Balance - June 30, 2017	$	1,656,093

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- 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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ralph Chamberlain, Executive Director, Erie Metropolitan Housing Authority, (419) 334-4426.

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2017

ASSETS		
Current assets		
Cash and cash equivalents	$	898,926
Restricted cash and cash equivalents		138,913
Receivables, net		228,380
Prepaid expenses and other assets		55,932
Inventory, net		49,679
Total current assets		**1,371,830**
Noncurrent assets		
Non-Depreciable capital assets		674,630
Depreciable capital assets, net		3,974,497
Other Assets		6,926
Net Pension Assets		8,861
Total noncurrent assets		4,664,914
Deferred Outflows of Resources		577,227
Total noncurrent assets		***5,242,141***
Total assets	**$**	**6,613,971**
LIABILITIES		
Current liabilities		
Accounts payable	$	203,019
Accrued compensated absences - current		22,397
Accrued liabilities		8,427
Tenant security deposits		22,800
Other Current liabilities		31,130
Debt payable - current		107,903
Total current liabilities		***395,676***
Noncurrent liabilities		
Debt payable - noncurrent		1,548,190
Accrued compensated absences - noncurrent		67,192
Net Pension Liability		1,617,512
Noncurrent liabilities - other		83,189
Total noncurrent liabilities		***3,316,083***
Deferred Inflows of Resources		***137,234***
Total liabilities	**$**	**3,848,993**

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

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2017

NET POSITION		
Net Invested in capital assets	$	2,993,034
Restricted net position		116,113
Unrestricted net position		(344,169)
Total net position		**2,764,978**
Total liabilities and net position	**$**	**6,613,971**

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

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2017

OPERATING REVENUES	
Tenant revenue	$ 436,589
Government operating grants	6,893,502
Other revenue	970,382
Total operating revenues	**8,300,473**
OPERATING EXPENSES	
Administrative	1,880,845
Tenant and protetive services	146,251
Utilities	179,371
Maintenance	615,722
General and insurance	135,475
Housing assistance payment	5,032,715
Depreciation	523,875
Total operating expenses	***8,514,254***
Operating income (loss)	**(213,781)**
NONOPERATING REVENUES (EXPENSES)	
Capital grant revenue	33,238
Interest Income	774
Gain (Loss) on disposal of asset	(1,232)
Interest expense	(75,491)
Total nonoperating revenues (expenses)	***(42,711)***
Change in net position	(256,492)
Total net position - beginning	3,021,470
Total net position - ending	**$ 2,764,978**

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

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$6,893,502
Receipts from tenants	373,048
Other revenue received	970,382
Cash payments for administrative	(2,721,222)
Cash payments for HAP	(5,032,715)
Net cash provided (used) by operating activities	**482,995**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	774
Net cash provided (used) by investing activities	**774**
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Acquisition of capital assets	(86,611)
Capital grant received	33,238
Interest paid on debt	(75,491)
Debt payment	(98,842)
Net cash provided (used) by capital and related activities	**(227,706)**
Net increase (decrease) in cash	256,063
Cash and cash equivalents - Beginning of year	781,776
Cash and cash equivalents - End of year	**$ 1,037,839**

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

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$	(213,781)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation		523,875
- (Increases) Decreases in Accounts Receivable		(63,542)
- (Increases) Decreases in Prepaid Assets		16,071
- (Increases) Decreases in Inventory		9,661
- (Increases) Decreases in Other Assets		(6,926)
- (Increases) Decreases in Pension Assets		(2,026)
- (Increases) Decreases in Deferred Outflows		(98,060)
- Increases (Decreases) in Accounts Payable		92,795
- Increases (Decreases) in Accrued Liabilities		(15,130)
- Increases (Decreases) in Tenant Security Deposit		(850)
- Increases (Decreases) in Compensated Absences		(16,134)
- Increases (Decreases) in Other Current Liabilities		(7,872)
- Increases (Decreases) in Pension Liability		186,878
- Increases (Decreases) in Deferred Inflows		94,765
- Increases (Decreases) in Non-Current Liabilities Other		(16,729)
Net cash provided by operating activities	**$**	**482,995**

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Reporting Entity

The Erie Metropolitan Housing Authority (EMHA) is a political subdivision of the State of Ohio, located in Fremont, 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 EMHA 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. 61 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.

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 GASB 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.

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.

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 non-operating revenues and expenses.

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 2017 fiscal year was $137,393.

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.

Investments

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

Restricted Net Position

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 are 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 Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was $116,113 at June 30, 2017.

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 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.

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 them.

For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section of 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 the 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 6)

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.

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

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

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.

NOTE 2: DEPOSITS AND INVESTMENTS

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new 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.

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, 2017, the Authority had un-deposited cash on hand (petty cash) of $510.

At June 30, 2017, the carrying amount of the Authority's cash deposits was $1,037,839 and the bank balance was $1,033,586. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2017, deposits totaling $596,802 were covered by Federal Depository Insurance, while the $436,784 was collateralized by securities pledged in the name of the Authority.

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.

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, 2017 the Authority has no investments.

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.

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 is investment choices.

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.

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.

Restricted Cash
Restricted cash is composed of the following restricted:

Restricted HAP Equity	$ 116,113
Tenant Security Deposit	22,800
Total	$ 138,913

NOTE 3: CAPITAL ASSETS

A summary of capital assets at June 30, 2017, by class is as follows:

Building and Building Improvements	$16,627,280
Land	674,630
Furniture, Equipment - Dwelling	214,136
Furniture, Equipment - Administration	643,587
Total	18,159,633
Less Accumulated Depreciation	(13,510,506)
Net Property and Equipment	$ 4,649,127

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

	Balance 06/30/16	Additions	Adjustment / Disposal	Balance 06/30/17
Capital Assets Not Being Depreciated:				
Land	$674,630	$0	$0	$674,630
Total Capital Assets Not Being Depreciated	**674,630**	**0**	**0**	**674,630**
Capital Assets Being Depreciated:				
Buildings and Improvements	16,556,089	72,361	(1,170)	16,627,280
Furnt, Mach. and Equip.	876,412	14,250	(32,939)	857,723
Total Capital Assets Being Depreciated	**17,432,501**	**86,611**	**(34,109)**	**17,485,003**
Accumulated Depreciation:				
Buildings and Improvements	(12,340,586)	(469,690)	(31,244)	(12,841,520)
Furnt, Mach. and Equip.	(678,923)	(54,185)	64,123	(668,985)
Total Accumulated Depreciation	**(13,019,509)**	**(523,875)**	**32,879**	**(13,510,506)**
Total Capital Assets Being Depreciated, Net	**4,412,992**	**(437,264)**	**(1,230)**	**3,974,497**
Total Capital Assets, Net	**$5,087,622**	**($437,264)**	**($1,230)**	**$4,649,127**

NOTE 4: **LONG-TERM LIABILITIES**

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, 2017 is $700,226.

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, 2017 was $955,867.

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Description	Balance 06/30/2016	Issued	Retired	Balance 06/30/2017	Current Portion
U.S. Department of HUD	$735,000	$0	($50,000)	$685,000	$55,000
Unamortized Premiums	16,749	0	(1,523)	15,226	1,523
Energy Performance Equipment Lease	1,003,186	0	(47,319)	955,867	51,380
Net Pension Liability	1,430,634	186,878	0	1,617,512	0
Compensated Absence	105,723	0	(16,134)	89,589	22,397
Total	$3,291,292	$186,878	($114,976)	$3,363,194	$130,300

Debt maturities are estimated as follows:

		U.S. Department of HUD		Energy Performance Equipment Lease	
For the Year Ended June 30,	Amortized Premiums	Principal	Interest	Principal	Interest
2018	1,522	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	1,523	60,000	25,750	65,300	28,583
2022	1,523	65,000	22,750	69,883	26,068
2023-2027	7,612	390,000	60,250	398,246	87,772
2028-2030	0	0	0	252,864	14,444
Total	$15,226	$685,000	$203,250	$955,867	$256,088

NOTE 5: **ALLOCATION OF COSTS**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

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 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 the accrual basis of accounting.

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and combined plan, substantially all employees are in the OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual costs-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service form the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service form the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service form the first 30 years and 2.5% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members' career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2016 & 2017 Statutory Maximum Contribution Rates:	State & Local
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
2017 Actual Contribution Rates:	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $111,669 for the fiscal year ended June 30, 2017.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Plan	Combined Plan	Total
Proportionate Share of Net Pension Liability (Asset)	$1,617,512	-$8,861	$1,608,651
Percentate for Proportionate Share of Net Pension Liability	0.007123%	0.015921%	0.023044%
Change in Proportion from Prior Measurement Date	-0.001170%	-0.000569%	-0.001739%

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earning on pension plan investments	$269,128	$0	$269,128
Defferemce betweem Expected amd Actual Experience	$2,193	$0	$2,193
Change in Assumption	254,398	2,159	256,557
Authority contributions subsequent to the measurement date	49,349	0	49,349
Total Deferred Outflows of Resources	$575,068	$2,159	$577,227
Deferred Inflows of Resources			
Difference between expected and actual experience	$27,921	$323	$28,244
Change in Assumption	$99,364	$0	$99,364
Defferemce betweem Expected amd Actual Experience	8,183	1,443	9,626
Total Deferred Inflows of Resources	$135,468	$1,766	$137,234

$49,349 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional Plan	Combined Plan	Total
Fiscal Year Ending June 30:			
2017	($154,477)	($7)	($154,484)
2018	(161,678)	(7)	(161,685)
2019	(81,551)	(7)	(81,558)
2020	7,455	(7)	7,448
2021	0	(88)	(88)
Thereafter	0	(277)	(277)
Total	($390,251)	($393)	($390,644)

Actuarial Assumptions – PERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Future Salary Increases, including inflation	3.25 - 10.75 percent, including wage inflation of 3.25%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2016	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
TOTAL	100.00%	5.66%

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Traditional Pension Plan	$2,471,111	$1,617,512	$906,188
Combined Plan	$2,457	($8,861)	($16,239)

NOTE 7: POSTEMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (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 benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For the year ended June 30, 2017, the Authority contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2016. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for the Traditional Plan. 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. The portion of actual Authority contributions for the year ended June 30, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were $13,814, $21,704, and $16,732 respectively.

NOTE 8: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Authority based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. At the time of retirement, employees shall be paid the value of twenty-five percent of unused sick leave subject to a maximum payment equal to 120 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 9: **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.

NOTE 10: **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 11: **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through February 28, 2018, the date on which the financial statements were available to be issued.

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$293,886	$206,262	$0	$0	$42,746	$0	$0	$356,032	$898,926	$0	$898,926
113 Cash - Other Restricted	$0	$116,113	$0	$0	$0	$0	$0	$0	$116,113	$0	$116,113
114 Cash - Tenant Security Deposits	$22,800	$0	$0	$0	$0	$0	$0	$0	$22,800	$0	$22,800
100 Total Cash	$316,686	$322,375	$0	$0	$42,746	$0	$0	$356,032	$1,037,839	$0	$1,037,839
125 Accounts Receivable - Miscellaneous	$14,113	$2,277	$0	$0	$182,701	$0	$0	$2,600	$201,691	$0	$201,691
126 Accounts Receivable - Tenants	$2,017	$0	$0	$0	$0	$0	$0	$0	$2,017	$0	$2,017
126.1 Allowance for Doubtful Accounts -Tenants	($341)	$0	$0	$0	$0	$0	$0	$0	($341)	$0	($341)
128 Fraud Recovery	$0	$505,322	$0	$0	$0	$0	$0	$0	$505,322	$0	$505,322
128.1 Allowance for Doubtful Accounts - Fraud	$0	($480,309)	$0	$0	$0	$0	$0	$0	($480,309)	$0	($480,309)
120 Total Receivables, Net of Allowances for Doubtful Accounts	$15,789	$27,290	$0	$0	$182,701	$0	$0	$2,600	$228,380	$0	$228,380
142 Prepaid Expenses and Other Assets	$36,424	$1,412	$0	$0	$3,370	$0	$0	$14,726	$55,932	$0	$55,932
143 Inventories	$41,554	$0	$0	$0	$2,191	$0	$0	$8,154	$51,899	$0	$51,899
143.1 Allowance for Obsolete Inventories	($2,077)	$0	$0	$0	$0	$0	$0	($143)	($2,220)	$0	($2,220)
150 Total Current Assets	$408,376	$351,077	$0	$0	$231,008	$0	$0	$381,369	$1,371,830	$0	$1,371,830
161 Land	$638,695	$0	$0	$0	$0	$0	$0	$35,935	$674,630	$0	$674,630
162 Buildings	$16,019,754	$72,305	$0	$0	$0	$0	$0	$535,221	$16,627,280	$0	$16,627,280
163 Furniture, Equipment & Machinery - Dwellings	$152,655	$61,481	$0	$0	$0	$0	$0	$0	$214,136	$0	$214,136
164 Furniture, Equipment & Machinery - Administration	$303,492	$0	$0	$0	$95,877	$0	$0	$244,218	$643,587	$0	$643,587
166 Accumulated Depreciation	($12,625,839)	($102,390)	$0	$0	($76,833)	$0	$0	($705,444)	($13,510,506)	$0	($13,510,506)

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	$4,488,757	$31,396	$0	$0	$19,044	$0	$0	$109,930	$4,649,127	$0	$4,649,127
174 Other Assets	$2,002	$2,623	$0	$0	$2,900	$0	$0	$8,262	$15,787	$0	$15,787
180 Total Non-Current Assets	$4,490,759	$34,019	$0	$0	$21,944	$0	$0	$118,192	$4,664,914	$0	$4,664,914
200 Deferred Outflow of Resources	$117,613	$154,082	$0	$0	$170,405	$0	$0	$135,127	$577,227	$0	$577,227
290 Total Assets and Deferred Outflow of Resources	$5,016,748	$539,178	$0	$0	$423,357	$0	$0	$634,688	$6,613,971	$0	$6,613,971
312 Accounts Payable <= 90 Days	$37,905	$6,955	$0	$0	$95,895	$0	$0	$47,264	$188,019	$0	$188,019
321 Accrued Wage/Payroll Taxes Payable	$0	$0	$0	$0	$0	$0	$0	$8,427	$8,427	$0	$8,427
322 Accrued Compensated Absences - Current Portion	$3,421	$5,944	$0	$0	$5,049	$0	$0	$7,983	$22,397	$0	$22,397
333 Accounts Payable - Other Government	$0	$0	$0	$0	$15,000	$0	$0	$0	$15,000	$0	$15,000
341 Tenant Security Deposits	$22,800	$0	$0	$0	$0	$0	$0	$0	$22,800	$0	$22,800
342 Unearned Revenue	$100	$0	$0	$0	$300	$0	$0	$0	$400	$0	$400
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$107,903	$0	$0	$0	$0	$0	$0	$0	$107,903	$0	$107,903
345 Other Current Liabilities	$649	$5,457	$0	$0	$0	$0	$0	$0	$6,106	$0	$6,106
346 Accrued Liabilities - Other	$24,624	$0	$0	$0	$0	$0	$0	$0	$24,624	$0	$24,624
310 Total Current Liabilities	$197,402	$18,356	$0	$0	$116,244	$0	$0	$63,674	$395,676	$0	$395,676
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$1,548,190	$0	$0	$0	$0	$0	$0	$0	$1,548,190	$0	$1,548,190

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
353 Non-current Liabilities - Other	$0	$83,189	$0	$0	$0	$0	$0	$0	$83,189	$0	$83,189
354 Accrued Compensated Absences - Non Current	$10,266	$17,832	$0	$0	$15,149	$0	$0	$23,945	$67,192	$0	$67,192
357 Accrued Pension and OPEB Liabilities	$323,292	$423,538	$0	$0	$468,403	$0	$0	$402,280	$1,617,513	$0	$1,617,513
350 Total Non-Current Liabilities	$1,881,748	$524,559	$0	$0	$483,552	$0	$0	$426,225	$3,316,084	$0	$3,316,084
300 Total Liabilities	$2,079,150	$542,915	$0	$0	$599,796	$0	$0	$489,899	$3,711,760	$0	$3,711,760
400 Deferred Inflow of Resources	$28,331	$37,116	$0	$0	$41,048	$0	$0	$30,738	$137,233	$0	$137,233
508.4 Net Investment in Capital Assets	$2,832,664	$31,396	$0	$0	$19,044	$0	$0	$109,930	$2,993,034	$0	$2,993,034
511.4 Restricted Net Position	$0	$116,113	$0	$0	$0	$0	$0	$0	$116,113	$0	$116,113
512.4 Unrestricted Net Position	$76,603	($188,362)	$0	$0	($236,531)	$0	$0	$4,121	($344,169)	$0	($344,169)
513 Total Equity - Net Assets / Position	$2,909,267	($40,853)	$0	$0	($217,487)	$0	$0	$114,051	$2,764,978	$0	$2,764,978
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$5,016,748	$539,178	$0	$0	$423,357	$0	$0	$634,688	$6,613,971	$0	$6,613,971
70300 Net Tenant Rental Revenue	$408,512	$0	$0	$0	$0	$0	$0	$0	$408,512	$0	$408,512
70400 Tenant Revenue - Other	$28,077	$0	$0	$0	$0	$0	$0	$0	$28,077	$0	$28,077
70500 Total Tenant Revenue	$436,589	$0	$0	$0	$0	$0	$0	$0	$436,589	$0	$436,589
70600 HUD PHA Operating Grants	$1,001,279	$5,605,288	$51,650	$0	$0	$0	$0	$0	$6,658,217	$0	$6,658,217
70610 Capital Grants	$33,238	$0	$0	$0	$0	$0	$0	$0	$33,238	$0	$33,238
70710 Management Fee	$0	$0	$0	$0	$0	$0	$0	$142,544	$142,544	($142,544)	$0

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
70720 Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$27,240	$27,240	($27,240)	$0
70730 Book Keeping Fee	$0	$0	$0	$0	$0	$0	$0	$20,333	$20,333	($20,333)	$0
70740 Front Line Service Fee	$0	$0	$0	$0	$0	$0	$0	$26,447	$26,447	($26,447)	$0
70750 Other Fees	$0	$0	$0	$0	$0	$0	$0	$201,918	$201,918	$0	$201,918
70800 Other Government Grants	$0	$0	$0	$57,398	$0	$144,176	$33,711	$0	$235,285	$0	$235,285
71100 Investment Income - Unrestricted	$178	$289	$0	$0	$0	$0	$0	$307	$774	$0	$774
71400 Fraud Recovery	$0	$25,012	$0	$0	$0	$0	$0	$0	$25,012	$0	$25,012
71500 Other Revenue	$80,034	$55,369	$0	$0	$606,648	$0	$0	$1,401	$743,452	$0	$743,452
71600 Gain or Loss on Sale of Capital Assets	($1,232)	$0	$0	$0	$0	$0	$0	$0	($1,232)	$0	($1,232)
72000 Investment Income - Restricted	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
70000 Total Revenue	$1,550,086	$5,685,958	$51,650	$57,398	$606,648	$144,176	$33,711	$420,190	$8,549,817	($216,564)	$8,333,253
91100 Administrative Salaries	$78,259	$232,887	$0	$0	$205,343	$0	$0	$206,502	$722,991	$0	$722,991
91200 Auditing Fees	$4,185	$11,078	$0	$0	$3,052	$0	$0	$0	$18,315	$0	$18,315
91300 Management Fee	$142,544	$0	$0	$0	$0	$0	$0	$0	$142,544	($142,544)	$0
91310 Book-keeping Fee	$20,333	$0	$0	$0	$0	$0	$0	$0	$20,333	($20,333)	$0
91400 Advertising and Marketing	$1,960	$8	$0	$0	$704	$0	$0	$3	$2,675	$0	$2,675
91500 Employee Benefit contributions - Administrative	$46,017	$159,417	$0	$0	$153,829	$0	$0	$121,833	$481,096	$0	$481,096
91600 Office Expenses	$17,938	$34,676	$0	$0	$9,661	$0	$0	$18,346	$80,621	($26,447)	$54,174
91700 Legal Expense	$19,212	$2,775	$0	$0	$1,380	$0	$0	$1,027	$24,394	$0	$24,394
91800 Travel	$8,358	$6,702	$0	$0	$5,663	$0	$0	$482	$21,205	$0	$21,205
91900 Other	$117,358	$0	$0	$0	$438,637	$0	$0	$0	$555,995	$0	$555,995
91000 Total Operating - Administrative	$456,164	$447,543	$0	$0	$818,269	$0	$0	$348,193	$2,070,169	($189,324)	$1,880,845

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	$27,240	$0	$0	$0	$0	$0	$0	$0	$27,240	($27,240)	$0
92100 Tenant Services - Salaries	$17,232	$0	$34,912	$0	$0	$0	$0	$0	$52,144	$0	$52,144
92300 Employee Benefit Contributions - Tenant Services	$11,547	$0	$16,738	$0	$0	$0	$0	$0	$28,285	$0	$28,285
92400 Tenant Services - Other	$13,566	$0	$0	$0	$0	$0	$0	$0	$13,566	$0	$13,566
92500 Total Tenant Services	$69,585	$0	$51,650	$0	$0	$0	$0	$0	$121,235	($27,240)	$93,995
93100 Water	$6,387	$115	$0	$0	$14	$0	$0	$133	$6,649	$0	$6,649
93200 Electricity	$113,466	$4,669	$0	$0	$569	$0	$0	$1,635	$120,339	$0	$120,339
93300 Gas	$35,266	$782	$0	$0	$95	$0	$0	$274	$36,417	$0	$36,417
93600 Sewer	$15,677	$196	$0	$0	$24	$0	$0	$69	$15,966	$0	$15,966
93000 Total Utilities	$170,796	$5,762	$0	$0	$702	$0	$0	$2,111	$179,371	$0	$179,371
94100 Ordinary Maintenance and Operations - Labor	$125,264	$0	$0	$0	$0	$0	$0	$0	$125,264	$0	$125,264
94200 Ordinary Maintenance and Operations - Materials and Other	$59,080	$1,220	$0	$0	$9,497	$0	$0	$191	$69,988	$0	$69,988
94300 Ordinary Maintenance and Operations Contracts	$211,044	$85,159	$0	$0	$29,562	$0	$0	$20,382	$346,147	$0	$346,147
94500 Employee Benefit Contributions - Ordinary Maintenance	$74,189	$0	$0	$0	$0	$0	$0	$0	$74,189	$0	$74,189
94000 Total Maintenance	$469,577	$86,379	$0	$0	$39,059	$0	$0	$20,573	$615,588	$0	$615,588
95200 Protective Services - Other Contract Costs	$52,256	$0	$0	$0	$0	$0	$0	$0	$52,256	$0	$52,256
95000 Total Protective Services	$52,256	$0	$0	$0	$0	$0	$0	$0	$52,256	$0	$52,256

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
96110 Property Insurance	$64,641	$0	$0	$0	$0	$0	$0	$548	$65,189	$0	$65,189
96120 Liability Insurance	$781	$3,408	$0	$0	$0	$0	$0	$569	$4,758	$0	$4,758
96130 Workmen's Compensation	$2,269	$3,670	$0	$0	$3,270	$0	$0	$2,558	$11,767	$0	$11,767
96140 All Other Insurance	$5,740	$0	$0	$0	$8,431	$0	$0	$1,652	$15,823	$0	$15,823
96100 Total insurance Premiums	$73,431	$7,078	$0	$0	$11,701	$0	$0	$5,327	$97,537	$0	$97,537
96200 Other General Expenses	$25,600	$2,113	$0	$0	$0	$0	$0	$0	$27,713	$0	$27,713
96210 Compensated Absences	($2,988)	$595	$0	$0	($15,932)	$0	$0	$2,191	($16,134)	$0	($16,134)
96300 Payments in Lieu of Taxes	$24,624	$0	$0	$0	$0	$0	$0	$0	$24,624	$0	$24,624
96800 Severance Expense	$1,735	$0	$0	$0	$0	$0	$0	$0	$1,735	$0	$1,735
96000 Total Other General Expenses	$48,971	$2,708	$0	$0	($15,932)	$0	$0	$2,191	$37,938	$0	$37,938
96720 Interest on Notes Payable (Short and Long Term)	$36,966	$0	$0	$0	$0	$0	$0	$0	$36,966	$0	$36,966
96730 Amortization of Bond Issue Costs	$38,525	$0	$0	$0	$0	$0	$0	$0	$38,525	$0	$38,525
96700 Total Interest Expense and Amortization Cost	$75,491	$0	$0	$0	$0	$0	$0	$0	$75,491	$0	$75,491
96900 Total Operating Expenses	$1,416,271	$549,470	$51,650	$0	$853,799	$0	$0	$378,395	$3,249,585	($216,564)	$3,033,021
97000 Excess of Operating Revenue over Operating Expenses	$133,815	$5,136,488	$0	$57,398	($247,151)	$144,176	$33,711	$41,795	$5,300,232	$0	$5,300,232
97100 Extraordinary Maintenance	$134	$0	$0	$0	$0	$0	$0	$0	$134	$0	$134
97300 Housing Assistance Payments	$0	$5,016,450	$0	$0	$0	$0	$0	$0	$5,016,450	$0	$5,016,450

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	14.896 PIH Family Self-Sufficiency Program	93.778 Medical Assistance Program	State and Local	93.045 Special Programs for the Aging Title III, Part-C Nutrition Services	93.044 Special Programs for the Aging Title III, Part-B Grants for Supportive	COCC	Subtotal	ELIM	Total
97350 HAP Portability-In	$0	$16,265	$0	$0	$0	$0	$0	$0	$16,265	$0	$16,265
97400 Depreciation Expense	$492,161	$4,872	$0	$0	$6,830	$0	$0	$20,012	$523,875	$0	$523,875
90000 Total Expenses	$1,908,566	$5,587,057	$51,650	$0	$860,629	$0	$0	$398,407	$8,8,806,309	($216,564)	$8,8,589,745
10010 Operating Transfer In	$97,493	$0	$0	$0	$235,285	$0	$0	$0	$332,778	($332,778)	$0
10020 Operating transfer Out	($97,493)	$0	$0	($57,398)	$0	($144,176)	($33,711)	$0	($332,778)	$332,778	$0
10091 Inter Project Excess Cash Transfer In	$2,000	$0	$0	$0	$0	$0	$0	$0	$2,000	($2,000)	$0
10092 Inter Project Excess Cash Transfer Out	($2,000)	$0	$0	$0	$0	$0	$0	$0	($2,000)	$2,000	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	($57,398)	$235,285	($144,176)	($33,711)	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($358,480)	$98,901	$0	$0	($18,696)	$0	$0	$21,783	($256,492)	$0	($256,492)
11030 Beginning Equity	$3,267,747	($139,754)	$0	$0	($198,791)	$0	$0	$92,268	$3,021,470	$0	$3,021,470
11020 Required Annual Debt Principal Payments	$107,903	$0	$0	$0	$0	$0	$0	$0	$107,903	$0	$107,903
11170 Administrative Fee Equity	$0	($156,966)	$0	$0	$0	$0	$0	$0	($156,966)	$0	($156,966)
11180 Housing Assistance Payments Equity	$0	$116,113	$0	$0	$0	$0	$0	$0	$116,113	$0	$116,113
11190 Unit Months Available	2,724	12,564	$0	0	0	0	0	0	15,288	0	15,288
11210 Number of Unit Months Leased	2,711	11,000	$0	0	0	0	0	0	13,711	0	13,711
11270 Excess Cash	$19,322	$0	$0	$0	$0	$0	$0	$0	$19,322	$0	$19,322
11620 Building Purchases	$25,986	$0	$0	$0	$0	$0	$0	$0	$25,986	$0	$25,986
11630 Furniture & Equipment - Dwelling Purchases	$4,816	$0	$0	$0	$0	$0	$0	$0	$4,816	$0	$4,816

Erie Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

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11640 Furniture & Equipment - Administrative Purchases	$2,436	$0	$0	$0	$0	$0	$0	$0	$2,436	$0	$2,436

Erie Metropolitan Housing Authority
Required Supplementary Information
Schedule of Erie Metropolitan Housing Authority
Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability / Asset	0.007123%	0.008293%	0.008495%	0.008495%
Authority's Proportionate Share of the Net Pension Liability	$1,617,512	$1,430,634	$1,024,595	$1,001,450
Authority's Covered-Employee Payroll	$834,335	$1,038,875	$1,196,583	$1,234,575
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	193.87%	137.71%	85.63%	81.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.54%	86.54%

Combined Plan	2017	2016	2015	2015
Authority's Proportion of the Net Pension Liability / Asset	0.015921%	0.016490%	0.016901%	0.016901%
Authority's Proportionate Share of the Net Pension Asset	($8,861)	($6,835)	($6,509)	($7,470)
Authority's Covered-Employee Payroll	$61,974	$60,417	$69,525	$68,492
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	(14.30%)	(11.31%)	(9.36%)	(10.91%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available.
Amount presented as of the Authority’s fiscal year end. The plan measurement date is the prior calendar year end.

Erie Metropolitan Housing Authority
Required Supplementary Information
Schedule of Erie Metropolitan Housing Authority's
PERS Schedule of Ten Year Contributions
For the Last Ten Fiscal Years

	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Contractually Required Contributions										
Traditional Plan	$104,174	$124,665	$143,590	$148,149	$147,060	$140,589	$140,687	$138,417	$135,338	$129,000
Combined Plan	7,495	7,250	8,343	8,219	8,137	7,801	2,446	0	0	0
Total Required Contributions	111,669	131,915	151,933	156,368	155,197	148,390	143,133	138,417	135,338	129,000
Contributions in Relation to the Contractually Required Contribution	111,669	131,915	151,933	156,368	155,197	148,390	143,133	138,417	135,338	129,000
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered-Employee Payroll										
Traditional Plan	$834,335	$1,038,875	$1,196,583	$1,234,575	$1,131,231	$1,405,890	$1,406,870	$1,537,967	$1,592,212	$1,842,857
Combined Plan	$61,974	$60,417	$69,525	$68,492	$62,592	$98,126	$30,767	$0	$0	$0
Contributions as a Percentage of Covered-Employee Payroll										
Traditional Plan	12.49%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%
Combined Plan	12.09%	12.00%	12.00%	12.50%	13.00%	7.95%	7.95%	9.77%	9.27%	8.10%

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Erie Metropolitan Housing Authority

Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2017

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	**CFDA NUMBER**	**EXPENDITURES**
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low Rent Public Housing	14.850	$903,786
Housing Choice Voucher Program	14.871	5,605,288
Public Housing Capital Fund Program	14.872	130,731
PIH Family Self-Sufficiency Program	14.896	51,650
Total U.S. Department of Housing and Urban Development		**6,691,455**
U.S. Department of Health and Human Services		
Pass-Through Programs:		
Area Office on Aging of Northwestern Ohio, Inc.		
Aging Programs (Cluster):		
Special Program for the Aging – Title III, Part B – Grant for Supportive Services and Senior Center	93.044	33,711
Special Program for the Aging – Title III, Part C – Nutrition Services	93.045	144,176
Total Aging Program – Cluster		177,887
Medical Assistance Program – Passport Medicaid Waiver Program	93.778	57,398
Total U.S. Department of Health and Human Services		57,398
Total Federal Expenditures		**$6,926,740**

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended June 30, 2017.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2017.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2017.

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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 Commissioners
Erie Metropolitan Housing Authority

I 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 business-type activities of the Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Erie Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated February 28, 2018.

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. I considered finding 2017-001 to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Erie Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note certain matter not requiring inclusion in this report that reported to the Authority management in a separate letter dated February 28, 2018.

Authority's Response to Findings
The Authority's response to the findings identified in my audit are described in the accompanying schedule of audit findings. I did not audit the Authority's responses and, accordingly, I express no opinion on it.

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

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Erie Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

I have audited Erie Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Erie Metropolitan Housing Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my 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 each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Erie Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	No
Major Programs (list):	• CFDA # 14.850 Low Rent Public Housing Program • CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All Others
Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2017-001 - Material Weakness – Financial Statements Reporting

Statement of Condition/Criteria

Sound financial reporting is the responsibility of the Authority and is essential to ensure the information issued to the public is complete and accurate. The Authority should have in place a system of controls to review the financial statements prior to issuance, to ascertain that the financial statements are complete, fairly presented and filed timely.

Ohio Revised Code Section 117.38 requires entities to file their financial information with the Auditor of State of Ohio using the Hinkle System within 150 days after the close of the fiscal year. For Erie Metropolitan Housing Authority the due date was November 27, 2017. The Authority filed a report on November 13, 2017. However, the report filed was not the required annual financial statements. The Authority filed the financial data schedule that was reported to HUD REAC and it did not include the management discussion and analysis nor did it include the notes to the financial statements. Revised statements were filed on December 3, 2017.

Cause
Once Management was made aware of the error in reporting to the Auditor of State, it rushed to submit the complete financial statements and did not properly review the statements.

Effect
Audit procedures over the revised report filed with the Auditor of State Hinkle System revealed several errors as follows:

- Restricted Cash not reported corrected on financial statements; however, footnote properly disclosed.

- The Net Investment in Capital Assets and the Unrestricted Net Position not reported correctly.

- The FSS Coordinator Grant, a federal program received from HUD, was not identified on the FDS schedule filed with REAC nor was it identified on the Schedule of Expenditure of Federal Program

- Housing Portability expenditures were not properly reported on the FDS schedule filed with HUD resulting in conditional comments issued by REAC.

- Several errors were noted in reviewing the financial report filed with the Auditor of State. Some of the required supplementary schedules were hand written.

- Schedule of Expenditure of Federal Funds was not included in the financial statements filed.

All of the above adjustments were made and are reflected in the audited financial statements.

Recommendation
The Authority needs to perform a proper review of the financial statements prior to filing with any agencies. In addition, the HUD accounting briefs should be reviewed to ascertain proper reporting of Due To/From and Portability payments.

Client Response – Corrective Action
Financial statements will be properly reviewed by the Finance Director prior to issuance. The Finance Director will be responsible to implement the corrective action plan. The implementation will take place with the preparation of the next fiscal year financials.

The HUD Accounting briefs have been downloaded and reviewed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2017.

Erie Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2017

The audit report for the fiscal year ending June 30,2016 contained no audit findings.

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
APRIL 12, 2018

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