

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

December 31, 2013

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Transmittal Letter

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

We have performed the Single Audit of the Housing Authority of the County of Erie, Pennsylvania, for the year ended December 31, 2013, and have enclosed the Single Audit reporting package.

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

1. an audit of the financial statements and our opinion thereon, including our report on the schedule of expenditures of federal awards;
2. a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*;
3. a report on compliance for each major program and on internal control over compliance required by OMB Circular A-133;

Root, Spitznas and Smiley, Inc.

July 7, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of net position of the Housing Authority of the County of Erie, Pennsylvania, as of December 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Erie, Pennsylvania, as of December 31, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other supplemental information listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2014, on our consideration of the Housing Authority of the County of Erie, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
July 7, 2014

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
Required Supplemental Information

The following discussion and analysis of the Erie County Housing Authority (the "Authority") is to provide an introduction to the basic financial statements for the fiscal year ended December 31, 2013 with selected comparative information for the fiscal year ended December 31, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements, and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

FINANCIAL HIGHLIGHTS

- 1 The assets of the Authority exceeded its liabilities at the close of fiscal year 2013 by \$4,364,510 (net position). Of this amount, \$1,416,000 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- 2 Fixed assets decreased by \$136,643 primarily from the excess of current year depreciation expense over fixed assets additions.
- 3 Net position decreased by \$143,302 for the fiscal year ended December 31, 2013. This was due primarily to the increase in operating expenses.
- 4 Operating revenues decreased \$336,002 primarily due to the American Recovery and Reinvestment Act (ARRA) funding expiring.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

AUTHORITY ACTIVITY HIGHLIGHTS

Revenues and Expenses

The following is a summary of the results of operations of the Authority for the fiscal years ended December 31, 2013 and 2012.

	2013	2012
Operating revenues	\$5,457,679	\$5,793,681
Operating expenses	5,762,389	5,818,799
Operating Income	(304,710)	(25,118)
Non-Operating Revenue & Expenses, net	161,408	100,374
Change in net position	(143,302)	75,256
Total Net Position – Beginning of year	4,008,237	3,932,981
Prior period adjustments/transfers	499,575	-
Total Net Position – End of year	\$4,364,510	\$4,008,237

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
Required Supplemental Information

Operating revenues decreased by \$336,002 due to a decrease in government funding. Operating expenses decreased by \$56,410 mainly as a result of a decrease in administrative expenses.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended December 31, 2013 and 2012:

	2013	2012
Owned by Authority	120	120
Units under vouchers	895	895
Other Vouchers	65	65
Total Housing Units Managed	<u>1,080</u>	<u>1,080</u>

The Section 8 Voucher lease up rate averaged 79 percent during the fiscal year ended December 31, 2013. It is anticipated that the program lease-up will stay the same during FY 2014. No further increase in additional housing units is expected.

NET POSITION

Total net position decreased from the previous year by \$143,302. The largest component of net position is *net investment in capital assets*. The following table shows how this amount is calculated for the fiscal years ended December 31, 2013 and 2012:

	2013	2012
Capital Assets	\$10,115,983	\$9,940,394
Less capital related debt	-	-
Less accumulated depreciation	(7,330,932)	(7,018,700)
Total Net Investment In Capital Assets	\$ 2,785,051	\$2,921,694

FIXED ASSETS

Fixed assets is the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2013 and 2012:

	2013	2012
Land	\$ 149,024	\$ 149,024
Building and Improvements	7,960,012	7,791,123
Furniture and equipment – dwellings	515,309	510,578
Furniture and equipment – administration	757,385	755,416
Leasehold Improvements	734,253	734,253
Total	\$10,115,983	\$9,940,394
Less: accumulated depreciation	(7,330,932)	(7,018,700)
Fixed assets, net	\$ 2,785,051	\$2,921,694

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
Required Supplemental Information

FINANCIAL POSITION

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net position at December 31, 2013 and 2012:

	2013	2012
Assets		
Current assets	\$1,788,664	\$1,576,697
Fixed assets	2,785,051	2,921,694
Total assets	\$4,573,715	\$4,498,391
Liabilities		
Current liabilities	\$ 138,487	\$ 398,112
Long-term liabilities	70,718	92,042
Total liabilities	\$ 209,205	\$ 490,154
Net position		
Net investment in capital assets	\$2,785,051	\$2,921,694
Restricted	163,459	254,070
Unrestricted	1,416,000	832,473
Total net position	\$4,364,510	\$4,008,237

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

DEBT ADMINISTRATION

The Authority did not have any outstanding debt for the current fiscal year.

ECONOMIC FACTORS

The economic outlook for the Authority is that we will see an increase in funding throughout the multiple programs. According to the most current information available from U.S. Department of Housing and Urban Development, we should see grant funding for the Section 8 Programs Restricted Funds and Public Housing Operating Subsidy return to sustainable funding levels. We will continue to monitor these funds and take corrective actions if there is any sign of shortfall. Locally we are being impacted by negative employment factors such as stagnant job growth and sluggish market.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF NET POSITION

December 31, 2013

ASSETS	
CURRENT ASSETS	
Cash - unrestricted	\$ 1,272,780
Cash - restricted	163,459
Cash - tenant security deposits	19,206
Accounts receivable	
HUD	4,287
Other governments	226,935
Tenants	2,856
Other	50,411
Prepaid expenses	-
Inventories	5,324
Other assets	43,406
	<hr/>
Total current assets	1,788,664
FIXED ASSETS	
Land	149,024
Buildings	7,960,012
Furniture and equipment	
Dwelling	515,309
Administrative	757,385
Leasehold Improvements	734,253
Construction in progress	-
	<hr/>
	10,115,983
Less accumulated depreciation	<hr/> 7,330,932
	<hr/>
Total fixed assets	2,785,051
	<hr/>
	\$ 4,573,715
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 91,942
Accrued wages and taxes	79
Accrued compensated absences	26,156
Accounts payable - other governments	1,104
Tenants security deposits	19,206
	<hr/>
Total current liabilities	138,487
NONCURRENT LIABILITIES	
Accrued compensated absences	<hr/> 70,718
	<hr/>
Total noncurrent liabilities	70,718
	<hr/>
Total liabilities	209,205
NET POSITION	
Net investment in capital assets	2,785,051
Restricted	163,459
Unrestricted	1,416,000
	<hr/>
Total net position	4,364,510
	<hr/>
	\$ 4,573,715

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2013

Operating revenue

Tenant rental revenue	\$ 594,092
Tenant revenue other	12,239
HUD PHA grants	3,939,210
Other governmental grants	409,194
Other income	502,944
Total operating revenue	<u>5,457,679</u>

Operating expenses

Administrative	
Salaries	444,584
Audit	16,750
Employee benefit contributions	61,821
Other operating	702,735
Tenant services	299
Utilities	
Water	28,404
Electricity	117,322
Gas	9,373
Other	55,683
Ordinary maintenance and operation	
Labor	302,181
Materials	317,936
Contract costs	47,031
General expense	
Insurance	69,126
Compensated absences	39,912
Payments in lieu of taxes	27,923
Bad debts - tenant rents	9,709
Interest	1
Housing assistance payments	3,199,367
Depreciation	312,232
Total operating expenses	<u>5,762,389</u>

Operating loss (304,710)

Nonoperating revenue (expenses):

HUD PHA capital grants	161,027
Investment income-unrestricted	376
Investment income-restricted	<u>5</u>

Change in net position (143,302)

Net position, beginning of year 4,008,237

Transfers	499,665
Prior period adjustment	<u>(90)</u>

Net position, end of year \$ 4,364,510

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

Cash flows from operating activities:	
Rental receipts	\$ 616,619
Receipts from governments	4,359,023
Other receipts	529,184
Payments for administrative	(1,196,789)
Payments for other operating expenses	(907,274)
Payments for housing assistance	(3,199,367)
Net cash provided by operating activities	201,396
Cash flows from capital and financing activities:	
HUD PHA capital grants	161,027
Acquisition of capital assets	(175,590)
Net cash used in capital and financing activities	(14,563)
Cash flows from investing activities:	
Interest income	381
Net cash provided by investing activities	381
Net increase in cash and cash equivalents	187,214
Cash and cash equivalents at beginning of year	1,268,231
Cash and cash equivalents at end of year	\$ 1,455,445
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (304,710)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Transfers	499,665
Prior period adjustment	(90)
Depreciation	312,232
Change in assets and liabilities:	
(Increase)decrease in:	
Accounts receivable - HUD	5,220
Accounts receivable - other governments	(143,692)
Accounts receivable - tenants	12,104
Accounts receivable - other	26,240
Prepaid expenses	(3,585)
Inventories	(19,512)
Other assets	98,472
Interprogram due to/due from	-
Increase (decrease) in:	
Accounts payable	7,831
Accrued wages and taxes	79
Accrued compensated absences	(22,600)
Accounts payable - other governments	(264,442)
Tenant security deposits	(1,816)
Advanced payments	-
Net cash provided by operating activities	\$ 201,396

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial Reporting Entity

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

2. Basis of Presentation

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

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

3. Basis of Accounting

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

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

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

4. Allocation of Personnel and Other Costs

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

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

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Pension Plan

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

Funding Policy

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

Total contributions made for the years ending December 31, 2013, 2012 and 2011 were \$89,800, \$71,259 and \$66,478, respectively, equal to the required contributions for each year.

5. Land, Structures and Equipment

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

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Buildings Equipment	40 years 7 years	Site Improvements	15 years	
	Balance <u>12/31/12</u>		<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/13</u>
Land	\$ 149,024		\$ -	\$ -	\$ 149,024
Buildings	7,791,123		168,889	-	7,960,012
Furniture and equipment					
Dwelling	510,578		4,731	-	515,309
Administrative	755,416		1,969	-	757,385
Leasehold improvements	734,253		-	-	734,253
Accumulated depreciation	(<u>7,018,700</u>)	(<u>312,232</u>)		<u>-</u>	(<u>7,330,932</u>)
Net	<u>\$2,921,694</u>	(<u>\$ 136,643</u>)	<u>\$ -</u>		<u>\$2,785,051</u>

6. Estimates in Financial Statements

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

7. Compensated Absences

The Authority's employees are permitted to accumulate unused vacation and compensatory time, subject to specific annual limitations. These vested amounts that are expected to be liquidated with expendable available financial resources are reported as expenditures and liabilities of the appropriate project. At December 31, 2012 the liability for compensated absences was \$119,474. During the year ended December 31, 2013 the balance decreased \$22,600 to a total of \$96,874, \$26,156 of which is expected to be paid in the subsequent year and is classified as a current liability.

8. Inventory

Inventory is stated at cost and is accounted for using the FIFO method of inventory valuation. The ending inventory in the amount of \$5,324 consists of weatherization materials.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to attempt to secure the safety of deposits exceeding the bank's insurance limit. As of December 31, 2013, the book balance was \$1,455,445 and the bank balance was \$1,480,152. Of the bank balance, \$171,679 was uninsured. However, the balance is collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

Credit Risk

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

Concentration of Risk

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

NOTE C - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees for which the Authority purchases commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to prior years.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE D - ACCOUNTS RECEIVABLE/PAYABLE - HUD

The accounts receivable/payable - HUD consists of additional amounts due from/to the funding source because the amounts advanced were less/more than the expenditures made through the year ended December 31, 2013. In addition, any interest earned on restricted net position is required to be returned to HUD.

NOTE E - RESTRICTED NET POSITION

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

NOTE F - LINE OF CREDIT

In June, 2013, the Authority established an open-ended, unsecured \$100,000 line of credit agreement with a local bank to provide short-term working capital. The line bears interest at the prime rate plus .5% times 68% and requires monthly payments of interest only. At December 31, 2013 the outstanding balance of the line was \$0.

NOTE G - COMMITMENTS

The Authority has executed contracts for various construction projects. The balance due on uncompleted contracts as of December 31, 2013 is \$28,134.

NOTE H - PRIOR PERIOD ADJUSTMENT

In June, 2013, HUD issued guidance related to revenue recognition and cash management. According to this guidance, effective January 1, 2012, any interest earned on excess housing assistance payment funds, as well as any existing restricted net position balance should be returned to HUD. The Authority has made a prior period adjustment to remove \$90 of previously recognized interest income and record a payable to HUD.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I - TRANSFERS

As described in Note A-4, the Authority serves as the common paymaster for the Authorities there listed. Prior to January 1, 2013, the common paymaster was another Authority. Effective January 1, 2013, the assets, liabilities, activities and responsibilities as common paymaster transferred to this Authority.

SUPPLEMENTAL INFORMATION

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2013

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized
Department of Housing and Urban Development						
Public and Indian Housing- Public Housing (P-1561 PHA Owned)	D	14.850	N/A	January 1, 2012/ December 31, 2012	\$ 175,815 b	\$ 125
Public and Indian Housing- Public Housing (P-1561 PHA Owned)	D	14.850	N/A	January 1, 2013/ December 31, 2013	162,616 b	162,616
CFP Cluster:						
Capital Fund Program	D	14.872	N/A	July 15, 2010/ July 14, 2014	144,245	10,353
Capital Fund Program	D	14.872	N/A	July 15, 2011/ July 14, 2015	125,482	80,482
Capital Fund Program	D	14.872	N/A	March 9, 2012/ March 11, 2016	111,009	111,009
Capital Fund Program	D	14.872	N/A	September 9, 2013/ September 8, 2017	114,543	3,239
Housing Voucher Cluster:						
Section 8 Housing Choice Voucher Program- (P-76-321 Barnett Building)	D	14.871	N/A	December 31, 1995	N/A e	260,142
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2012/ December 31, 2012	3,288,089	-
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2013/ December 31, 2013	3,472,271	3,472,271
CDBG Cluster:						
Community Development Block Grants - Millcreek	I	14.218	N/A	January 1, 2013/ December 31, 2013	N/A	1,000
Community Development Block Grants - McKean	I	14.218	N/A	January 1, 2013/ December 31, 2013	N/A	11,761
Community Development Block Grants - Lawrence Park	I	14.218	N/A	January 1, 2013/ December 31, 2013	N/A	2,500
CDBG State Administered CDBG Cluster:						
Neighborhood Stabilization Program	I	14.228	N/A	June 10, 2009/ March 19, 2013	575,900	1,663
Total Department of Housing and Urban Development					8,169,970	4,117,161

<u>Other Receipts</u>	<u>Total Funds Available</u>	<u>Accrued or (Advanced) Revenue at 1/1/13</u>	<u>Drawdowns</u>	<u>Other Receipts</u>	<u>Total Receipts</u>	<u>Federal Expenditures for the Year Ended 12/31/13</u>	<u>Accrued or (Advanced) Revenue at 12/31/13</u>
\$ -	\$ 125	\$ -	\$ 125	\$ -	\$ 125	\$ 125	\$ -
385,094 a	547,710	-	162,616	385,094 a	547,710	162,616	-
-	10,353	-	10,353	-	10,353	10,353	-
-	80,482	-	80,482	-	80,482	80,482	-
-	111,009	-	111,009	-	111,009	111,009	-
-	3,239	-	3,239	-	3,239	3,239	-
222,245 a	482,387	-	260,142	222,245 a	482,387	260,142	-
-	-	9,507	9,507	-	9,507	-	-
45,015 d	3,517,286	-	3,467,818	45,015 d	3,512,833	3,472,271	4,453 f
-	1,000	-	1,000	-	1,000	1,000	-
-	11,761	-	11,761	-	11,761	11,761	-
-	2,500	-	2,500	-	2,500	2,500	-
-	1,663	258	1,921	-	1,921	1,663	-
652,354	4,769,515	9,765	4,122,473	652,354	4,774,827	4,117,161	4,453

Housing Authority of the County of Erie, Pennsylvania
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2013

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program Award Amount	Revenue Recognized
<u>Department of Energy</u>						
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2012/ September 30, 2013	171,414	162,664
ARRA - Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2009/ December 31, 2012	2,301,162	-
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2002/ September 30, 2003	160,343	-
Total Department of Energy					<u>2,632,919</u>	<u>162,664</u>
<u>Department of Health and Human Services</u>						
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2010/ September 30, 2013	292,076	-
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2012/ September 30, 2013	199,579	175,047
Total Department of Health and Human Services					<u>491,655</u>	<u>175,047</u>
TOTAL ALL SOURCES					<u>\$ 11,294,544</u>	<u>\$ 4,454,872</u>

<u>Other Receipts</u>	<u>Total Funds Available</u>	<u>Accrued or (Advanced) Revenue at 1/1/13</u>	<u>Drawdowns</u>	<u>Other Receipts</u>	<u>Total Receipts</u>	<u>Federal Expenditures for the Year Ended 12/31/13</u>	<u>Accrued or (Advanced) Revenue at 12/31/13</u>
-	162,664	8,750	152,949	-	152,949	162,664	18,465
-	-	8,114	8,114	-	8,114	-	-
-	-	(1,109)	-	-	-	-	(1,109)
-	162,664	15,755	161,063	-	161,063	162,664	17,356
-	-	7,151	7,151	-	7,151	-	-
-	175,047	24,532	169,579	-	169,579	175,047	30,000
-	175,047	31,683	176,730	-	176,730	175,047	30,000
<u>\$ 652,354</u>	<u>\$ 5,107,226</u>	<u>\$ 57,203</u>	<u>\$ 4,460,266</u>	<u>\$ 652,354</u>	<u>\$ 5,112,620</u>	<u>\$ 4,454,872</u>	<u>\$ 51,809</u>

Housing Authority of the County of Erie, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOTNOTE KEY

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

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

Total federal expenditures		<u>\$4,454,872</u>
Programs selected for testing:		
Major Programs		
Section 8 Housing		
Choice Voucher Program	14.871	<u>\$3,732,413</u>
% of Total Federal Expenditures		<u>83.78%</u>

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
12312013

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	NSP 14.228
ASSETS				
CURRENT ASSETS				
Cash:				
Cash-unrestricted	\$276,066	\$341,953	\$11,207	\$0
Cash-restricted-modernization&development				
Cash-other restricted		163,459		
Cash-tenant security deposit	13,205	0		
Total cash	289,271	505,412	11,207	0
Accounts and notes receivables:				
A/R-PHA projects	0	4,287		
A/R-HUD other projects	0	0		
A/R-other government	13,481	17,584	0	0
A/R-miscellaneous		0		0
A/R-tenants-dwelling rents	2,397	0		
Allowance for doubtful accounts-dwell rents				
Allowance for doubtful accounts-other				
Notes/mortgage receivable-current				
Fraud recovery				
Allowance for doubtful accounts-fraud				
Accrued interest receivable				
Total receivables, net of allowances	15,878	21,871	0	0
Current investments:				
Investments-unrestricted	0	0		
Investments-restricted	0	0		
Prepaid expenses and other assets				
Inventories				
Allowance for obsolete inventories				
Interprogram due from	22,838	12,478	0	0
Amounts to be provided				
TOTAL CURRENT ASSETS	327,987	539,761	11,207	0
NONCURRENT ASSETS				
Fixed assets:				
Land	149,024	0	0	0
Buildings	5,052,362	0	0	0
Furniture,equipment&machinery-dwellings	321,552	0	0	0
Furniture,equipment&machinery-administrat	163,706	48,300	0	0
Leasehold improvements	407,010	0	0	0
Construction in progress	0	0	0	0
Accumulated depreciation	(4,583,334)	(36,247)	0	0
Total fixed assets,net of a/d	1,510,320	12,053	0	0

<u>DOE</u> <u>81.042</u>	<u>LIHEAP</u> <u>93.568</u>	<u>CFP</u> <u>14.872</u>	<u>Business</u> <u>Activities</u>	<u>TOTAL</u>
\$159,483	\$0	\$0	\$484,071	\$1,272,780
		0		0
				163,459
			6,001	19,206
<u>159,483</u>	<u>0</u>	<u>0</u>	<u>490,072</u>	<u>1,455,445</u>
				4,287
		0	0	0
30,559	30,000		135,311	226,935
50,411				50,411
			459	2,856
				0
				0
				0
				0
				0
<u>80,970</u>	<u>30,000</u>	<u>0</u>	<u>135,770</u>	<u>284,489</u>
				0
				0
				0
1,800	3,524			5,324
27,514	15,892			43,406
				0
12,526	2,967		21,295	72,104
				0
<u>282,293</u>	<u>52,383</u>	<u>0</u>	<u>647,137</u>	<u>1,860,768</u>
0	0	0	0	149,024
0	0	1,010,896	1,896,754	7,960,012
0	0	120,332	73,425	515,309
189,367	91,077	19,237	245,698	757,385
0	0	105,008	222,235	734,253
0	0	0	0	0
<u>(159,754)</u>	<u>(61,576)</u>	<u>(493,570)</u>	<u>(1,996,451)</u>	<u>(7,330,932)</u>
<u>29,613</u>	<u>29,501</u>	<u>761,903</u>	<u>441,661</u>	<u>2,785,051</u>

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
12312013

Account Description	Low Rent 14,850	Housing Choice 14,871	Rehab 14,218	NSP 14,228
Notes/mortgage receivable-non current				
Notes/mortgage receivable-non curr past due				
Other assets			0	0
Undistributed debits				
Investment in joint ventures				
TOTAL NONCURRENT ASSETS	<u>1,510,320</u>	<u>12,053</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$1,838,307</u>	<u>\$551,814</u>	<u>\$11,207</u>	<u>\$0</u>
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	\$0	\$0	\$0	\$0
Accounts payable <90 days	30,405	0	1,200	0
Accounts payable >90 days past due				
Accrued wage/payroll taxes				
Accrued compensated absences	6,227	11,528	409	0
Accrued contingency liability				
Accrued interest payable				
Accounts payable -HUD PHA programs	0	0		
Accounts payable -PHA projects			0	
Accounts payable -other government			0	0
Tenant security deposits	13,205			
Deferred revenues	0	0	0	0
Current portion of LTD-capital projects				
Current portion of LTD-operating borrowings				
Other current liabilities				
Accrued liabilities-other				
Interprogram due to		0	22,321	0
TOTAL CURRENT LIABILITIES	<u>49,837</u>	<u>11,528</u>	<u>23,930</u>	<u>0</u>
NONCURRENT LIABILITIES				
LTD net of current-capital projects	0	0		
LTD net of current-operating borrowings				
Accrued compensated abs - non current	16,835	31,168	1,107	0
TOTAL NONCURRENT LIABILITIES	<u>16,835</u>	<u>31,168</u>	<u>1,107</u>	<u>0</u>
TOTAL LIABILITIES	<u>66,672</u>	<u>42,696</u>	<u>25,037</u>	<u>0</u>

DOE 81.042	LIHEAP 93.568	CFP 14.872	Business Activities	TOTAL
				0
				0
				0
				0
				0
29,613	29,501	761,903	441,661	2,785,051
\$311,906	\$81,884	\$761,903	\$1,088,798	\$4,645,819
\$0	\$0	\$0	\$0	\$0
23,815	23,578	0	12,944	91,942
				0
			79	79
1,565	2,347		4,080	26,156
				0
				0
				0
				0
1,104				1,104
			6,001	19,206
0	0	0		0
				0
				0
				0
49,783	0	0		72,104
76,267	25,925	0	23,104	210,591
			0	0
				0
4,231	6,346		11,031	70,718
4,231	6,346	0	11,031	70,718
80,498	32,271	0	34,135	281,309

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
12312013

Account Description	Low Rent 14,850	Housing Choice 14,871	Rehab 14,218	NSP 14,228
EQUITY				
Contributed capital:				
Long-term-debt-HUD guaranteed				
Net HUD PHA contributions	0	0	0	0
Other HUD contributions				
Other contributions	0		0	0
Total contributed capital	0	0	0	0
Invested in capital assets, net debt	1,510,320	12,053	0	0
Reserve fund balance:				
Reserved for operating activities				
Reserved for capital activities				
Total reserved fund balance	0	0	0	0
Restricted net assets	0	163,459	0	
Unrestricted net assets	261,315	333,606	(13,830)	0
TOTAL EQUITY	1,771,635	509,118	(13,830)	0
TOTAL LIABILITIES AND EQUITY	\$1,838,307	\$551,814	\$11,207	\$0
REVENUE				
Net tenant rental revenue	\$375,374	\$0	\$0	\$0
Tenant revenue-other	8,750	0	0	0
Total tenant revenue	384,124	0	0	0
HUD PHA grants-operating	162,741	3,472,271		
HUD PHA grants-capital				
Other governmental grants			15,261	1,663
Investment income-unrestricted	8	328	2	0
Mortgage interest income				
Fraud recovery		16,094		
Other revenue	885	28,593	0	0
Gain/loss on sale of fixed assets	0	0		
Investment income-restricted	5	0		
TOTAL REVENUE	\$547,763	\$3,517,286	\$15,263	\$1,663
EXPENSES				
Administrative:				
Salaries	\$46,639	\$207,963	\$2,701	\$0
Auditing fees	3,100	8,450	1,200	
Outside management fees				
Employee benefit contributions	61,821	0		
Other operating	38,003	149,794	1,818	100,157

DOE 81.042	LIHEAP 93.568	CFP 14.872	Business Activities	TOTAL
				0
0	0	0		0
				0
0	0	0		0
0	0	0	0	0
29,613	29,501	761,903	441,661	2,785,051
				0
				0
0	0	0	0	0
				163,459
201,795	20,112	0	613,002	1,416,000
231,408	49,613	761,903	1,054,663	4,364,510
<u>\$311,906</u>	<u>\$81,884</u>	<u>\$761,903</u>	<u>\$1,088,798</u>	<u>\$4,645,819</u>
\$0	\$0	\$0	\$218,718	\$594,092
0	0	0	3,489	12,239
0	0	0	222,207	606,331
		44,056	260,142	3,939,210
		161,027		161,027
217,223	175,047			409,194
0			38	376
				0
				16,094
457,372			0	486,850
			0	0
			0	5
<u>\$674,595</u>	<u>\$175,047</u>	<u>\$205,083</u>	<u>\$482,387</u>	<u>\$5,619,087</u>
\$15,571	\$4,750	\$12,901	\$154,059	\$444,584
2,840	1,160		0	16,750
				0
			0	61,821
229,387	49,913	31,155	102,508	702,735

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
12312013

Account Description	Low Rent 14,850	Housing Choice 14,871	Rehab 14,218	NSP 14,228
Tenant services:				
Salaries				
Relocation costs				
Employee benefit contributions				
Other	299	0		
Utilities:				
Water	15,924	0		
Electricity	60,473	0		
Gas	9,326	0		
Fuel				
Labor				
Employee benefit contributions				
Other	30,372	0		
Ordinary maintenance & operation:				
Labor	94,581	0		
Materials and other	46,450	0		
Contract costs	39,881	0		
Employee benefit contributions				
Protective services:				
Labor				
Other contract costs				
Other				
Employee benefit contributions				
General expenses:				
Insurance premiums	45,830	0		
Other				
Compensated absences	9,501	17,591	625	
Payments in lieu of taxes	25,928	0		
Bad debts-tenant rents	4,307	0		
Bad debts-mortgages				
Bad debts-other				
Interest expense	1	0		
Severance expense				
TOTAL OPERATING EXPENSES	<u>532,436</u>	<u>383,798</u>	<u>6,344</u>	<u>100,157</u>
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	15,327	3,133,488	8,919	(98,494)

DOE	LIHEAP	CFP	Business	
81.042	93.568	14.872	Activities	TOTAL
				0
				0
				0
			0	299
			12,480	28,404
			56,849	117,322
			47	9,373
				0
				0
				0
			25,311	55,683
169,895	37,705		0	302,181
166,420	65,694		39,372	317,936
			7,150	47,031
				0
				0
				0
				0
				0
2,548	1,190		19,558	69,126
				0
2,388	3,582		6,225	39,912
			1,995	27,923
			5,402	9,709
				0
				0
			0	1
				0
589,049	163,994	44,056	430,956	2,250,790
85,546	11,053	161,027	51,431	3,368,297

Housing Authority of the County of Erie
FINANCIAL DATA SCHEDULE
12312013

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	NSP 14.228
Extraordinary maintenance	0	0	0	0
Casualty losses-non capitalized				
Housing assistance payments	0	3,199,367		
Depreciation expense	128,713	2,679	0	
Fraud losses				
Capital outlays-governmental funds				
Debt principal payments-governmental funds				
Dwelling units rent expense				
TOTAL EXPENSES	661,149	3,585,844	6,344	100,157
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
Operating transfers from/to primary govt				
Proceeds from notes, loans and bonds				
Proceeds from property sales				
TOTAL OTHER FINANCING SOURCES	0	0	0	0
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$(113,386)</u>	<u>\$(68,558)</u>	<u>\$8,919</u>	<u>\$(98,494)</u>
Capital contributions	0	0	0	0
Debt principal payments-enterprise funds	0	0	0	0
Beginning equity	1,885,021	577,766	(22,749)	98,494
Prior period adj and equity transfers	0	(90)	0	0
Change in comp abs liability balance				
Change in contingent liability balance				
Change in unrecog pension trans liability				
Change in spec term/severance ben liability				
Change in allowance - dwelling rents				
Change in allowance - other				
Depreciation add back	0	0	0	0
Maximum annual contributions commitment	0	0	0	0
Prorata maximum annual contributions applicable to a period of less than 12 mos		0		
Contingency reserve, ACC program reserve	0	0	0	0
Total annual contributions available	0	0	0	0
Unit months available	1,436	10,740		
Number of unit months leased	1,411	8,500		
Administrative fee equity		333,606		
Housing assistance payments equity		163,459		

DOE 81.042	LIHEAP 93.568	CFP 14.872	Business Activities	TOTAL
0	0	0	0	0
			0	3,199,367
18,611	16,243	78,482	67,504	312,232
				0
				0
				0
				0
<u>607,660</u>	<u>180,237</u>	<u>122,538</u>	<u>498,460</u>	<u>5,762,389</u>
				0
				0
				0
				0
				0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$66,935</u>	<u>\$(5,190)</u>	<u>\$82,545</u>	<u>\$(16,073)</u>	<u>\$(143,302)</u>
0	0	0	0	0
0	0	0	0	0
164,473	54,803	679,358	571,071	4,008,237
0	0		499,665	499,575
				0
				0
				0
				0
				0
				0
0	0	0	0	0
0	0	0	0	0
				0
0	0	0	0	0
0	0	0	0	0
			780	12,956
			780	10,691
				333,606
				163,459

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

December 31, 2013

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 276,066	\$ 341,953	\$ 11,207	\$ 159,483
Cash - restricted	-	163,459	-	-
Cash - tenant security deposits	13,205	-	-	-
Accounts receivable				
HUD	-	4,287	-	-
HUD other projects	-	-	-	-
Other governments	13,481	17,584	-	60,559
Tenants	2,397	-	-	-
Other	-	-	-	50,411
Prepaid expenses	-	-	-	-
Inventories	-	-	-	5,324
Other assets	-	-	-	43,406
Interprogram due from	22,838	12,478	-	15,493
Total current assets	327,987	539,761	11,207	334,676
FIXED ASSETS				
Land	149,024	-	-	-
Buildings	5,052,362	-	-	-
Furniture and equipment				
Dwelling	321,552	-	-	-
Administrative	163,706	48,300	-	280,444
Leasehold Improvements	407,010	-	-	-
Construction in progress	-	-	-	-
	6,093,654	48,300	-	280,444
Less accumulated depreciation	4,583,334	36,247	-	221,330
Total fixed assets	1,510,320	12,053	-	59,114
	<u>\$ 1,838,307</u>	<u>\$ 551,814</u>	<u>\$ 11,207</u>	<u>\$ 393,790</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 30,405	\$ -	\$ 1,200	\$ 47,393
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	6,227	11,528	409	3,912
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	-	-	-	1,104
Tenants security deposits	13,205	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	-	-	22,321	49,783
Total current liabilities	49,837	11,528	23,930	102,192
NONCURRENT LIABILITIES				
Accrued compensated absences	16,835	31,168	1,107	10,577
Long-term debt	-	-	-	-
Total noncurrent liabilities	16,835	31,168	1,107	10,577
Total liabilities	66,672	42,696	25,037	112,769
NET POSITION				
Net investment in capital assets	1,510,320	12,053	-	59,114
Restricted	-	163,459	-	-
Unrestricted	261,315	333,606	(13,830)	221,907
Total net position	1,771,635	509,118	(13,830)	281,021
	<u>\$ 1,838,307</u>	<u>\$ 551,814</u>	<u>\$ 11,207</u>	<u>\$ 393,790</u>

Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ 484,071	\$ -	\$ 1,272,780
-	-	163,459
6,001	-	19,206
-	-	4,287
-	-	-
135,311	-	226,935
459	-	2,856
-	-	50,411
-	-	-
-	-	5,324
-	-	43,406
21,295	-	72,104
647,137	-	1,860,768
-	-	149,024
1,896,754	1,010,896	7,960,012
73,425	120,332	515,309
245,698	19,237	757,385
222,235	105,008	734,253
-	-	-
2,438,112	1,255,473	10,115,983
1,996,451	493,570	7,330,932
441,661	761,903	2,785,051
\$ 1,088,798	\$ 761,903	\$ 4,645,819
\$ 12,944	\$ -	\$ 91,942
79	-	79
4,080	-	26,156
-	-	-
-	-	-
-	-	1,104
6,001	-	19,206
-	-	-
-	-	72,104
23,104	-	210,591
11,031	-	70,718
-	-	-
11,031	-	70,718
34,135	-	281,309
441,661	761,903	2,785,051
-	-	163,459
613,002	-	1,416,000
1,054,663	761,903	4,364,510
\$ 1,088,798	\$ 761,903	\$ 4,645,819

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2013

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
Operating revenue				
Tenant rental revenue	\$ 375,374	\$ -	\$ -	\$ -
Tenant revenue other	8,750	-	-	-
HUD PHA grants	162,741	3,472,271	-	-
Other governmental grants	-	-	16,924	392,270
Other income	885	44,687	-	457,372
Total operating revenue	547,750	3,516,958	16,924	849,642
Operating expenses				
Administrative				
Salaries	46,639	207,963	2,701	20,321
Audit	3,100	8,450	1,200	4,000
Employee benefit contributions	61,821	-	-	-
Other operating	38,003	149,794	101,975	279,300
Tenant services	299	-	-	-
Utilities				
Water	15,924	-	-	-
Electricity	60,473	-	-	-
Gas	9,326	-	-	-
Other	30,372	-	-	-
Ordinary maintenance and operation				
Labor	94,581	-	-	207,600
Materials	46,450	-	-	232,114
Contract costs	39,881	-	-	-
General expense				
Insurance	45,830	-	-	3,738
Compensated absences	9,501	17,591	625	5,970
Payments in lieu of taxes	25,928	-	-	-
Bad debts - tenant rents	4,307	-	-	-
Interest	1	-	-	-
Housing assistance payments	-	3,199,367	-	-
Depreciation	128,713	2,679	-	34,854
Total operating expenses	661,149	3,585,844	106,501	787,897
Operating income (loss)	(113,399)	(68,886)	(89,577)	61,745
Nonoperating revenue (expenses):				
HUD PHA capital grants	-	-	-	-
Investment income-unrestricted	8	328	2	-
Investment income-restricted	5	-	-	-
Interest expense	-	-	-	-
Change in net position	(113,386)	(68,558)	(89,575)	61,745
Net position, beginning of year	1,885,021	577,766	75,745	219,276
Transfers	-	-	-	-
Prior period adjustment	-	(90)	-	-
Net position, end of year	\$ 1,771,635	\$ 509,118	\$ (13,830)	\$ 281,021

Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ 218,718	\$ -	\$ 594,092
3,489	-	12,239
260,142	44,056	3,939,210
-	-	409,194
-	-	502,944
482,349	44,056	5,457,679
154,059	12,901	444,584
-	-	16,750
-	-	61,821
102,508	31,155	702,735
-	-	299
12,480	-	28,404
56,849	-	117,322
47	-	9,373
25,311	-	55,683
-	-	302,181
39,372	-	317,936
7,150	-	47,031
19,558	-	69,126
6,225	-	39,912
1,995	-	27,923
5,402	-	9,709
-	-	1
-	-	3,199,367
67,504	78,482	312,232
498,460	122,538	5,762,389
(16,111)	(78,482)	(304,710)
-	161,027	161,027
38	-	376
-	-	5
-	-	-
(16,073)	82,545	(143,302)
571,071	679,358	4,008,237
499,665	-	499,665
-	-	(90)
\$ 1,054,663	\$ 761,903	\$ 4,364,510

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

WEATHERIZATION PROGRAMS

December 31, 2013

	Department of Energy	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization	Total DOE
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 4,560	\$ -	\$ 154,923	\$ 159,483
Cash - tenant security deposits	-	-	-	-
Accounts receivable				
HUD	-	-	-	-
HUD other projects	-	-	-	-
Other governments	18,465	12,094	-	30,559
Tenants	-	-	-	-
Other	-	-	50,411	50,411
Investments - restricted	-	-	-	-
Prepaid expenses	-	-	1,800	1,800
Inventories	27,514	-	-	27,514
Interprogram due from	-	-	12,526	12,526
Total current assets	50,539	12,094	219,660	282,293
FIXED ASSETS				
Land	-	-	-	-
Buildings	-	-	-	-
Furniture and equipment				
Dwelling	-	-	-	-
Administrative	133,821	-	55,546	189,367
Leasehold Improvements	-	-	-	-
Construction in progress	-	-	-	-
	133,821	-	55,546	189,367
Less accumulated depreciation	109,050	-	50,704	159,754
Total fixed assets	24,771	-	4,842	29,613
	\$ 75,310	\$ 12,094	\$ 224,502	\$ 311,906
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 9,539	\$ 12,094	\$ 2,182	\$ 23,815
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	1,565	-	-	1,565
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	1,104	-	-	1,104
Tenants security deposits	-	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	49,783	-	-	49,783
Total current liabilities	61,991	12,094	2,182	76,267
NONCURRENT LIABILITIES				
Accrued compensated absences	4,231	-	-	4,231
Long-term debt	-	-	-	-
Total noncurrent liabilities	4,231	-	-	4,231
Total liabilities	66,222	12,094	2,182	80,498
NET POSITION				
Net investment in capital assets	24,771	-	4,842	29,613
Restricted	-	-	-	-
Unrestricted	(15,683)	-	217,478	201,795
Total equity	9,088	-	222,320	231,408
	\$ 75,310	\$ 12,094	\$ 224,502	\$ 311,906

Low-Income Home Energy Assistance Program		Total Weatherization Programs	
\$	-	\$	159,483
	-		-
	-		-
	-		-
	30,000		60,559
	-		-
	-		50,411
	-		-
	3,524		5,324
	15,892		43,406
	2,967		15,493
	52,383		334,676
	-		-
	-		-
	-		-
	91,077		280,444
	-		-
	-		-
	91,077		280,444
	61,576		221,330
	29,501		59,114
\$	81,884	\$	393,790
\$	23,578	\$	47,393
	-		-
	2,347		3,912
	-		-
	-		-
	-		1,104
	-		-
	-		-
	-		49,783
	25,925		102,192
	6,346		10,577
	-		-
	6,346		10,577
	32,271		112,769
	29,501		59,114
	-		-
	20,112		221,907
	49,613		281,021
\$	81,884	\$	393,790

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEATHERIZATION PROGRAMS

Year Ended December 31, 2013

	Department of Energy	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization	Total DOE
Operating revenue				
Tenant rental revenue	\$ -	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-	-
HUD PHA grants	-	-	-	-
Other governmental grants	162,664	54,559	-	217,223
Other income	-	-	457,372	457,372
Total operating revenue	162,664	54,559	457,372	674,595
Operating expenses				
Administrative				
Salaries	10,256	-	5,315	15,571
Audit	1,160	-	1,680	2,840
Employee benefit contributions	-	-	-	-
Other operating	76,417	-	152,970	229,387
Tenant services	-	-	-	-
Utilities				
Water	-	-	-	-
Electricity	-	-	-	-
Gas	-	-	-	-
Other	-	-	-	-
Ordinary maintenance and operation				
Labor	27,602	54,559	87,734	169,895
Materials	34,925	-	131,495	166,420
Contract costs	-	-	-	-
General expense				
Insurance	2,548	-	-	2,548
Compensated absences	2,388	-	-	2,388
Payments in lieu of taxes	-	-	-	-
Bad debts - tenant rents	-	-	-	-
Housing assistance payments	-	-	-	-
Depreciation	14,347	-	4,264	18,611
Total operating expenses	169,643	54,559	383,458	607,660
Operating income (loss)	(6,979)	-	73,914	66,935
Nonoperating revenue (expenses):				
Investment income-unrestricted	-	-	-	-
Investment income-restricted	-	-	-	-
Interest expense	-	-	-	-
Change in net position	(6,979)	-	73,914	66,935
Net position, beginning of year	16,067	-	148,406	164,473
Transfers	-	-	-	-
Net position, end of year	\$ 9,088	\$ -	\$ 222,320	\$ 231,408

Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ -	\$ -
-	-
-	-
175,047	392,270
-	457,372
175,047	849,642
4,750	20,321
1,160	4,000
-	-
49,913	279,300
-	-
-	-
-	-
-	-
37,705	207,600
65,694	232,114
-	-
1,190	3,738
3,582	5,970
-	-
-	-
-	-
16,243	34,854
180,237	787,897
(5,190)	61,745
-	-
-	-
-	-
(5,190)	61,745
54,803	219,276
-	-
\$ 49,613	\$ 281,021

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

DEPARTMENT OF ENERGY

Year Ended December 31, 2013

Department of Energy ME #12-222-0024 7/01/12-12/31/13			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	171,414	8,750	162,664
Other income	-	-	-
Total operating revenue	171,414	8,750	162,664
Operating expenses			
Administrative			
Salaries	10,256	-	10,256
Audit	1,160	-	1,160
Employee benefit contributions	-	-	-
Other operating	84,907	8,490	76,417
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	27,602	-	27,602
Materials	35,185	260	34,925
Contract costs	-	-	-
General expense			
Insurance	2,548	-	2,548
Compensated absences	2,564	176	2,388
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	14,910	563	14,347
Total operating expenses	179,132	9,489	169,643
Operating income (loss)	(7,718)	(739)	(6,979)
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	\$ (7,718)	\$ (739)	\$ (6,979)

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Year Ended December 31, 2013

LIHEAP ME #C000050296 7/01/12-12/31/13			
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	199,579	24,532	175,047
Other income	-	-	-
Total operating revenue	199,579	24,532	175,047
Operating expenses			
Administrative			
Salaries	5,692	942	4,750
Audit	1,160	-	1,160
Employee benefit contributions	-	-	-
Other operating	52,372	2,459	49,913
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	37,705	-	37,705
Materials	86,826	21,132	65,694
Contract costs	-	-	-
General expense			
Insurance	1,190	-	1,190
Compensated absences	3,846	264	3,582
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	16,243	-	16,243
Total operating expenses	205,034	24,797	180,237
Operating income (loss)	(5,455)	(265)	(5,190)
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Total expenses	205,034	24,797	180,237
Change in net position	\$ (5,455)	\$ (265)	\$ (5,190)

Housing Authority of the County of Erie, Pennsylvania

ACTUAL MODERNIZATION COST CERTIFICATE

MODERNIZATION PROJECT NUMBER

Year Ended December 31, 2013

Project Number	<u>#PA28P087501-10</u>	<u>#PA28P087501-11</u>	<u>#PA28P087501-12</u>
Original Funds Approved	144,245	125,482	111,009
Funds Disbursed	144,245	125,482	111,009
Funds Expended (Actual)	144,245	125,482	111,009
Amount to be Recaptured	N/A	N/A	N/A
Excess of Funds Disbursed	N/A	N/A	N/A

SUPPLEMENTAL SCHEDULE

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES

December 31, 2013

The Authority manages and operates three buildings under Annual Contributions Contract P-1561. The first building (PA-87-1) contains 65 units, the second building (PA-87-2) contains 40 units, and the third building (PA-87-3) contains 15 units.

During 1989 the Authority began operating a Section 8 existing voucher program. During the year ended December 31, 2011, there were 788 available units per month under Annual Contributions Contract P-1526V. Beginning July 1, 2011, 34 units were added to the program. Beginning September 1, 2012 an additional 73 units were added. The annual total for 2013 was of 10,740 units available.

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

Beginning September 1, 2002, the Authority took over the operation of various weatherization programs which are described as follows:

Weatherization Programs

Department of Community and Economic Development funds are to be utilized to operate the standard weatherization program including furnace retrofit and replacement.

Erie County CDBG Rehab Program Administration

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

Home Repair - Weatherization Interface Project

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

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES - Continued

December 31, 2013

Neighborhood Stabilization Program

Department of Community and Economic Development funds are to be utilized to acquire foreclosed homes, complete rehabilitation activities on the homes and to donate the homes to a non profit agency.

Utility Weatherization Programs:

Penelec

Funding is provided under an agreement with Penelec for the Authority to provide quality, cost-effective electric energy reduction and energy education services to eligible Penelec customers under Penelec's WARM Program. The agreement was effective from May 1, 1998 to April 30, 2002 and it was extended to June 30, 2014.

National Fuel Gas

Funding is provided under an agreement with National Fuel Gas for the Authority to provide services to low income National Fuel customers under National Fuel's Low Income Usage Reduction Program (LIURP). The agreement was effective January 1, 2004 and renews periodically. The agreement has been extended through September 30, 2014.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Housing Authority of the County of Erie, Pennsylvania, as of and for the year ended December 31, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Root, Spitznas and Smiley, Inc.

ERIE, PENNSYLVANIA
July 7, 2014

Root, Spitznas & Smiley, Inc.

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Erie, Pennsylvania's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Erie, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
July 7, 2014

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

Summary of Auditor's Results:

Financial Statements

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

Material weakness(es) identified? _____ yes X no

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

Federal Awards

1. Internal control over major programs:

Material weakness(es) identified? _____ yes X no

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

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

Audit Findings:

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

Housing Authority of the County of Erie, Pennsylvania

EXIT CONFERENCE

December 31, 2013

An exit conference was held via telephone with the Housing Authority of the County of Erie, Pennsylvania, on July 7, 2014. Participating were:

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

Jarid Pettit, Controller
Housing Authority of the County of Erie

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

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

A draft of the single audit report for the Housing Authority of the County of Erie for the year ended December 31, 2013 was presented and reviewed.

Housing Authority of the County of Erie, Pennsylvania

LIST OF REPORT DISTRIBUTION

December 31, 2013

Number of Copies

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