

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
HOUSING AUTHORITY OF THE COUNTY
OF ERIE, PENNSYLVANIA
December 31, 2012**

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, 2012, 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 in accordance with OMB Circular A-133;

Root, Spitznas and Smiley, Inc.

June 13, 2013

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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, 2012, 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, 2012, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013, on our consideration of the Housing Authority of the County of Erie, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
June 13, 2013

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
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, 2012 with selected comparative information for the fiscal year ended December 31, 2011. 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 2012 by \$4,008,237 (net position). Of this amount, \$832,473 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- 2 Fixed assets decreased by \$152,068 primarily from the excess of current year depreciation expense over fixed assets additions.
- 3 Net position increased by \$75,256 for the fiscal year ended December 31, 2012. This was due primarily to the increase in operating revenue.
- 4 Operating revenues increased \$488,217 primarily due to an increase in government funding.

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, 2012 and 2011.

	2012	2011
Operating revenues	\$5,793,681	\$5,305,464
Operating expenses	5,818,799	5,888,298
Operating Income	(25,118)	(582,834)
Non-Operating Revenue & Expenses, net	100,374	19,658
Change in net assets	75,256	(563,176)
Total Net Assets – Beginning of year	3,932,981	4,496,157
Prior period adjustments	-	-
Total Net Assets – End of year	\$4,008,237	\$3,932,981

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
Required Supplemental Information

Operating revenues increased by \$488,217 due to an increase in government funding. Operating expenses, however, decreased by \$69,499. This was 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, 2012 and 2011:

	2012	2011
Owned by Authority	120	120
Units under vouchers	895	822
Other Vouchers	65	65
Total Housing Units Managed	1,080	1,007

The Authority acquired 73 Enhanced Vouchers nine months into 2012.

The Section 8 Voucher lease up rate averaged 77 percent during the fiscal year ended December 31, 2012. It is anticipated that the program lease-up will stay the same during FY 2013.

The Housing Authority will implement a direct deposit of Landlord payments to save the Housing Authority on postage and wage expenses related to preparing paper checks. Also, in 2013 the Housing Authority will acquire an on-line Landlord Access program which, when implemented, will allow our landlords to receive their check vouchers and keep updated on any program news or changes.

NET POSITION

Total net position increased from the previous year by \$75,256. 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, 2012 and 2011:

	2012	2011
Capital Assets	\$9,940,394	\$9,784,931
Less capital related debt	-	-
Less accumulated depreciation	(7,018,700)	(6,711,169)
Net Investment In Capital Assets	\$2,921,694	\$3,073,762

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, 2012 and 2011:

	2012	2011
Land	\$ 149,024	\$ 149,024
Building and Improvements	7,791,123	7,689,275
Furniture and equipment – dwellings	510,578	503,982
Furniture and equipment – administration	755,416	755,806
Leasehold Improvements	734,253	686,844
Total	\$9,940,394	\$9,784,931
Less: accumulated depreciation	(7,018,700)	(6,711,169)
Fixed assets, net	\$2,921,694	\$3,073,762

Erie County Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
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, 2012 and 2011:

	2012	2011
Assets		
Current assets	\$1,576,697	\$1,446,364
Fixed assets	2,921,694	3,073,762
Total assets	\$4,498,391	\$4,520,126
Liabilities		
Current liabilities	\$ 398,112	\$ 489,438
Long-term liabilities	92,042	97,707
Total liabilities	\$ 490,154	\$ 587,145
Net position		
Net investment in capital assets	\$2,921,694	\$3,073,762
Restricted	254,070	207,147
Unrestricted	832,473	652,072
Total net position	\$4,008,237	\$3,932,981

Restricted assets represent 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 debt for the current fiscal year.

ECONOMIC FACTORS

The economic outlook for the Authority is that with the sequestration in effect we will see decreases in funding throughout the multiple programs. According to the most current information available from U.S. Department of Housing and Urban Development, we could see funding cuts up to 8% in grant funding for the Section 8 Programs Restricted Funds and 18% decrease in Public Housing Operating Subsidy. Section 8 Unrestricted Funds could take the largest hit with a possible 30% decrease in funding. The funding cuts will be closely monitored and we will cover any shortfalls with reserve funds. 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, 2012

ASSETS	
CURRENT ASSETS	
Cash - unrestricted	\$ 993,139
Cash - restricted	254,070
Cash - tenant security deposits	21,022
Accounts receivable	
HUD	9,507
Other governments	83,243
Tenants	14,960
Other	76,651
Prepaid expenses	1,739
Inventories	23,894
Other assets	98,472
	<hr/>
Total current assets	1,576,697
	<hr/>
FIXED ASSETS	
Land	149,024
Buildings	7,791,123
Furniture and equipment	
Dwelling	510,578
Administrative	755,416
Leasehold Improvements	734,253
Construction in progress	-
	<hr/>
	9,940,394
	<hr/>
Less accumulated depreciation	7,018,700
	<hr/>
Total fixed assets	2,921,694
	<hr/>
	<u>\$ 4,498,391</u>
	<hr/>
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 84,112
Accrued compensated absences	27,432
Accounts payable - other governments	265,546
Tenants security deposits	21,022
	<hr/>
Total current liabilities	398,112
NONCURRENT LIABILITIES	
Accrued compensated absences	92,042
	<hr/>
Total noncurrent liabilities	92,042
	<hr/>
Total liabilities	490,154
	<hr/>
NET POSITION	
Net investment in capital assets	2,921,694
Restricted	254,070
Unrestricted	832,473
	<hr/>
Total net position	4,008,237
	<hr/>
	<u>\$ 4,498,391</u>

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, 2012

Operating revenue	
Tenant rental revenue	\$ 570,905
Tenant revenue other	11,101
HUD PHA grants	3,770,435
Other governmental grants	841,940
Other income	599,300
	<hr/>
Total operating revenue	5,793,681
Operating expenses	
Administrative	
Salaries	576,121
Audit	15,865
Employee benefit contributions	58,775
Other operating	766,446
Tenant services	372
Utilities	
Water	25,438
Electricity	114,316
Gas	17,999
Other	52,528
Ordinary maintenance and operation	
Labor	378,252
Materials	556,579
Contract costs	37,299
General expense	
Insurance	66,817
Compensated absences	(32,342)
Payments in lieu of taxes	36,522
Housing assistance payments	2,839,340
Depreciation	308,472
	<hr/>
Total operating expenses	5,818,799
Operating loss	(25,118)
Nonoperating revenue (expenses):	
HUD PHA capital grants	99,823
Investment income-unrestricted	549
Investment income-restricted	2
	<hr/>
Change in net position	75,256
Net position, beginning of year	<hr/> 3,932,981
Net position, end of year	<hr/> <u>\$ 4,008,237</u>

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, 2012

Cash flows from operating activities:	
Rental receipts	\$ 583,696
Receipts from governments	4,575,808
Other receipts	564,141
Payments for administrative	(1,362,825)
Payments for other operating expenses	(1,327,822)
Payments for housing assistance	(2,839,340)
	<hr/>
Net cash provided by operating activities	193,658
Cash flows from capital and financing activities:	
HUD PHA capital grants	99,823
Acquisition of capital assets	(156,404)
	<hr/>
Net cash used in capital and financing activities	(56,581)
Cash flows from investing activities:	
Interest income	551
	<hr/>
Net cash provided by investing activities	551
	<hr/>
Net increase in cash and cash equivalents	137,628
Cash and cash equivalents at beginning of year	1,130,603
	<hr/>
Cash and cash equivalents at end of year	\$ 1,268,231
	<hr/>
Reconciliation of operating loss to net cash used provided by operating activities	
Operating loss	\$ (25,118)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,472
Change in assets and liabilities:	
(Increase)decrease in:	
Accounts receivable - HUD	723
Accounts receivable - other governments	73,576
Accounts receivable - tenants	258
Accounts receivable - other	(33,105)
Prepaid expenses	6,191
Inventories	21,767
Other assets	(62,115)
Interprogram due to/due from	-
Increase (decrease) in:	
Accounts payable	(42,755)
Accrued compensated absences	(17,160)
Accounts payable - other governments	(1,323)
Tenant security deposits	1,432
Advanced payments	(37,185)
	<hr/>
Net cash provided by operating activities	\$ 193,658
	<hr/>

The accompanying notes are an integral part of these statements.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012

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.

4. Allocation of Personnel and Other Costs

The Redevelopment Authority of the City of Corry, Pennsylvania functions as the common paymaster for the following Authorities:

Housing Authority of the County of Erie, Pennsylvania
Housing Authority of the City of Corry, Pennsylvania
Redevelopment Authority of the County of Erie, Pennsylvania
Redevelopment Authority of the City of Corry, Pennsylvania

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012, 2011 and 2010 were \$71,259, \$66,478 and \$62,416, 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, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Buildings Equipment	40 years 7 years	Site Improvements	15 years	
	<u>Balance</u> <u>12/31/11</u>		<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>
Land	\$ 149,024		\$ -	\$ -	\$ 149,024
Buildings	7,689,275		101,848	-	7,791,123
Furniture and equipment					
Dwelling	503,982		6,596	-	510,578
Administrative	755,806		551	(941)	755,416
Leasehold improvements	686,844		47,409	-	734,253
Accumulated depreciation	(6,711,169)		(308,472)	941	(7,018,700)
Net	<u>\$3,073,762</u>		(<u>\$ 152,068</u>)	<u>\$ -</u>	<u>\$2,921,694</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, 2011 the liability for compensated absences was \$136,634. During the year ended December 31, 2012 the balance decreased \$17,160 to a total of \$119,474, \$27,432 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 \$23,894 consists of weatherization materials.

Housing Authority of the County of Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, savings accounts and certificates of deposits with various interest rates ranging from .01% to .03%, due at various dates through February 6, 2013. 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, 2012, the book balance was \$1,268,231 and the bank balance was \$1,285,280. Of the bank balance, \$752,260 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, 2012

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, 2012.

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.

SUPPLEMENTAL INFORMATION

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2012

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	\$ 166,954
CFP Cluster:						
Capital Fund Program	D	14.872	N/A	September 15, 2009/ September 14, 2013	144,621	17,465
Capital Fund Program	D	14.872	N/A	July 15, 2010/ July 14, 2014	144,245	88,892
Capital Fund Program	D	14.872	N/A	July 15, 2011/ July 14, 2015	125,482	45,000
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	263,858
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2011/ December 31, 2011	2,733,963	-
Section 8 Housing Choice Voucher Program - (P-1526V)	D	14.871	N/A	January 1, 2012/ December 31, 2012	3,288,089	3,288,089
CDBG Cluster:						
Community Development Block Grants - Millicreek	I	14.218	N/A	January 1, 2012/ December 31, 2012	N/A	6,000
Community Development Block Grants - Wesleyville	I	14.218	N/A	January 1, 2012/ December 31, 2012	N/A	5,000
CDBG State Administered CDBG Cluster:						
Neighborhood Stabilization Program	I	14.228	N/A	June 10, 2009/ March 19, 2013	575,900	87,544
Total Department of Housing and Urban Development					7,188,115	3,968,802
Department of Energy						
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2010/ September 30, 2013	228,509	30,423
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2012/ September 30, 2013	171,414	8,750
ARRA - Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2009/ December 31, 2012	2,301,162	475,528
Weatherization Assistance for Low-Income Persons	I	81.042	N/A	July 1, 2002/ September 30, 2003	160,343	-
Total Department of Energy					2,861,428	514,701
Department of Health and Human Services						
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2010/ September 30, 2013	292,076	157,779
Low-Income Home Energy Assistance	I	93.568	N/A	July 1, 2010/ September 30, 2013	169,579	24,532
Total Department of Health and Human Services					461,655	182,311
TOTAL ALL SOURCES					\$ 10,511,198	\$ 4,665,814

<u>Other Receipts</u>	<u>Total Funds Available</u>	<u>Accrued or (Advanced) Revenue at 1/1/12</u>	<u>Drawdowns</u>	<u>Other Receipts</u>	<u>Total Receipts</u>	<u>Federal Expenditures for the Year Ended 12/31/12</u>	<u>Accrued or (Advanced) Revenue at 12/31/12</u>
\$ 365,819 a	\$ 532,773	\$ -	\$ 166,954	\$ 365,819 a	\$ 532,773	\$ 166,954	\$ -
-	17,465	-	17,465	-	17,465	17,465	-
-	88,892	-	88,892	-	88,892	88,892	-
-	45,000	-	45,000	-	45,000	45,000	-
217,164 a	481,022	-	263,858	217,164 a	481,022	263,858	-
-	-	10,230	10,230	-	10,230	-	-
33,126 d	3,321,215	-	3,278,582	33,126 d	3,311,708	3,232,010	9,507 f
-	6,000	-	6,000	-	6,000	6,000	-
-	5,000	-	5,000	-	5,000	5,000	-
-	87,544	(29,979)	57,306	-	57,306	87,543	258
<u>616,109</u>	<u>4,584,911</u>	<u>(19,749)</u>	<u>3,939,287</u>	<u>616,109</u>	<u>4,555,396</u>	<u>3,912,722</u>	<u>9,765</u>
-	30,423	(7,206)	23,217	-	23,217	30,423	-
-	8,750	-	-	-	-	8,750	8,750
-	475,528	24,482	491,896	-	491,896	475,528	8,114
-	-	(1,109)	-	-	-	-	(1,109)
-	514,701	16,167	515,113	-	515,113	514,701	15,755
-	157,779	14,297	164,925	-	164,925	157,779	7,151
-	24,532	-	-	-	-	24,532	24,532
-	182,311	14,297	164,925	-	164,925	182,311	31,683
<u>\$ 616,109</u>	<u>\$ 5,281,923</u>	<u>\$ 10,715</u>	<u>\$ 4,619,325</u>	<u>\$ 616,109</u>	<u>\$ 5,235,434</u>	<u>\$ 4,609,734</u>	<u>\$ 57,203</u>

Housing Authority of the County of Erie, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2012

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>\$4,609,734</u>
Programs selected for testing:		
Major Programs		
Section 8 Housing		
Choice Voucher Program	14.871	\$3,495,868
ARRA-Weatherization Assistance	81.042	475,528
Weatherization Assistance	81.042	<u>39,173</u>
Total tested		<u>\$4,010,569</u>
% of Total Federal Expenditures		<u>87.00%</u>

Housing Authority of the County of Erie
 FINANCIAL DATA SCHEDULE
 12312012

Account Description	Low Rent 14.850	Housing Choice 14.871	Rehab 14.218	NSP 14.228
ASSETS				
CURRENT ASSETS				
Cash:				
Cash-unrestricted	\$259,340	\$320,225	\$20,962	\$7,583
Cash-restricted-modernization&development				
Cash-other restricted		254,070		
Cash-tenant security deposit	14,420	0		
Total cash	<u>273,760</u>	<u>574,295</u>	<u>20,962</u>	<u>7,583</u>
Accounts and notes receivables:				
A/R-PHA projects	0	9,507		
A/R-HUD other projects	0	0		
A/R-other government	18,214	5,483	0	258
A/R-miscellaneous		0		0
A/R-tenants-dwelling rents	7,268	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	<u>25,482</u>	<u>14,990</u>	<u>0</u>	<u>258</u>
Current investments:				
Investments-unrestricted	0	0		
Investments-restricted	0	0		
Prepaid expenses and other assets				
Inventories				
Allowance for obsolete inventories				
Interprogram due from	31,898	3,744	0	0
Amounts to be provided				
TOTAL CURRENT ASSETS	<u>331,140</u>	<u>593,029</u>	<u>20,962</u>	<u>7,841</u>
NONCURRENT ASSETS				
Fixed assets:				
Land	149,024	0	0	0
Buildings	5,044,500	0	0	0
Furniture,equipment&machinery-dwellings	316,821	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	<u>(4,454,621)</u>	<u>(33,568)</u>	<u>0</u>	<u>0</u>
Total fixed assets,net of a/d	<u>1,626,440</u>	<u>14,732</u>	<u>0</u>	<u>0</u>

<u>DOE</u> 81.042	<u>LIHEAP</u> 93.568	<u>CFP</u> 14.872	<u>Business</u> <u>Activities</u>	<u>TOTAL</u>
\$73,556	\$0	\$0	\$311,473	\$993,139
		0		0
				254,070
			6,602	21,022
<u>73,556</u>	<u>0</u>	<u>0</u>	<u>318,075</u>	<u>1,268,231</u>
				9,507
		0	0	0
19,605	31,683		8,000	83,243
76,651				76,651
			7,692	14,960
				0
				0
				0
				0
				0
<u>96,256</u>	<u>31,683</u>	<u>0</u>	<u>15,692</u>	<u>184,361</u>
			0	0
			0	0
				0
0	1,739			1,739
18,029	5,865			23,894
				0
75,364	2,967		7,819	121,792
				0
<u>263,205</u>	<u>42,254</u>	<u>0</u>	<u>341,586</u>	<u>1,600,017</u>
0	0	0	0	149,024
0	0	849,869	1,896,754	7,791,123
0	0	120,332	73,425	510,578
187,398	91,077	19,237	245,698	755,416
0	0	105,008	222,235	734,253
0	0	0	0	0
<u>(141,143)</u>	<u>(45,334)</u>	<u>(415,088)</u>	<u>(1,928,946)</u>	<u>(7,018,700)</u>
<u>46,255</u>	<u>45,743</u>	<u>679,358</u>	<u>509,166</u>	<u>2,921,694</u>

Housing Authority of the County of Erie
 FINANCIAL DATA SCHEDULE
 12312012

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	98,472
Undistributed debits				
Investment in joint ventures				
TOTAL NONCURRENT ASSETS	<u>1,626,440</u>	<u>14,732</u>	<u>0</u>	<u>98,472</u>
TOTAL ASSETS	<u>\$1,957,580</u>	<u>\$607,761</u>	<u>\$20,962</u>	<u>\$106,313</u>
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	\$0	\$0	\$0	\$0
Accounts payable <90 days	28,317	0	1,200	0
Accounts payable >90 days past due				
Accrued wage/payroll taxes				
Accrued compensated absences	6,847	6,887	2,418	0
Accrued contingency liability				
Accrued interest payable				
Accounts payable -HUD PHA programs	0	0		
Accounts payable -PHA projects			0	
Accounts payable -other government			31,981	0
Tenant security deposits	14,420			
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	0	7,819
TOTAL CURRENT LIABILITIES	<u>49,584</u>	<u>6,887</u>	<u>35,599</u>	<u>7,819</u>
NONCURRENT LIABILITIES				
LTD net of current-capital projects	0	0		
LTD net of current-operating borrowings				
Accrued compensated abs - non current	22,975	23,108	8,112	0
TOTAL NONCURRENT LIABILITIES	<u>22,975</u>	<u>23,108</u>	<u>8,112</u>	<u>0</u>
TOTAL LIABILITIES	<u>72,559</u>	<u>29,995</u>	<u>43,711</u>	<u>7,819</u>

<u>DOE</u>	<u>LIHEAP</u>	<u>CFP</u>	<u>Business</u>	<u>TOTAL</u>
81,042	93,568	14,872	Activities	0
				0
				98,472
				0
				0
<u>46,255</u>	<u>45,743</u>	<u>679,358</u>	<u>509,166</u>	<u>3,020,166</u>
<u>\$309,460</u>	<u>\$87,997</u>	<u>\$679,358</u>	<u>\$850,752</u>	<u>\$4,620,183</u>
\$0	\$0	\$0	\$0	\$0
15,100	13,114	0	26,381	84,112
				0
				0
3,022	4,534		3,724	27,432
				0
				0
				0
				0
38,523	334		194,708	265,546
			6,602	21,022
0	0	0		0
			0	0
				0
				0
<u>78,201</u>	<u>0</u>	<u>0</u>	<u>35,772</u>	<u>121,792</u>
<u>134,846</u>	<u>17,982</u>	<u>0</u>	<u>267,187</u>	<u>519,904</u>
			0	0
				0
<u>10,141</u>	<u>15,212</u>	<u></u>	<u>12,494</u>	<u>92,042</u>
<u>10,141</u>	<u>15,212</u>	<u>0</u>	<u>12,494</u>	<u>92,042</u>
<u>144,987</u>	<u>33,194</u>	<u>0</u>	<u>279,681</u>	<u>611,946</u>

Housing Authority of the County of Erie
 FINANCIAL DATA SCHEDULE
 12312012

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	1,626,440	14,732	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	254,070	0	
Unrestricted net assets	258,581	308,964	(22,749)	98,494
TOTAL EQUITY	1,885,021	577,766	(22,749)	98,494
TOTAL LIABILITIES AND EQUITY	\$1,957,580	\$607,761	\$20,962	\$106,313
REVENUE				
Net tenant rental revenue	\$357,284	\$0	\$0	\$0
Tenant revenue-other	7,680	0	0	0
Total tenant revenue	364,964	0	0	0
HUD PHA grants-operating	166,954	3,288,089		
HUD PHA grants-capital				
Other governmental grants			11,000	87,544
Investment income-unrestricted	9	454	6	0
Mortgage interest income				
Fraud recovery		17,115		
Other revenue	844	15,557	0	13,653
Gain/loss on sale of fixed assets	0	0		
Investment income-restricted	2	0		
TOTAL REVENUE	\$532,773	\$3,321,215	\$11,006	\$101,197
EXPENSES				
Administrative:				
Salaries	\$66,434	\$268,163	\$9,108	\$0
Auditing fees	3,000	8,125	1,200	
Outside management fees				
Employee benefit contributions	58,775	0		
Other operating	27,852	121,607	693	9,116

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	0	0
46,255	45,743	679,358	509,166	2,921,694
				0
				0
0	0	0	0	0
				254,070
118,218	9,060	0	61,905	832,473
164,473	54,803	679,358	571,071	4,008,237
<u>\$309,460</u>	<u>\$87,997</u>	<u>\$679,358</u>	<u>\$850,752</u>	<u>\$4,620,183</u>
\$0	\$0	\$0	\$213,621	\$570,905
0	0	0	3,421	11,101
0	0	0	217,042	582,006
		51,534	263,858	3,770,435
		99,823		99,823
561,085	182,311			841,940
0			80	549
				0
				17,115
552,089			42	582,185
			0	0
			0	2
<u>\$1,113,174</u>	<u>\$182,311</u>	<u>\$151,357</u>	<u>\$481,022</u>	<u>\$5,894,055</u>
\$32,706	\$7,164	\$12,000	\$180,546	\$576,121
2,945	595		0	15,865
				0
			0	58,775
445,621	39,868	39,534	82,155	766,446

Housing Authority of the County of Erie
 FINANCIAL DATA SCHEDULE
 12312012

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	372	0		
Utilities:				
Water	15,493	0		
Electricity	61,269	0		
Gas	13,399	0		
Fuel				
Labor				
Employee benefit contributions				
Other	29,752	0		
Ordinary maintenance & operation:				
Labor	103,201	0		
Materials and other	65,341	0		
Contract costs	35,928	0		
Employee benefit contributions				
Protective services:				
Labor				
Other contract costs				
Other				
Employee benefit contributions				
General expenses:				
Insurance premiums	46,120	0		
Other				
Compensated absences	(6,243)	(7,904)	(18,438)	
Payments in lieu of taxes	23,737	0		
Bad debts-tenant rents	0	0		
Bad debts-mortgages				
Bad debts-other				
Interest expense	0	0		
Severance expense				
TOTAL OPERATING EXPENSES	<u>544,430</u>	<u>389,991</u>	<u>(7,437)</u>	<u>9,116</u>
EXCESS OPERATING REVENUE OVER				
OPERATING EXPENSES	(11,657)	2,931,224	18,443	92,081

<u>DOE</u>	<u>LIHEAP</u>	<u>CFP</u>	<u>Business</u>	<u>TOTAL</u>
<u>81.042</u>	<u>93.568</u>	<u>14.872</u>	<u>Activities</u>	
				0
				0
				0
			0	372
			9,945	25,438
			53,047	114,316
			4,600	17,999
				0
				0
				0
			22,776	52,528
233,723	41,328		0	378,252
339,470	92,087		59,681	556,579
			1,371	37,299
				0
				0
				0
				0
1,699	1,270		17,728	66,817
				0
176	264		(197)	(32,342)
			12,785	36,522
			0	0
				0
				0
			0	0
				0
<u>1,056,340</u>	<u>182,576</u>	<u>51,534</u>	<u>444,437</u>	<u>2,670,987</u>
56,834	(265)	99,823	36,585	3,223,068

Housing Authority of the County of Erie
 FINANCIAL DATA SCHEDULE
 12312012

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	2,839,340		
Depreciation expense	131,748	2,679	0	
Fraud losses				
Capital outlays-governmental funds				
Debt principal payments-governmental funds				
Dwelling units rent expense				
TOTAL EXPENSES	<u>676,178</u>	<u>3,232,010</u>	<u>(7,437)</u>	<u>9,116</u>
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF TOTAL REVENUE				
OVER (UNDER) TOTAL EXPENSES	<u>\$(143,405)</u>	<u>\$89,205</u>	<u>\$18,443</u>	<u>\$92,081</u>
Capital contributions	0	0	0	0
Debt principal paymetns-enterprise funds	0	0	0	0
Beginning equity	2,028,426	488,561	(41,192)	6,413
Prior period adj and equity transfers	0	0	0	0
Change in comp abs liability balance				
Change in contingent liability balance				
Change in unrecog pension trans liability				
Change in spec term/severence ben liability				
Change in allowance - dwelling rents				
Change in allowance - other				
Depreciation add back	0	0	0	0
Maximum annual contributions commitment	0	0	0	0
Prorata maximum annual contributions applicable to a period of less than 12 mos		0		
Contingency reserve, ACC program reserve	0	0	0	0
Total annual contributions available	0	0	0	0
Unit months available	1,433	10,156		
Number of unit months leased	1,401	7,857		
Administrative fee equity		323,696		
Housing assistance payments equity		254,070		

DOE	LIHEAP	CFP	Business Activities	TOTAL
81,042	93,568	14,872		
0	0	0	0	0
			0	0
			0	2,839,340
35,937	0	72,382	65,726	308,472
				0
				0
				0
				0
<u>1,092,277</u>	<u>182,576</u>	<u>123,916</u>	<u>510,163</u>	<u>5,818,799</u>
				0
				0
				0
				0
				0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$20,897</u>	<u>\$(265)</u>	<u>\$27,441</u>	<u>\$(29,141)</u>	<u>\$75,256</u>
0	0	0	0	0
0	0	0	0	0
215,154	(16,510)	651,917	600,212	3,932,981
(71,578)	71,578		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	0	0
			780	12,369
			780	10,038
				323,696
				254,070

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

December 31, 2012

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 259,340	\$ 320,225	\$ 28,545	\$ 73,556
Cash - restricted	-	254,070	-	-
Cash - tenant security deposits	14,420	-	-	-
Accounts receivable				
HUD	-	9,507	-	-
HUD other projects	-	-	-	-
Other governments	18,214	5,483	258	51,288
Tenants	7,268	-	-	-
Other	-	-	-	76,651
Prepaid expenses	-	-	-	1,739
Inventories	-	-	-	23,894
Other assets	-	-	98,472	-
Interprogram due from	31,898	3,744	-	78,331
Total current assets	331,140	593,029	127,275	305,459
FIXED ASSETS				
Land	149,024	-	-	-
Buildings	5,044,500	-	-	-
Furniture and equipment				
Dwelling	316,821	-	-	-
Administrative	163,706	48,300	-	278,475
Leasehold Improvements	407,010	-	-	-
Construction in progress	-	-	-	-
	6,081,061	48,300	-	278,475
Less accumulated depreciation	4,454,621	33,568	-	186,477
Total fixed assets	1,626,440	14,732	-	91,998
	\$ 1,957,580	\$ 607,761	\$ 127,275	\$ 397,457
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 28,317	\$ -	\$ 1,200	\$ 28,214
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	6,847	6,887	2,418	7,556
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	-	-	31,981	38,857
Tenants security deposits	14,420	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	-	-	7,819	78,201
Total current liabilities	49,584	6,887	43,418	152,828
NONCURRENT LIABILITIES				
Accrued compensated absences	22,975	23,108	8,112	25,353
Long-term debt	-	-	-	-
Total noncurrent liabilities	22,975	23,108	8,112	25,353
Total liabilities	72,559	29,995	51,530	178,181
NET POSITION				
Net investment in capital assets	1,626,440	14,732	-	91,998
Restricted	-	254,070	-	-
Unrestricted	258,581	308,964	75,745	127,278
Total net position	1,885,021	577,766	75,745	219,276
	\$ 1,957,580	\$ 607,761	\$ 127,275	\$ 397,457

Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ 311,473	\$ -	\$ 993,139
-	-	254,070
6,602	-	21,022
-	-	9,507
-	-	-
8,000	-	83,243
7,692	-	14,960
-	-	76,651
-	-	1,739
-	-	23,894
-	-	98,472
7,819	-	121,792
<u>341,586</u>	<u>-</u>	<u>1,698,489</u>
-	-	149,024
1,896,754	849,869	7,791,123
73,425	120,332	510,578
245,698	19,237	755,416
222,235	105,008	734,253
-	-	-
<u>2,438,112</u>	<u>1,094,446</u>	<u>9,940,394</u>
<u>1,928,946</u>	<u>415,088</u>	<u>7,018,700</u>
<u>509,166</u>	<u>679,358</u>	<u>2,921,694</u>
<u>\$ 850,752</u>	<u>\$ 679,358</u>	<u>\$ 4,620,183</u>
\$ 26,381	\$ -	\$ 84,112
-	-	-
3,724	-	27,432
-	-	-
-	-	-
194,708	-	265,546
6,602	-	21,022
-	-	-
35,772	-	121,792
<u>267,187</u>	<u>-</u>	<u>519,904</u>
12,494	-	92,042
-	-	-
<u>12,494</u>	<u>-</u>	<u>92,042</u>
<u>279,681</u>	<u>-</u>	<u>611,946</u>
509,166	679,358	2,921,694
-	-	254,070
61,905	-	832,473
<u>571,071</u>	<u>679,358</u>	<u>4,008,237</u>
<u>\$ 850,752</u>	<u>\$ 679,358</u>	<u>\$ 4,620,183</u>

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2012

	Low Rent P-1561	Section 8 Voucher P-1526V	Rehab Programs	Weatherization Programs
Operating revenue				
Tenant rental revenue	\$ 357,284	\$ -	\$ -	\$ -
Tenant revenue other	7,680	-	-	-
HUD PHA grants	166,954	3,288,089	-	-
Other governmental grants	-	-	98,544	743,396
Other income	844	32,672	13,653	552,089
Total operating revenue	532,762	3,320,761	112,197	1,295,485
Operating expenses				
Administrative				
Salaries	66,434	268,163	9,108	39,870
Audit	3,000	8,125	1,200	3,540
Employee benefit contributions	58,775	-	-	-
Other operating	27,852	121,607	9,809	485,489
Tenant services	372	-	-	-
Utilities				
Water	15,493	-	-	-
Electricity	61,269	-	-	-
Gas	13,399	-	-	-
Other	29,752	-	-	-
Ordinary maintenance and operation				
Labor	103,201	-	-	275,051
Materials	65,341	-	-	431,557
Contract costs	35,928	-	-	-
General expense				
Insurance	46,120	-	-	2,969
Compensated absences	(6,243)	(7,904)	(18,438)	440
Payments in lieu of taxes	23,737	-	-	-
Bad debts - tenant rents	-	-	-	-
Housing assistance payments	-	2,839,340	-	-
Depreciation	131,748	2,679	-	35,937
Total operating expenses	676,178	3,232,010	1,679	1,274,853
Operating income (loss)	(143,416)	88,751	110,518	20,632
Nonoperating revenue (expenses):				
HUD PHA capital grants	-	-	-	-
Investment income-unrestricted	9	454	6	-
Investment income-restricted	2	-	-	-
Interest expense	-	-	-	-
Change in net position	(143,405)	89,205	110,524	20,632
Net position, beginning of year	2,028,426	488,561	(34,779)	198,644
Net position, end of year	\$ 1,885,021	\$ 577,766	\$ 75,745	\$ 219,276

Business Activities	Capital Fund Program	Totals (Memorandum Only)
\$ 213,621	\$ -	\$ 570,905
3,421	-	11,101
263,858	51,534	3,770,435
-	-	841,940
42	-	599,300
<u>480,942</u>	<u>51,534</u>	<u>5,793,681</u>
180,546	12,000	576,121
-	-	15,865
-	-	58,775
82,155	39,534	766,446
-	-	372
9,945	-	25,438
53,047	-	114,316
4,600	-	17,999
22,776	-	52,528
-	-	378,252
59,681	-	556,579
1,371	-	37,299
17,728	-	66,817
(197)	-	(32,342)
12,785	-	36,522
-	-	-
-	-	2,839,340
65,726	72,382	308,472
<u>510,163</u>	<u>123,916</u>	<u>5,818,799</u>
(29,221)	(72,382)	(25,118)
-	99,823	99,823
80	-	549
-	-	2
-	-	-
<u>(29,141)</u>	<u>27,441</u>	<u>75,256</u>
600,212	651,917	3,932,981
<u>\$ 571,071</u>	<u>\$ 679,358</u>	<u>\$ 4,008,237</u>

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF NET POSITION

WEATHERIZATION PROGRAMS

December 31, 2012

	Department of Energy	Department of Energy - ARRA	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization
ASSETS				
CURRENT ASSETS				
Cash - unrestricted	\$ 5,894	\$ -	\$ -	\$ 67,662
Cash - tenant security deposits	-	-	-	-
Accounts receivable				
HUD	-	-	-	-
HUD other projects	-	-	-	-
Other governments	8,750	8,114	-	2,741
Tenants	-	-	-	-
Other	-	-	-	76,651
Investments - restricted	-	-	-	-
Prepaid expenses	-	-	-	-
Inventories	18,029	-	-	-
Interprogram due from	37,604	-	-	37,760
Total current assets	70,277	8,114	-	184,814
FIXED ASSETS				
Land	-	-	-	-
Buildings	-	-	-	-
Furniture and equipment				
Dwelling	-	-	-	-
Administrative	131,852	-	-	55,546
Leasehold Improvements	-	-	-	-
Construction in progress	-	-	-	-
	131,852	-	-	55,546
Less accumulated depreciation	94,703	-	-	46,440
Total fixed assets	37,149	-	-	9,106
	\$ 107,426	\$ 8,114	\$ -	\$ 193,920
LIABILITIES AND NET POSITION				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 10,158	\$ -	\$ -	\$ 4,942
Accrued wages and taxes	-	-	-	-
Accrued compensated absences	3,022	-	-	-
Accounts payable - HUD	-	-	-	-
Accounts payable - HUD other projects	-	-	-	-
Accounts payable - other governments	38,523	-	-	-
Tenants security deposits	-	-	-	-
Current portion of long-term debt - capital projects	-	-	-	-
Interprogram due to	29,515	8,114	-	40,572
Total current liabilities	81,218	8,114	-	45,514
NONCURRENT LIABILITIES				
Accrued compensated absences	10,141	-	-	-
Long-term debt	-	-	-	-
Total noncurrent liabilities	10,141	-	-	-
Total liabilities	91,359	8,114	-	45,514
NET POSITION				
Net investment in capital assets	37,149	-	-	9,106
Restricted	-	-	-	-
Unrestricted	(21,082)	-	-	139,300
Total equity	16,067	-	-	148,406
	\$ 107,426	\$ 8,114	\$ -	\$ 193,920

Total DOE	Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ 73,556	\$ -	\$ 73,556
-	-	-
-	-	-
19,605	31,683	51,288
-	-	-
76,651	-	76,651
-	-	-
-	1,739	1,739
18,029	5,865	23,894
75,364	2,967	78,331
263,205	42,254	305,459
-	-	-
-	-	-
-	-	-
187,398	91,077	278,475
-	-	-
-	-	-
187,398	91,077	278,475
141,143	45,334	186,477
46,255	45,743	91,998
\$ 309,460	\$ 87,997	\$ 397,457
\$ 15,100	\$ 13,114	\$ 28,214
-	-	-
3,022	4,534	7,556
-	-	-
-	-	-
38,523	334	38,857
-	-	-
-	-	-
78,201	-	78,201
134,846	17,982	152,828
10,141	15,212	25,353
-	-	-
10,141	15,212	25,353
144,987	33,194	178,181
46,255	45,743	91,998
-	-	-
118,218	9,060	127,278
164,473	54,803	219,276
\$ 309,460	\$ 87,997	\$ 397,457

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEATHERIZATION PROGRAMS

Year Ended December 31, 2012

	Department of Energy	Department of Energy - ARRA	Erie County Home Repair & Weatherization Interface Program	Utility Weatherization
Operating revenue				
Tenant rental revenue	\$ -	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-	-
HUD PHA grants	-	-	-	-
Other governmental grants	39,173	475,528	46,384	-
Other income	-	-	-	552,089
Total operating revenue	39,173	475,528	46,384	552,089
Operating expenses				
Administrative				
Salaries	-	24,823	-	7,883
Audit	800	545	-	1,600
Employee benefit contributions	-	-	-	-
Other operating	15,536	196,927	-	233,158
Tenant services				
Utilities				
Water	-	-	-	-
Electricity	-	-	-	-
Gas	-	-	-	-
Other	-	-	-	-
Ordinary maintenance and operation				
Labor	-	94,105	46,384	93,234
Materials	23,125	131,306	-	185,039
Contract costs	-	-	-	-
General expense				
Insurance	(288)	1,987	-	-
Compensated absences	176	-	-	-
Payments in lieu of taxes	-	-	-	-
Bad debts - tenant rents	-	-	-	-
Housing assistance payments	-	-	-	-
Depreciation	563	31,181	-	4,193
Total operating expenses	39,912	480,874	46,384	525,107
Operating income (loss)	(739)	(5,346)	-	26,982
Nonoperating revenue (expenses):				
Investment income-unrestricted	-	-	-	-
Investment income-restricted	-	-	-	-
Interest expense	-	-	-	-
Change in net position	(739)	(5,346)	-	26,982
Net position, beginning of year	(20,014)	113,744	-	121,424
Transfers	36,820	(108,398)	-	-
Net position, end of year	\$ 16,067	\$ -	\$ -	\$ 148,406

Total DOE	Low-Income Home Energy Assistance Program	Total Weatherization Programs
\$ -	\$ -	\$ -
-	-	-
-	-	-
561,085	182,311	743,396
552,089	-	552,089
<u>1,113,174</u>	<u>182,311</u>	<u>1,295,485</u>
32,706	7,164	39,870
2,945	595	3,540
-	-	-
445,621	39,868	485,489
-	-	-
-	-	-
-	-	-
-	-	-
233,723	41,328	275,051
339,470	92,087	431,557
-	-	-
1,699	1,270	2,969
176	264	440
-	-	-
-	-	-
-	-	-
35,937	-	35,937
<u>1,092,277</u>	<u>182,576</u>	<u>1,274,853</u>
20,897	(265)	20,632
-	-	-
-	-	-
-	-	-
<u>20,897</u>	<u>(265)</u>	<u>20,632</u>
215,154	(16,510)	198,644
(71,578)	71,578	-
<u>\$ 164,473</u>	<u>\$ 54,803</u>	<u>\$ 219,276</u>

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

DEPARTMENT OF ENERGY

Year Ended December 31, 2012

	Department of Energy ME #10-222-0024 7/01/10-09/30/13		
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	125,411	94,988	30,423
Other income	-	-	-
Total operating revenue	125,411	94,988	30,423
Operating expenses			
Administrative			
Salaries	6,578	6,578	-
Audit	1,600	800	800
Employee benefit contributions	-	-	-
Other operating	45,877	38,831	7,046
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	14,938	14,938	-
Materials	56,018	33,153	22,865
Contract costs	-	-	-
General expense			
Insurance	400	688	(288)
Compensated absences	9,424	9,424	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	1,887	1,887	-
Total operating expenses	136,722	106,299	30,423
Operating income (loss)	(11,311)	(11,311)	-
Nonoperating revenue (expenses):			
Investment income-unrestricted	7	7	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Change in net position	\$ (11,304)	\$ (11,304)	\$ -

Department of Energy
 ME #12-222-0024
 7/01/12-09/30/13

<u>Cumulative</u>	<u>Previous Period</u>	<u>Current Period</u>	<u>Total Current Period</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
8,750	-	8,750	39,173
-	-	-	-
<u>8,750</u>	<u>-</u>	<u>8,750</u>	<u>39,173</u>
-	-	-	-
-	-	-	800
-	-	-	-
8,490	-	8,490	15,536
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
260	-	260	23,125
-	-	-	-
-	-	-	(288)
176	-	176	176
-	-	-	-
-	-	-	-
563	-	563	563
<u>9,489</u>	<u>-</u>	<u>9,489</u>	<u>39,912</u>
(739)	-	(739)	(739)
-	-	-	-
-	-	-	-
<u>\$ (739)</u>	<u>\$ -</u>	<u>\$ (739)</u>	<u>\$ (739)</u>

Housing Authority of the County of Erie, Pennsylvania

COMBINING STATEMENT OF REVENUE AND EXPENSES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Year Ended December 31, 2012

	LIHEAP ME #C000050296 7/01/10-09/30/13		
	Cumulative	Previous Period	Current Period
Operating revenue			
Tenant rental revenue	\$ -	\$ -	\$ -
Tenant revenue other	-	-	-
HUD PHA grants	-	-	-
Other governmental grants	292,076	134,297	157,779
Other income	-	-	-
Total operating revenue	292,076	134,297	157,779
Operating expenses			
Administrative			
Salaries	6,347	125	6,222
Audit	595	-	595
Employee benefit contributions	-	-	-
Other operating	37,936	527	37,409
Tenant services	-	-	-
Utilities			
Water	-	-	-
Electricity	-	-	-
Gas	-	-	-
Other	-	-	-
Ordinary maintenance and operation			
Labor	86,884	45,556	41,328
Materials	159,044	88,089	70,955
Contract costs	-	-	-
General expense			
Insurance	1,270	-	1,270
Compensated absences	14,135	14,135	-
Payments in lieu of taxes	-	-	-
Bad debts - tenant rents	-	-	-
Housing assistance payments	-	-	-
Depreciation	-	-	-
Total operating expenses	306,211	148,432	157,779
Operating income (loss)	(14,135)	(14,135)	-
Nonoperating revenue (expenses):			
Investment income-unrestricted	-	-	-
Investment income-restricted	-	-	-
Interest expense	-	-	-
Total expenses	306,211	148,432	157,779
Change in net position	\$ (14,135)	\$ (14,135)	\$ -

LIHEAP
ME #C000052989
7/01/12-09/30/13

<u>Cumulative</u>	<u>Previous Period</u>	<u>Current Period</u>	<u>Total Current Period</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
24,532	-	24,532	182,311
-	-	-	-
<u>24,532</u>	<u>-</u>	<u>24,532</u>	<u>182,311</u>
942	-	942	7,164
-	-	-	595
-	-	-	-
2,459	-	2,459	39,868
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	41,328
21,132	-	21,132	92,087
-	-	-	-
-	-	-	1,270
264	-	264	264
-	-	-	-
-	-	-	-
-	-	-	-
<u>24,797</u>	<u>-</u>	<u>24,797</u>	<u>182,576</u>
(265)	-	(265)	(265)
-	-	-	-
-	-	-	-
<u>24,797</u>	<u>-</u>	<u>24,797</u>	<u>182,576</u>
<u>\$ (265)</u>	<u>\$ -</u>	<u>\$ (265)</u>	<u>\$ (265)</u>

Housing Authority of the County of Erie, Pennsylvania

ACTUAL MODERNIZATION COST CERTIFICATE

MODERNIZATION PROJECT NUMBER PA28P087501-09

Year Ended December 31, 2012

Original Funds Approved	144,621
Funds Disbursed	144,621
Funds Expended (Actual Modernization Cost)	144,621
Amount to be Recaptured	N/A
Excess of Funds Disbursed	N/A

SUPPLEMENTAL SCHEDULE

Housing Authority of the County of Erie, Pennsylvania

ACTIVITIES

December 31, 2012

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 for an annual total of 10,156 units.

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.

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, 2012

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, 2013.

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, 2013.

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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James T. Scavona, CPA

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, 2012, and the related statements of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 13, 2013.

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
June 13, 2013

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, 2012. 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, 2012.

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, Spitznas and Smiley, Inc.

ERIE, PENNSYLVANIA
June 13, 2013

Housing Authority of the County of Erie, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2012

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
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.042	Weatherization Assistance for Low-Income Persons

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, 2012

An exit conference was held via telephone with the Housing Authority of the County of Erie, Pennsylvania, on June 14, 2013. Participating were:

Michael McNierney, Executive Director
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, 2012 was presented and reviewed.

Housing Authority of the County of Erie, Pennsylvania

LIST OF REPORT DISTRIBUTION

December 31, 2012

Number of Copies

1	U.S. Department of Housing and Urban Development William Moorehead Federal Building 1000 Liberty Ave., Suite 1000 Pittsburgh, Pennsylvania 15222-2507 Attn: Mr. Paul K. Miller, Financial Analyst
1	Commonwealth of Pennsylvania Office of the Budget Bureau of Audits filed electronically
1	Federal Audit Clearing House filed electronically
1	County Executive County of Erie, Pennsylvania Erie County Courthouse 140 West 6th Street Erie, Pennsylvania 16501
1	Director of Finance County of Erie, Pennsylvania Erie County Courthouse 140 West 6th Street Erie, Pennsylvania 16501
1	Mr. Jake Welsh Erie County Department of Planning Erie County Court House Room 119 140 West 6th Street Erie, Pennsylvania 16501