ERIE METROPOLITAN
HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT

FOR THE YEAR ENDED
JUNE 30, 2012

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

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

We have reviewed the *Independent Auditor's Report* of the Erie Metropolitan Housing Authority, Erie County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 23, 2013

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ERIE METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2012

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JAMES G. ZUPKA, C.P.A., INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie Metropolitan Housing Authority
Sandusky, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Erie Metropolitan Housing Authority, Ohio as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Erie Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Erie Metropolitan Housing Authority, as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2012, on our consideration of the Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Erie Metropolitan Housing Authority, Ohio's basic financial statements as a whole. The accompanying Schedule of Modernization Costs Completed is presented for additional analysis and is not a required part of the basic financial statements of the Erie Metropolitan Housing Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development (HUD) for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review of the Schedules as of the date of this report.

James G Zupka, CPA, Inc.

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

November 21, 2012

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

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

FINANCIAL HIGHLIGHTS

- The Authority's authority-wide statements reflect an decrease in total net assets of $641,038 (or 9.37 percent) during 2012. Net Assets were $6.840 million and $6.199 million for 2011 and 2012 respectively.
- The business-type activity revenue decreased by $226,787 (or 2.64 percent) during 2012, and was $8.580 million and $8.353 million for 2011 and 2012 respectively.
- The total expenses of all Authority programs increased by $266,823 (or 3.06 percent). Total expenses were $8.727 million and $8.994 million for 2011 and 2012 respectively.

Authority-Wide Financial Statements

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

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

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

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

Authority-Wide Financial Statements (Continued)

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

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

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

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

Fund Financial Statements

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

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

THE AUTHORITY'S PROGRAMS

Business-Type Activities

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

Business-type Activities (Continued)

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

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

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

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

Senior Center - The Authority oversees the administration of the Erie County Senior Center Gift Store and the local fund-raising activities of the Erie County Senior Center to provide the local cash match needed for the Title III-B and Title III-C programs. This activity was reported as a component unit in the prior audit but is not a separate legal entity.

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

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

Business-type Activities (Continued)

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

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

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

Table 1 - Statement of Net Assets

	2012	2011
Assets		
Current and Other Assets	$ 2,208,604	$ 2,778,665
Capital and Other Assets	5,367,915	5,689,468
Total Assets	$7,576,519	$ 8,468,133
Liabilities		
Current Liabilities	$ 400,605	$ 537,189
Non-Current Liabilities	977,198	1,091,190
Total Liabilities	1,377,803	1,628,379
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,410,529	4,685,997
Restricted	513,595	764,364
Unrestricted	1,274,592	1,389,393
Total Net Assets	6,198,716	6,839,754
Total Liabilities and Net Assets	$ 7,576,519	$ 8,468,133

For more detail information, see Statement of Net Assets presented on page 9.

Major Factors Affecting the Statement of Net Assets:

Current assets decreased by $570,061 and total liabilities decreased by $250,576. The decrease in current assets was primarily due to the result of current year activities. The decrease in current liabilities is due to a decrease in accounts payable and accrued expenses.

Table 2- Change of Unrestricted Net Assets

Unrestricted Net Assets, June 30, 2011	$ 1,389,393
Results of Operations	(641,038)
Adjustments:	
Depreciation (1)	531,787
Loss on Capital Asset Disposition	618
Capital Expenditures (2)	(209,324)
Debt Principal Payments	(47,613)
Transfers from Restricted Net Assets	250,769
Unrestricted Net Assets, June 30, 2012	$ 1,274,592

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

(2) Capital expenditures represent a reduction of unrestricted net assets.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well being. The Authority's unrestricted net assets decreased $114,801.

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

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

	2012	2011
Revenues		
Tenant Revenues	$ 424,513	$ 376,244
Operating Subsidies and Grants	6,918,867	7,252,330
Capital Grants	141,148	91,747
Investment Income	4,683	8,809
Other Revenues	863,673	850,541
Total Revenues	8,352,884	8,579,671
Expenses		
Administrative	1,426,348	1,446,606
Tenant and Protective Services	136,964	138,896
Utilities	203,138	221,880
Maintenance	1,335,288	999,507
General and Interest	203,828	199,834
Housing Assistance Payments	5,156,569	5,201,267
Depreciation	531,787	519,109
Total Expenses	8,993,922	8,727,099
Net Increases (Decreases) in Net Assets	$ (641,038)	$ (147,428)

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

REVENUES: Operating Subsidies, Grants and Capital Grants decreased by $284,062, or 4 percent. The majority of the decrease was due to HUD's offset of voucher funding and their proration for funding agencies.

EXPENSES: Maintenance expenses increased as a result of increase in contract costs for roof repairs at Scattered Sites (AMP 1).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $5.3658 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (addition, deductions and depreciation) of $323,081 from the end of last year.

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

	2012	2011
Land	$ 670,110	$ 670,110
Building and Improvements	14,979,441	14,780,206
Equipment	724,628	715,569
Accumulated Depreciation	(11,015,809)	(10,484,434)
Total	$ 5,358,370	$ 5,681,451

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the financial statements.

Table 5 - Change in Capital Assets

Beginning Balance, June 30, 2011	$5,681,451
Current Year Additions	209,324
Loss on Disposal	(618)
Depreciation	(531,787)
Ending Balance - June 30, 2012	$ 5,358,370

Debt Administration

At year-end, the Authority had $0.91 million in long-term debt. The current year debt decreased by a minor portion due to the principal payment made. There was no new debt issued for the year.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

The Authority had a $114,801 decrease in unrestricted net assets.

FINANCIAL CONTACT

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

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,279,995
Restricted Cash and Cash Equivalents	658,200
Receivables, Net	149,563
Prepaid Expenses and Other Assets	66,058
Inventory	54,788
Total Current Assets	2,208,604
Capital Assets	
Non-Depreciable Capital Assets	670,110
Depreciable Capital Assets, Net	4,688,260
Total Capital Assets	5,358,370
Other Assets	9,545
TOTAL ASSETS	$ 7,576,519
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 97,532
Current Portion of Compensated Absences	60,487
Accrued Liabilities	28,849
Tenant Security Deposits	27,050
Deferred Revenue	59,465
Other Current Liabilities	80,699
Current Portion - Mortgages Payable	46,523
Total Current Liabilities	400,605
Noncurrent Liabilities	
Mortgages Payable	901,318
Accrued Compensated Absences - Non-Current	54,733
Other Non-Current Liabilities	21,147
Total Noncurrent Liabilities	977,198
Total Liabilities	1,377,803
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,410,529
Restricted Net Assets	513,595
Unrestricted	1,274,592
Total Net Assets	6,198,716
TOTAL LIABILITIES AND NET ASSETS	$ 7,576,519

See accompanying notes to the basic financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues	
Tenant Rental Income	$ 424,513
Government Operating Grants	6,918,867
Other Revenue	864,291
Total Operating Revenues	8,207,671
Operating Expenses	
Administrative Salaries	1,426,348
Tenant and Protective Services	136,964
Utilities	203,138
Maintenance	1,335,288
General	161,091
Housing Assistance Payment	5,156,569
Depreciation Expense	531,787
Total Operating Expenses	8,951,185
Operating Income (Loss)	(743,514)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	4,683
Interest Expense	(42,737)
Loss on Disposal of Capital Assets	(618)
Total Non-Operating Revenues (Expenses)	(38,672)
Income (Loss) Before Capital Grants	(782,186)
Capital Grants	141,148
Change in Net Assets	(641,038)
Total Net Assets, Beginning of Year	6,839,754
Net Assets, End of Year	$ 6,198,716

See accompanying notes to the basic financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities	
Cash Received - HUD Operating Subsidies and Grants	$ 6,916,766
Cash Received from Tenants	419,296
Other Revenue	797,697
Cash Payments for Housing Assistance Payments	(5,156,569)
Cash Payments for Administrative Costs	(1,435,525)
Cash Payment for Other Operating Expenses	(1,909,582)
Net Cash Used in by Operating Activities	(367,917)
Cash Flows from Capital and Related Financing Activities	
Capital Additions	(209,324)
Capital Grants	141,148
Interest Expense	(50,350)
Repayment of Long Term Debt	(40,000)
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(158,526)
Cash Flows from Investing Activities	
Investment Income	4,683
Net Cash Provided (Used) by Investing Activities	4,683
Net Increase (Decrease) in Cash and Cash Equivalents	(521,760)
Cash and Cash Equivalents, Beginning	2,459,955
Cash and Cash Equivalents, Ending	$ 1,938,195
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (743,514)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	531,787
(Increase) Decrease in:	
Accounts Receivable	(64,127)
Prepaid Expenses	112,564
Inventory and Other Costs	(8,365)
Increase (Decrease) in:	
Accounts Payable	(56,911)
Compensated Absences	(9,177)
Security Deposits	150
Non-Current Liabilities	7,183
Accrued Expenses and Other Current Assets	(137,507)
Net Cash Provided (Used) by Operating Activities	$ (367,917)

See accompanying notes to the basic financial statements.

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

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units. The prior audit reported the Senior Center as a component unit; however it is not a separate legal entity, and is not a component unit but is a program administered by Erie Metropolitan Housing Authority.

Basis of Presentation

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

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

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

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

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

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

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

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

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

Useful life of property and equipment is as follows:

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

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2012 fiscal year was $531,787.

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

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

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

Net Assets
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted Net Assets include the Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was $513,595 at June 30, 2012.

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

Net Assets (Continued)
The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

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

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

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

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

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

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

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

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

At June 30, 2012, the Authority had undeposited cash on hand (petty cash) of $475.

At June 30, 2012, the carrying amount of the Authority's cash deposits was $1,937,720 and the bank balance was $2,042,511. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2012, deposits totaling $609,381 were covered by Federal Depository Insurance, while the balance of $1,433,130 was collateralized by securities pledged in the name of the Authority.

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

Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2012 the Authority has no investments.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

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

NOTE 3: CAPITAL ASSETS

A summary of capital assets at June 30, 2012, by class is as follows:

Land	$ 670,110
Building and Building Improvements	14,979,441
Furniture, Equipment	724,628
Total	16,374,179
Less Accumulated Depreciation	(11,015,809)
Net Property and Equipment	$ 5,358,370

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets not being Depreciated				
Land	$ 670,110	$ 0	$ 0	$ 670,110
Total Capital Assets not being Depreciated	670,110	0	0	670,110
Capital Assets being Depreciated				
Buildings and Improvements	14,780,206	199,235	0	14,979,441
Furniture and Equipment	715,569	10,089	(1,030)	724,628
Total Capital Assets being Depreciated	15,495,775	209,324	(1,030)	15,704,069
Less Accumulated Depreciation				
Buildings and Improvements	(9,914,808)	(477,401)	0	(10,392,209)
Furniture and Equipment	(569,626)	(54,386)	412	(623,600)
Total Accumulated Depreciation	(10,484,434)	(531,787)	412	(11,015,809)
Total Capital Assets being Depreciated, Net	5,011,341	(322,463)	(618)	4,688,260
Total Capital Assets, Net	$ 5,681,451	$ (322,463)	$ (618)	$ 5,358,370

NOTE 4: LONG-TERM DEBT

Bond Payable dated July 17, 2007, due June 2027, funded by a bond issue in the principal amount of $40,532,000, of which EMHA's share is $1,130,000. Repayment of the loan funded through contributions from HUD under the Capital Fund Program and investment earnings. Payment made by reducing the Capital Fund Program subsidy due EMHA. Payments are due semi-annually beginning October 1, 2007, totaling approximately $90,000 annually. Serial bonds were issued with fixed interest rates between 3.90 percent and 4.67 percent. The bonds were issued to provide major renovations at Bayshore Towers. The outstanding balance as of June 30, 2012 is $955,454.

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Description	Balance 06/30/11	Issued	Retired	Balance 06/30/12	Current Portion
U. S. Department of HUD	$ 965,000	$ 0	$ 40,000	$ 925,000	$ 45,000
Unamortized Premium	30,454	0	7,613	22,841	1,523
Total	$ 995,454	$ 0	$ 47,613	$ 947,841	$ 46,523

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

For the Year Ended June, 30	Amortized Premium	Principal	Interest	Total Payments
2013	$ 1,523	$ 45,000	$ 46,026	$ 92,549
2014	1,523	45,000	44,000	90,523
2015	1,523	50,000	41,750	93,273
2016	1,523	50,000	39,250	90,773
2017	1,523	50,000	36,750	88,273
2018-2022	7,614	295,000	143,000	445,614
2023-2027	7,612	390,000	60,250	457,862
Totals	$ 22,841	$ 925,000	$ 411,026	$ 1,358,867

NOTE 5: RESTRICTED CASH

The restricted cash balance of $658,200 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by:	
HUD for Housing Assistance Payments	$ 513,595
Tenant Security Deposits	27,050
FSS Escrow Funds	21,147
Capital Fund Bond Cash	96,408
Total Restricted Cash	$ 658,200

NOTE 6: **PENSION PLAN**

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost sharing multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

NOTE 6: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011 - 2012, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2012, 2011, and 2010 were $148,390, $144,272, and $139,866, respectively. The full amount has been contributed for 2012, 2011, and 2010. The Authority had no employees in the Member-Directed Plan or Combined Plan for the years noted above.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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

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

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

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

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.0 percent from April 1 through December 31, 2010, and 4.0 percent from January 1, 2011 through June 30, 2012.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2012, 2011, and 2010 which were used to fund post-employment benefits were $42,397, $41,219, and $54,947, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

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

NOTE 9: **RISK MANAGEMENT**

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

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

NOTE 10: **CONTINGENCIES**

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

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

NOTE 11: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2012

1. The total amount of modernization costs of the Capital Fund Program grants are show below:

OH12P02850109	
Funds Approved	$ 374,878
Funds Expended	374,878
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 374,878
Funds Expended	374,878
Excess (Deficiency) of Funds Advanced	$ 0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low Rent Public Housing Program	14.850	$ 800,207
Section 8 Housing Choice Voucher Program	14.871	5,589,578
Public Housing - Capital Fund Program	14.872	378,104
Total U.S. Department of Housing and Urban Development		6,767,889
U.S. Department of Health and Human Services		
Pass-Through Program from:		
Area Office on Aging of Northwestern Ohio, Inc.		
Aging Programs (Cluster):		
Special Program for the Aging - Title III, Part B Grants for Supportive Services and Senior Center	93.044	24,144
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	267,982
Total U. S. Department of Health and Human Services		292,126
Total Federal Expenditures		$ 7,060,015

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

Board of Directors
Erie Metropolitan Housing
Sandusky, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. 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.

Internal Control Over Financial Reporting

Management of the Erie Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures 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 Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Erie Metropolitan Housing Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Erie Metropolitan Housing Authority, Ohio's financial statements are free of 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*.

We noted certain other matters that we reported to management of the Erie Metropolitan Housing Authority, Ohio in a separate letter dated November 21, 2012.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

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

November 21, 2012

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Erie Metropolitan Housing Authority
Sandusky, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Erie Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2012. The Erie Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Erie Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Erie Metropolitan Housing Authority, Ohio's compliance based on our audit.

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 Erie Metropolitan Housing Authority, Ohio'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. Our audit does not provide a legal determination of the Erie Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Erie Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Erie Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Erie Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Erie Metropolitan Housing Authority, Ohio's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operations 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

James G. Zupka CPA, Inc.
Certified Public Accountants

November 21, 2012

ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2012(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list):	
	CFDA #14.871 - Housing Choice Voucher Program	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2012(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2012

There were no findings in the prior year audit.

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ERIE METROPOLITAN HOUSING AUTHORITY

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2013