

SENECA METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

March 31, 2007

Together with Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Trustees
Seneca Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Seneca Metropolitan Housing Authority, Seneca County, prepared by Kevin L. Penn, Inc., for the audit period April 1, 2006 through March 31, 2007. 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 Seneca Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2007

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**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

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Independent Auditor's Report

Board of Trustees
Seneca Metropolitan Housing Authority
Tiffin, Ohio

I have audited the accompanying statement of net assets of Seneca Metropolitan Housing Authority, as of March 31, 2007 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Seneca Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seneca Metropolitan Housing Authority, as of March 31, 2007, and the changes in net assets and revenues, expenditures and other changes for the year ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 – 9 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 8, 2007 on my consideration of the Seneca Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Seneca Metropolitan Housing Authority taken as a whole. 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. In addition, the financial data schedule, pages 19 to 21 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Seneca Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

August 8, 2007

Seneca Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2007

The Seneca Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

- During FY2007, the Authority's net assets increased by a total of \$29,816 (or 24.83%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$90,283 and \$120,099 for FY2007 and FY2006 respectively.
- The revenue increased by \$37,158 (or 5.28%) during FY2007, and was \$740,667 and \$703,509 for FY2007 and FY2006 respectively.
- The total expenses of the Authority increased by \$92,202 (or 13.57%). Total expenses were \$771,563 and \$679,361 for FY2007 and FY2006 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 10-11) 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, equals "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 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.

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”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund 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 Fund Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

Finally, Statement of Cash Flows (see page 12) 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.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of adjusted household income.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

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

	FY 2006	FY 2007
Current and Other Assets	\$126,876	\$ 97,702
Capital Assets	<u>2,009</u>	<u>931</u>
Total Assets	<u>128,885</u>	<u>98,633</u>
Other Liabilities	5,164	2,598
Long-Term Liabilities	<u>3,622</u>	<u>5,752</u>
Total Liabilities	<u>8,786</u>	<u>8,350</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,009	931
Restricted	0	0
Unrestricted	<u>118,090</u>	<u>89,352</u>
Total Net Assets	<u>\$120,099</u>	<u>\$90,283</u>

For more detailed information see page 10 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$30,252 in FY2007 and liabilities were decreased by \$436. The Authority used \$27,353 from its undesignated HAP funds to cover allowable HAP costs that were above the current years ACC funding.

Capital assets decreased from \$2,009 to \$931. The decrease is attributed primarily to the current year's depreciation of \$1,078. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2**CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets 3/31/2006		\$118,090
Results of Operations	(30,896)	
Adjustments:		
Depreciation (1)	1,078	
Prior Period Adjustments (2)	1,080	
Adjusted Results from Operations		(23,738)
Capital Expenditures		<u>(0)</u>
Unrestricted Net Assets 3/31/2007		<u><u>\$ 89,352</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
- (2) Net HUD adjustment for prior year – recapture in August 2006 of \$1,533 and repayment in December 2006 of \$2,613.

While the result of operations is 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.

TABLE 3**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

	FY 2006	FY 2007
Revenues		
HUD PHA Operating Grants	\$ 702,158	\$ 736,719
Investment Income	688	554
Other Revenues – Fraud Recovery	663	3,394
Total Revenue	<u>703,509</u>	<u>740,667</u>
Expenses		
Administrative	98,905	94,077
Maintenance	6,611	4,436
General	4,226	4,290
Housing Assistance Payments	568,489	667,682
Depreciation	1,130	1,078
Total Expenses	<u>679,361</u>	<u>771,563</u>
Net Increase	<u><u>\$ 24,148</u></u>	<u><u>\$ (30,896)</u></u>

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

HUD PHA Operating Grants states the total amount received per ACC for FY07. The authority expended more in HAP funds than it received by \$27,353 thus reducing their Undesignated HAP account. The net decrease to Undesignated HAP funds for FY07 is \$25,391 which is the net of the \$27,353 used for HAP cost less HUD’s share of current year’s fraud recovery payments of \$1,697 and HUD’s share of current year’s interest of \$265.

While Administrative and Maintenance expenses decreased from last year, administrative operations still had a loss. \$5,505 of the current year’s decrease of \$30,896 is from operations (admin. Fees).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$931 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	FY 2006	FY 2007
Equipment – Administrative	\$ 11,990	\$ 11,990
Accumulated Depreciation	(9,981)	(11,059)
Total	\$ 2,009	\$ 931

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 17 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$2,009
Additions	0
Depreciation	<u>(1,078)</u>
Beginning Balance	<u><u>\$ 931</u></u>

Debt Outstanding

As of year-end, the Authority has no outstanding debt (bonds, notes, etc.)

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, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Seneca Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

SENECA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2007

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$ 90,107
Fraud Recovery	5,752
Prepaid Expenses	1,843
Total Current Assets	97,702

Non-Current Assets

Property and Equipment - Net (Note 1)	931
Total Non-Current Assets	931
TOTAL ASSETS	\$ 98,633

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 2,598
Undistributed Credits - Fraud Recovery	5,752
Total Current Liabilities	8,350

Total Liabilities	\$ 8,350
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Net Assets

Investment in Capital Assets, Net of Related Debt	\$ 931
Unrestricted	89,352
Total Net Assets	\$ 90,283

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

SENECA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 736,719
Other Revenue	3,394
Total Operating Revenue	740,113

Operating Expenses:

Housing Assistance Payments	667,682
Administrative Salaries	149
Compensated Absences	0
Employee Benefits	20
Other Administrative Expense	97,805
Material and Labor – Maintenance	539
Depreciation Expense	1,078
General Expenses	4,290
Total Operating Expenses	771,563

Operating Income (Loss)	(31,450)
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Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	554
Total Non-Operating Revenues (Expenses)	554

Change in Net Assets	(30,896)
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Net Assets - Beginning of Year as Previously Stated	120,099
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Prior Period Adjustment (Note 7)	1,080
	1,080

Net Assets - Beginning of Year as Restated	121,179
	121,179

Net Assets - End of Year	\$ 90,283
	90,283

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

SENECA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (99,398)
Cash payments for salaries and benefits	(169)
Housing assistance payments	(667,682)
HUD operating subsidies and grants	736,719
Other receipts	3,394
Other payments	<u>(4,829)</u>
Net Cash Provided (Used) by Operating Activities	(31,965)
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	<u>-</u>
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>
Cash Flows From Investing Activities:	
Net Cash Provided (Used) by Investing Activities	<u>554</u>
Increase (Decrease) in Cash and Cash Equivalents	(31,411)
Cash and Cash Equivalents - Beginning of Year	<u>121,518</u>
Cash and Cash Equivalents - End of Year	<u>\$ 90,107</u>

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

(Continued)

SENECA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (31,450)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,078
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(2,699)
Prepaid Expenses	(107)
Increase (decrease) in liabilities:	
Accounts Payable	(675)
Undistributed Credits - Fraud Recovery	2,130
Accrued expenses	<u>(242)</u>
Net cash used in operating activities	<u><u>\$ (31,965)</u></u>

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

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Seneca Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Tiffin, 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 HMHA 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, maintaining, 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 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 criteria, was considered in determining the reporting entity.

B. Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective April 1, 2002, the Authority implement GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, Certain Financial Statement Disclosures. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management's Discussion and Analysis

Basic Financial Statements:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

B. Basis of Accounting (continued)

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

C. 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 and repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2007 fiscal year was \$1,078.

D. 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 equivalents.

E. Investments

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

F. 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.

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 2 – Deposits and Investments:

In 2006, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements 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. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. Deposits

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

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

Inactive deposits are public deposits that the Authority has 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 for 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 year-end, the carrying amount of the Authority's deposits was \$90,107 (including \$70 of petty cash) and the bank balance was \$90,772.

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. 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 must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$90,772 were covered by Federal Depository Insurance.

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 2 – Deposits and Investments:

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are 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 expectation 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.

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 its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. 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 represents 100 percent of its deposits.

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 2 – Deposits and Investments:

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.

Reconciliation of cash and cash equivalents and investments is as follows:

	Cash and Cash Equivalents *	Investments
Per Statement of Net Assets	\$ 90,107	\$ 0
Repurchase Agreement	0	(0)
Per GASB Statement No. 3	\$ 90,107	\$ 0

* Includes Petty Cash.

NOTE 3 – Property and Equipment:

A summary of property and equipment at March 31, 2007, by class is as follows:

Furniture, Equipment – Administrative	\$ 11,990
Less Accumulated Depreciation	(11,059)
Net Property and Equipment	\$ 931

NOTE 4 – Allocation of Costs:

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

NOTE 5 – Retirement and Other Benefit Plans:

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits annual cost-of-living adjustments, death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. The report may be obtained by writing PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 9.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2007. The Authority's total payroll for covered employees was \$149. The Authority's 2007 total contribution was \$20.

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 5 – Retirement and Other Benefit Plans: (continued)

The contribution requirement to fund the pension obligation for the year ended March 31, 2007, 2006 and 2005 were \$20, \$1,344 and \$1,333 from the Authority.

PERS of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

NOTE 6– Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 7 – Prior Period Adjustment:

Beginning net assets balance has been restated in the amount of \$1,080 as a result of the understating accounts receivable – HUD

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NOTE 9 - Change in Accounting Principles

For the year ended March 31, 2007, the Authority has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Authority.

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 10 – Schedule of Expenditures of Federal Awards:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seneca Metropolitan Housing Authority and is presented on the accrued 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.

SENECA METROPOLITAN HOUSING AUTHORITY

Balance Sheet

March 31, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	<u>Account Description</u>	
	ASSETS	
111	Cash and Cash Equivalents	\$ 90,107
100	TOTAL CASH	<u>90,107</u>
128	Accounts Receivable - Fraud Recovery	5,752
120	TOTAL ACCOUNTS RECEIVABLE	<u>5,752</u>
142	Prepaid Expenses	1,843
150	TOTAL CURRENT ASSETS	<u>97,702</u>
164	Furniture, Equipment & Machinery - Administration	11,990
166	Accumulated Depreciation	<u>(11,059)</u>
160	TOTAL FIXED ASSETS, NET	<u>931</u>
190	TOTAL ASSETS	<u><u>\$ 98,633</u></u>
	LIABILITIES	
312	Accounts Payable	\$ 2,598
310	TOTAL CURRENT LIABILITIES	<u>2,598</u>
353	Undistributed Credits - Fraud Recovery	5,752
	TOTAL NON-CURRENT LIABILITIES	<u>5,752</u>
	TOTAL LIABILITIES	8,350
508.1	Invested in Capital Assets, Net of Related Debt	931
512	Retained Earnings	<u>89,352</u>
	TOTAL EQUITY/NET ASSETS	<u>90,283</u>
	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u><u>\$ 98,633</u></u>

SENECA METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended March 31, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line <u>Item No.</u>	<u>Account Description</u>	
	Revenue:	
706	HUD PHA Operating Grant	\$ 711,989
708	Other Government Grants	24,730
711	Investment Income - Unrestricted	554
714	Fraud Recovery	<u>3,394</u>
700	Total Revenue	740,667
	Expenses:	
911	Administrative Salaries	149
912	Audit Fees	3,182
915	Employee Benefit Contributions - Administrative	20
916	Other Operating - Administrative	90,726
943	Ordinary Maintenance and Operations - Contract Costs	4,436
961	Insurance Premiums	<u>4,290</u>
969	Total Operating Expenses	<u>102,803</u>
970	Excess Operating Revenue over Expenses	637,864
	Other Expenses	
973	Housing Assistance Payments	667,682
974	Depreciation Expense	<u>1,078</u>
900	Total Expenses	771,563
1010	Total Other Funding Sources(Uses)	<u>-</u>
1000	Excess of Operating Revenue Over Expenses	(30,896)
1103	Beginning Equity	120,099
1104	Prior Period Adjustments	<u>1,080</u>
	Ending Equity	<u><u>\$ 90,283</u></u>

SENECA METROPOLITAN HOUSING AUTHORITY
Additional Information Required by HUD
Year Ended March 31, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line Item No.</u>	<u>Account Description</u>	
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ 711,989
1116	Total Annual Contributions Available	\$ 711,989
1117	Administrative Fee Equity	\$ 31,233
1118	Housing Assistance Payments Equity	\$ 59,050
1120	Unit Months Available	2,525
1121	Number of Unit Months Leased	2,365

SENECA METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended March 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Program Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Voucher	14.871	\$ 711,989	\$ 745,755
Home Investment Partnership Program	14.239	\$ 24,730	<u>\$ 22,482</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 768,237</u></u>

The notes to the financial statements are an integral part of this statement.



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Seneca Metropolitan Housing Authority
Tiffin, Ohio

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Seneca Metropolitan Housing Authority as of and for the year ended March 31, 2007, which collectively comprise Seneca Metropolitan Housing Authority's basic financial statements and have issued my report thereon dated August 8, 2007. I conducted my audit in accordance with generally accepted auditing standards 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

In planning and performing my audit, I considered Seneca Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seneca Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Seneca Metropolitan Housing Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiency, or combination of control deficiencies, that adversely affects Seneca Metropolitan Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Seneca Metropolitan Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by Seneca Metropolitan Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Seneca Metropolitan Housing Authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Kevin L. Penn, Inc.

August 8, 2007



Kevin L.
Penn, Inc.

Certified Public Accountant
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Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Seneca Metropolitan Housing Authority
Tiffin, Ohio

Compliance

I have audited the compliance of Seneca Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. Seneca Metropolitan Housing Authority'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 Seneca Metropolitan Housing Authority's management. My responsibility is to express an opinion on Seneca Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards 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 I 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 Seneca Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Seneca Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Seneca Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of Seneca Metropolitan Housing Authority 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 my audit, I considered Seneca Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Seneca Metropolitan Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not all management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Kevin L. Penn, Inc.

August 8, 2007

Seneca Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 March 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported

Type of auditor's report issued on compliance for major program:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
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Identification of major programs: 14.871	Housing Choice Vouchers
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Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Seneca Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2007

There were no audit findings, during the 2006 fiscal year.



Mary Taylor, CPA
Auditor of State

SENECA METROPOLITAN HOUSING AUTHORITY

SENECA 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
NOVEMBER 8, 2007**