

**SENECA METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

March 31, 2008

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, 2007 through March 31, 2008. 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 27, 2008

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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, 2008 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, 2008, and the changes in net assets and revenues, expenditures and other changes for the year ended March 31, 2008 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 7, 2008 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 20 to 22 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 7, 2008





# Seneca Metropolitan Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2008

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 FY 2008, the Authority's net assets increased by a total of \$78,007 (or 86.40%). 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 \$168,290 for FY2007 and FY2008 respectively.
- The revenue increased by \$101,583 (or 13.72%) during FY2008, and was \$740,667 and \$842,250 for FY2007 and FY2008 respectively.
- The total expenses of the Authority decreased by \$7,320 (or less than 1%) and were \$771,563 and \$764,243 for FY2007 and FY2008 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**

**STATEMENT OF NET ASSETS**

	FY 2008	FY 2007
Current and Other Assets	\$170,014	\$ 97,702
Capital Assets	422	931
Total Assets	<u>170,436</u>	<u>98,633</u>
Other Liabilities	2,146	2,598
Long-Term Liabilities	0	5,752
Total Liabilities	<u>2,146</u>	<u>8,350</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	422	931
Restricted	141,061	59,050
Unrestricted	26,807	30,302
Total Net Assets	<u><u>\$168,290</u></u>	<u><u>\$90,283</u></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 \$71,803 or 72.80% in FY 2008 and liabilities were decreased by \$6,204. The Authority added during FY08 \$82,011 into its restricted HAP funds and deducted \$4,004 from unrestricted to cover current year costs. Noncurrent liabilities decreased \$5,752 due to the reclassification of URI contra account to allowance for Doubtful accounts.

Capital assets decreased from \$931 to \$422. The decrease is attributed primarily to the current year’s depreciation of \$509. 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 3/31/2007		\$ 89,352
Results of Operations	(4,004)	
Adjustments:		
Depreciation (1)	509	
Reclassification Adjustments (2)	(59,050)	
Adjusted Results from Operations		(62,545)
Capital Expenditures		<u>(0)</u>
Unrestricted Net Assets 3/31/08		<u><u>\$ 26,807</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) Reclassified to restricted.

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.

**CHANGE OF RESTRICTED NET ASSETS**

Restricted Net Assets 3/31/2007		\$ 0
Results of Operations		
Unspent Current Year HAP funding	\$79,551	
Fraud Recovery Payments	2,143	
Reclassification Adjustments	59,050	
Interest Earned	317	
Adjusted Results from Operations		<u>141,061</u>
Restricted Net Assets 3/31/08		<u><u>\$ 141,061</u></u>

**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 2008	FY 2007
Revenues		
HUD PHA Operating Grants	\$ 837,504	\$ 736,719
Investment Income	460	554
Other Revenues – Fraud Recovery	4,286	3,394
Total Revenue	<u>842,250</u>	<u>740,667</u>
Expenses		
Administrative	96,936	94,077
Maintenance	5,020	4,436
General	4,091	4,290
Housing Assistance Payments	657,687	667,682
Depreciation	509	1,078
Total Expenses	<u>764,243</u>	<u>771,563</u>
Net Increase/(decrease)	<u>\$ 78,007</u>	<u>\$ (30,896)</u>

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

HUD PHA Operating Grants states the total amount received FY08 for both HUD and the City of Tiffin TBRA program. The authority expended less in HUD HAP funds than it received by \$79,551 and thus increasing the Undesignated HAP account. HUD now requires the Undesignated to be reclassified as “Restricted.” The net increase to the Restricted HAP funds for FY08 is \$82,011 which is the adding of the \$79,551 unused for HAP cost plus HUD’s share of current year’s fraud recovery payments of \$2,143 and HUD’s share of current year’s interest of \$317.

Operations expenses (Admin) increased slightly from last year for a total loss for FY08 of \$4,004.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$422 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

**Table 4**

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

	Business-type Activities	
	FY 2008	FY 2007
Equipment – Administrative	\$ 11,990	\$ 11,990
Accumulated Depreciation	(11,568)	(11,059)
Total	<u>\$ 422</u>	<u>\$ 931</u>

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	\$ 931
Additions	0
Depreciation	<u>(509)</u>
Beginning Balance	<u>\$ 422</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, 2008

ASSETS

**Current Assets**

Cash and Cash Equivalents (Note 1)	\$ 167,918
Accounts Receivable – HUD	456
Accounts Receivable - Fraud Recovery	5,914
Allowance for Doubtful Accounts	(5,914)
Prepaid Expenses	1,592
Deposits	48
Total Current Assets	170,014

**Non-Current Assets**

Property and Equipment - Net (Note 1)	422
Total Non-Current Assets	422
<b>TOTAL ASSETS</b>	<b>\$ 170,436</b>

LIABILITIES AND NET ASSETS

**Current Liabilities**

Accounts Payable	\$ 2,146
Total Current Liabilities	2,146
Total Liabilities	\$ 2,146

**Net Assets**

Investment in Capital Assets, Net of Related Debt	\$ 422
Restricted	141,061
Unrestricted	26,807
Total Net Assets	\$ 168,290

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, 2008

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$ 837,504
Other Revenue	4,286
Total Operating Revenue	841,790

**Operating Expenses:**

Housing Assistance Payments	657,687
Other Administrative Expense	96,936
Material and Labor – Maintenance	5,020
Depreciation Expense	509
General Expenses	4,091
Total Operating Expenses	764,243

Operating Income (Loss)	77,547
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**Non-Operating Revenues (Expenses)**

Investment Income - Unrestricted	460
Total Non-Operating Revenues (Expenses)	460

Change in Net Assets	78,007
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Net Assets - Beginning of Year	90,283
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Net Assets - End of Year	\$ 168,290
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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, 2008

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (97,641)
Housing assistance payments	(657,687)
HUD operating subsidies and grants	837,504
Other receipts	4,286
Other payments	<u>(9,111)</u>
Net Cash Provided (Used) by Operating Activities	77,351
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	<u>0</u>
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>
Cash Flows From Investing Activities:	
Investment Income	<u>460</u>
Net Cash Provided (Used) by Investing Activities	460
Increase (Decrease) in Cash and Cash Equivalents	77,811
Cash and Cash Equivalents - Beginning of Year	<u>90,107</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 167,918</u></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, 2008

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 77,547
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	509
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(456)
Prepaid Expenses	251
Deposits	(48)
Increase (decrease) in liabilities:	
Accounts Payable	<u>(452)</u>
Net cash used in operating activities	<u><u>\$ 77,351</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, 2008**

**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, 2008**

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

C. Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 housing program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

*Proprietary Fund Types:*

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the proprietary fund type:

*Enterprise Fund* — The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

E. 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.

F. Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

**SENECA METROPOLITAN HOUSING AUTHORITY  
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2008**

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

G. 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 2008 fiscal year was \$509.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. 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. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. There are no net assets restricted by enabling legislation.

J. 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, 2008**

**NOTE 2 – Deposits and Investments:**

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the 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 \$167,918 (including \$25 of petty cash) and the bank balance was \$169,462.

**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 \$100,000 were covered by Federal Depository Insurance and deposits totaling \$69,462 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**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.

**SENECA METROPOLITAN HOUSING AUTHORITY  
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2008**

**NOTE 2 – Deposits and Investments: (continued)**

**B. Investments**

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.

**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	\$ 167,918	\$ 0
Repurchase Agreement	0	( 0)
Per GASB Statement No. 3	\$ 167,918	\$ 0

\* Includes Petty Cash.

**SENECA METROPOLITAN HOUSING AUTHORITY  
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2008**

**NOTE 3 – Property and Equipment:**

A summary of property and equipment at March 31, 2008, by class is as follows:

Furniture, Equipment – Administrative	\$ 11,990
Less Accumulated Depreciation	<u>( 11,568)</u>
Net Property and Equipment	<u>\$ 422</u>

**NOTE 4– Risk Management:**

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 5 – Reclassification:**

As required by the Department of Housing and Urban Development, grant surplus must be classified as restricted HAP funds, as a result, the following reclassification was made from the unrestricted to restricted:

Unrestricted Net Assets at April 1, 2007	\$ 89,352
Adjustment to Reclassify Grant Surplus Received	<u>(59,050)</u>
Unrestricted Net Assets at April 1, 2007, as restated	<u>\$ 30,302</u>

**NOTE 6 – Contingent Liabilities:**

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at March 31, 2008.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

**NOTE 7 – 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, 2008

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

FDS Line Item No.	<u>Account Description</u>	
	<b>ASSETS</b>	
111	Cash and Cash Equivalents	\$ 167,918
100	<b>TOTAL CASH</b>	<u>167,918</u>
122	Accounts Receivable - HUD Other Projects	456
128	Accounts Receivable - Fraud Recovery	5,914
128.1	Allowance for Doubtful Accounts - Fraud Recovery	<u>(5,914)</u>
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	456
142	Prepaid Expenses	<u>1,640</u>
150	<b>TOTAL CURRENT ASSETS</b>	170,014
164	Furniture, Equipment & Machinery - Administration	11,990
166	Accumulated Depreciation	<u>(11,568)</u>
160	<b>TOTAL FIXED ASSETS, NET</b>	<u>422</u>
190	<b>TOTAL ASSETS</b>	<u><u>\$ 170,436</u></u>
	<b>LIABILITIES</b>	
312	Accounts Payable	<u>\$ 2,146</u>
310	<b>TOTAL CURRENT LIABILITIES</b>	2,146
	<b>TOTAL LIABILITIES</b>	2,146
508.1	Invested in Capital Assets, Net of Related Debt	422
511.1	Restricted Net Assets	141,061
512.1	Unrestricted Net Assets	<u>26,807</u>
	<b>TOTAL EQUITY/NET ASSETS</b>	<u>168,290</u>
	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	<u><u>\$ 170,436</u></u>

SENECA METROPOLITAN HOUSING AUTHORITY  
Statement of Revenue, Expenses and Changes in Equity  
For the Year Ended March 31, 2008

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

FDS Line Item No.	<u>Account Description</u>	
	Revenue:	
706	HUD PHA Operating Grant	\$ 837,504
711	Investment Income - Unrestricted	143
714	Fraud Recovery	4,286
720	Investment Income - Restricted	<u>317</u>
700	Total Revenue	842,250
	Expenses:	
912	Audit Fees	3,007
913	Outside Management Fees	64,416
916	Other Operating - Administrative	29,513
942	Ordinary Maintenance and Operations - Materials and Other	5,020
961	Insurance Premiums	<u>4,091</u>
969	Total Operating Expenses	<u>106,047</u>
970	Excess Operating Revenue over Expenses	736,203
	Other Expenses	
973	Housing Assistance Payments	657,687
974	Depreciation Expense	<u>509</u>
900	Total Expenses	764,243
1010	Total Other Funding Sources(Uses)	<u>-</u>
1000	Excess of Operating Revenue Over Expenses	78,007
1103	Beginning Equity	<u>90,283</u>
	Ending Equity	<u>\$ 168,290</u>

SENECA METROPOLITAN HOUSING AUTHORITY  
Additional Information Required by HUD  
Year Ended March 31, 2008

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

<u>FDS Line Item No.</u>	<u>Account Description</u>	
1117	Administrative Fee Equity	\$ 27,229
1118	Housing Assistance Payments Equity	\$ 141,061
1120	Unit Months Available	2,436
1121	Number of Unit Months Leased	2,235

SENECA METROPOLITAN HOUSING AUTHORITY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended March 31, 2008

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Voucher	14.871	\$ 833,994	\$ 755,987
Home Investment Partnership Program	14.239	\$ 8,256	<u>\$ 8,256</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 764,243</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 Seneca Metropolitan Housing Authority, Tiffin, Ohio (the Authority) as of and for the year ended March 31, 2008, and have issued my report thereon dated August 7, 2008. 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 the 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 Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the 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 the 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 the Authority's financial statements that is more than inconsequential will not be prevented or detected by the 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 the 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 the 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, those charged with governance 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 7, 2008



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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 (the 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, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the 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 the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

In my opinion, the 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, 2008.

### Internal Control Over Compliance

The management of the 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 the 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 the 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 allow 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, those charged with governance 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 7, 2008



**Seneca Metropolitan Housing Authority**  
 Schedule of Findings  
 March 31, 2008

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

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)? No

Identification of major programs:  
 14.871 Housing Choice Vouchers

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000 (Type A)

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Seneca Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended March 31, 2008

There were no audit findings, during the 2007 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 6, 2008**