

**SENECA METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

March 31, 2009

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, 2008 through March 31 2009. 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 26, 2009

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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, 2009 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, 2009, and the changes in net assets and revenues, expenditures and other changes for the year ended March 31, 2009 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 17, 2009 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 17, 2009





# Seneca Metropolitan Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2009

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 2009, the Authority's net assets decreased by a total of \$109,875 (or 65.29%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$168,290 and \$58,415 for FY2008 and FY2009 respectively.
- The revenue decreased by \$61,327 (or 7.28%) during FY2009, and was \$842,250 and \$780,923 for FY2008 and FY2009 respectively.
- The total expenses of the Authority increased by \$126,555 (or 16.56%) and were \$764,243 and \$890,798 for FY2008 and FY2009 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 2009
Current and Other Assets	\$170,014	\$ 60,379
Capital Assets	422	0
Total Assets	<u>170,436</u>	<u>60,379</u>
Other Liabilities	2,146	1,964
Long-Term Liabilities	0	0
Total Liabilities	<u>2,146</u>	<u>1,964</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	422	0
Restricted	141,061	25,634
Unrestricted	26,807	32,781
Total Net Assets	<u>\$168,290</u>	<u>\$58,415</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 decreased by \$109,635 or 64.59% in FY 2009. This decrease was due to the high leasing and using HAP reserves for maintaining high leasing, which decreased cash and investments. Liabilities also were slightly decreased by \$182.

Capital assets decreased from \$422 to \$0. The decrease is attributed to the current year’s depreciation of \$422. 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 3/31/2008		\$ 26,807
Results of Operations	5,553	
Adjustments:		
Depreciation (1)	422	
Adjusted Results from Operations		5,975
Capital Expenditures		<u>0</u>
Unrestricted Net Assets 3/31/09		<u><u>\$ 32,782</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.

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 3/31/2008		\$ 141,061
Results of Operations		
Unspent Current Year HAP funding	\$(117,239)	
Fraud Recovery Payments	1,748	
Interest Earned	64	
Adjusted Results from Operations		<u>(115,427)</u>
Restricted Net Assets 3/31/09		<u><u>\$ 25,634</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 2009
Revenues		
HUD PHA Operating Grants	\$ 837,504	\$ 777,281
Investment Income	460	146
Other Revenues – Fraud Recovery	4,286	3,496
Total Revenue	<u>842,250</u>	<u>780,923</u>
Expenses		
Administrative	96,936	104,743
Maintenance	5,020	704
General	4,091	3,919
Housing Assistance Payments	657,687	781,010
Depreciation	509	422
Total Expenses	<u>764,243</u>	<u>890,798</u>
Net Increase/(decrease)	<u>\$ 78,007</u>	<u>\$ (109,875)</u>

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

HUD PHA Operating Grants decreased by \$60,223 or 7.19% in FY 2009 due to reduction of HUD funding and no City of Tiffin TBRA program. The authority increased their HAP expenses in FY09 by \$123,323 or 18.75% thus decreasing their Restricted HAP account. This resulted in a net decrease of their restricted HAP funds of \$115,427 for the year.

All other expenses total also increase in FY09 by \$3,232 or 3.03%, attributed to normal inflation. The authority had a net increase to their unrestricted net assets of \$5,553.

**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 2009
Equipment – Administrative	\$ 11,990	\$ 11,990
Accumulated Depreciation	(11,568)	(11,990)
Total	<u>\$ 422</u>	<u>\$ 0</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	\$ 422
Additions	0
Depreciation	<u>(422)</u>
Beginning Balance	<u>\$ 0</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, 2009

ASSETS

**Current Assets**

Cash and Cash Equivalents (Note 1)	\$22,246
Accounts Receivable – HUD	10,933
Accounts Receivable - Fraud Recovery	650
Allowance for Doubtful Accounts	(650)
Prepaid Expenses	1,518
Deposits	<u>48</u>
Total Current Assets	34,745

**Non-Current Assets**

Restricted Cash and Cash Equivalents (Note 1)	25,634
Property and Equipment - Net (Note 1)	<u>0</u>
Total Non-Current Assets	<u>25,634</u>
<b>TOTAL ASSETS</b>	<u><u>\$60,379</u></u>

LIABILITIES AND NET ASSETS

**Current Liabilities**

Accounts Payable	<u>\$1,964</u>
Total Current Liabilities	<u>1,964</u>
Total Liabilities	<u><u>\$1,964</u></u>

**Net Assets**

Investment in Capital Assets, Net of Related Debt	\$0
Restricted	25,634
Unrestricted	<u>32,781</u>
Total Net Assets	<u><u>\$58,415</u></u>

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, 2009

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$777,281
Other Revenue	<u>3,496</u>
Total Operating Revenue	780,777

**Operating Expenses:**

Housing Assistance Payments	781,010
Other Administrative Expense	104,743
Material and Labor - Maintenance	704
Depreciation Expense	422
General Expenses	<u>3,919</u>
Total Operating Expenses	<u>890,798</u>

Operating Income (Loss) (110,021)

Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	<u>146</u>
Total Non-Operating Revenues (Expenses)	146

Change in Net Assets (109,875)

Net Assets - Beginning of Year 168,290

Net Assets - End of Year \$58,415

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, 2009

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	(\$115,328)
Housing assistance payments	(781,010)
HUD operating subsidies and grants	777,281
Other receipts	3,496
Other payments	<u>(4,623)</u>
Net Cash Provided (Used) by Operating Activities	(120,184)
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>
Net Cash Provided (Used) by Capital and Related Financing Activities	0
Cash Flows From Investing Activities:	
Investment Income	<u>146</u>
Net Cash Provided (Used) by Investing Activities	146
Increase (Decrease) in Cash and Cash Equivalents	(120,038)
Cash and Cash Equivalents - Beginning of Year	<u>167,918</u>
Cash and Cash Equivalents - End of Year	<u><u>\$47,880</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, 2009

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Income (Loss)	(\$110,021)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	422
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(10,477)
Prepaid Expenses	74
Increase (decrease) in liabilities:	
Accounts Payable	<u>(182)</u>
 Net cash used in operating activities	 <u><u>(\$120,184)</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, 2009**

**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, 2009**

**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, 2009**

**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 2009 fiscal year was \$422.

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. Net assets restricted by an enabling legislation was \$141,061.

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, 2009**

**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 \$47,880 (including \$25 of petty cash) and the bank balance was \$53,171.

**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 \$53,171 were covered by Federal Depository.

**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, 2009**

**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	\$ 47,880	\$ 0
Repurchase Agreement	0	( 0)
Per GASB Statement No. 3	\$ 47,880	\$ 0

\* Includes Petty Cash.



**SENECA METROPOLITAN HOUSING AUTHORITY  
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2009**

**NOTE 3 – Property and Equipment:**

A summary of property and equipment at March 31, 2009, by class is as follows:

Furniture, Equipment – Administrative	\$ 11,990
Less Accumulated Depreciation	<u>( 11,990)</u>
Net Property and Equipment	<u>\$ 0</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 – 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, 2009.

B. Litigation

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

**NOTE 6 – 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, 2009

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

FDS Line Item No.	<u>Account Description</u>	
	<b>ASSETS</b>	
111	Cash - Unrestricted	\$ 22,246
113	Cash - Other Restricted	25,634
100	<b>TOTAL CASH</b>	<u>47,880</u>
122	Accounts Receivable - HUD	10,934
128	Fraud Recovery	650
128.1	Allowance for Doubtful Accounts - Fraud	(650)
129	Accrued Interest Receivable	48
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	<u>10,982</u>
142	Prepaid Expenses	1,517
150	<b>TOTAL CURRENT ASSETS</b>	<u>60,379</u>
164	Furniture, Equipment & Machinery - Administration	11,990
166	Accumulated Depreciation	(11,990)
160	<b>TOTAL FIXED ASSETS, NET</b>	<u>0</u>
190	<b>TOTAL ASSETS</b>	<u>\$ 60,379</u>
	<b>LIABILITIES</b>	
312	Accounts Payable	\$ 1,964
310	<b>TOTAL CURRENT LIABILITIES</b>	<u>1,964</u>
	<b>TOTAL LIABILITIES</b>	1,964
511.1	Restricted Net Assets	25,634
512.1	Unrestricted Net Assets	32,781
	<b>TOTAL EQUITY/NET ASSETS</b>	<u>58,415</u>
	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	<u>\$ 60,379</u>

SENECA METROPOLITAN HOUSING AUTHORITY  
Statement of Revenue, Expenses and Changes in Equity  
For the Year Ended March 31, 2009

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

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
Revenue:		
70600-010	Housing Assistance Payments	\$ 663,771
70600-020	Ongoing Administrative Fees Earned	113,510
71100	Investment Income - Unrestricted	82
71400-010	Housing Assistance Payment	1,748
71400-020	Administrative Fee	1,748
72000-010	Housing Assistance Payment	64
700	Total Revenue	<u>780,923</u>
Expenses:		
91200	Audit Fees	3,313
91300	Management Fee	65,841
91310	Bookkeeping Fee	7,980
91400	Advertising and Marketing	186
91600	Office Expense	12,773
91700	Travel	125
91900	Other	14,525
94200	Ordinary Maintenance and Operations	704
96100	Insurance Premiums	3,919
91000	Total Operating Expenses	<u>109,366</u>
97000	Excess Operating Revenue over Expenses	671,557
Other Expenses		
97300	Housing Assistance Payments	781,010
97400	Depreciation Expense	422
900	Total Expenses	<u>890,798</u>
1000	Excess of Operating Revenue Over Expenses	(109,875)
11030	Beginning Equity	168,290
	Ending Equity	<u>\$ 58,415</u>

SENECA METROPOLITAN HOUSING AUTHORITY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended March 31, 2009

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	\$ 663,771	<u>\$ 781,010</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 781,010</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, 2009, and have issued my report thereon dated August 17, 2009. 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 17, 2009



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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, 2009. 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, 2009.

### 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 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, 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 17, 2009



**Seneca Metropolitan Housing Authority**  
 Schedule of Findings  
 March 31, 2009

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

No matters were reported.

**Seneca Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended March 31, 2009

There were no audit findings, during the 2008 fiscal year.



**Mary Taylor, CPA**  
Auditor of State

**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 5, 2009**