

SENECA METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

March 31, 2011

Together with Auditors' Report



Dave Yost • 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, 2010 through March 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 10, 2011

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**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

Table of Content

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Statement of Net Assets	10
Statement of Revenues and Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Financial Data Schedule – Balance Sheet	20
Financial Data Schedule – Statement of Revenue, Expenses Changes in Equity	21
Schedule of Expenditures of Federal Awards	22
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	23
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	25
Schedule of Findings	27
Summary Schedule of Prior Audit Findings	28

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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, 2011 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, 2011, and the changes in net assets and revenues, expenditures and other changes and cash flows for the year ended March 31, 2011 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 18, 2011 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 agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 21 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Seneca Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

August 18, 2011

Seneca Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2011

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 2011, the Authority's net assets decreased by a total of \$9,040 (or 9.31%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$97,074 and \$88,034 for FY2010 and FY2011 respectively.
- The revenue increased by \$14,382 (or 1.57%) during FY2011, and was \$915,564 and \$929,946 for FY2010 and FY2011 respectively.
- The total expenses of the Authority increased by \$62,081 (or 7.08%) and were \$876,905 and \$938,986 for FY2010 and FY2011 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 2010	FY 2011
Current and Other Assets	\$ 106,411	\$ 99,286
Capital Assets	<u>0</u>	<u>736</u>
Total Assets	<u>106,411</u>	<u>100,022</u>
Other Liabilities	9,337	11,988
Long-Term Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>9,337</u>	<u>11,988</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	0	736
Restricted	65,544	67,698
Unrestricted	<u>31,530</u>	<u>19,600</u>
Total Net Assets	<u>\$ 97,074</u>	<u>\$ 88,034</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 \$7,125 or 6.7% in FY 2011. This decrease was due to the operating loss for FY11. The increase in liabilities by \$2,651 or 28.39% in FY11 was from the overpayment admin funds that are now deferred to FY12 revenues.

Capital assets increased during FY 2011 by \$736. The increase is attributed to the current year’s purchases of \$883 less current year’s depreciation of \$147. 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 3/31/2010		\$ 31,530
Results of Operations	(11,194)	
Adjustments:		
Depreciation	147	
Adjusted Results from Operations		(11,047)
Capital Expenditures		<u>(883)</u>
Unrestricted Net Assets 3/31/2011		<u><u>\$ 19,600</u></u>

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 3/31/2010		\$ 65,544
Results of Operations		
Unspent Current Year HAP funding	\$ 1,411	
Fraud Recovery Payments	601	
Interest Earned	142	
Adjusted Results from Operations		<u>2,154</u>
Restricted Net Assets 3/31/2011		<u><u>\$ 67,698</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 2010	FY 2011
Revenues		
HUD PHA Operating Grants	\$ 902,152	\$ 928,547
Investment Income	116	195
Other Revenues – Fraud Recovery	13,296	1,204
Total Revenue	<u>915,564</u>	<u>929,946</u>
Expenses		
Administrative	105,651	114,619
Maintenance	629	5,785
General	3,620	4,079
Housing Assistance Payments	767,005	814,356
Depreciation	0	147
Total Expenses	<u>876,905</u>	<u>938,986</u>
Net Increase/(decrease)	<u>\$ 38,659</u>	<u>\$ (9,040)</u>

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

HUD PHA Operating Grants increased by \$26,395 or 2.92% in FY 2011 due to an increase of HUD funding. The leasing rate for FY11 was 101% leasing 2456 unit months out a possible 2436. This high leasing rate also resulted in the increase of \$47,351 or 6.17% for FY11 in HAP expense.

All other expenses also increased FY11, attributed to normal inflation and cost attributed to leasing both the HCV and TBRA program.

The \$9,040 deficit is made up of a \$2,155 increase to Restricted HAP funds and an \$11,195 deficit to administrative operations

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$736 invested in capital assets as reflected in the following schedule, which represents an increase (addition, deductions and depreciation).

Table 4

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

	Business-type Activities	
	FY 2010	FY 2011
Equipment – Administrative	\$ 5,706	\$ 6,589
Accumulated Depreciation	(5,706)	(5,853)
Total	<u>\$ 0</u>	<u>\$ 736</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 18 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$ 0
Additions	883
Depreciation	<u>(147)</u>
Beginning Balance	<u>\$ 736</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, 2011

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$ 29,669
Accounts Receivable - Fraud Recovery	3,557
Allowance for Doubtful Accounts	(3,557)
Accrued Interest Receivable	63
Prepaid Expenses	1,458
Deposits	<u>398</u>
Total Current Assets	31,588

Non-Current Assets

Restricted Cash and Cash Equivalents (Note 1)	67,698
Property and Equipment - Net (Note 1)	<u>736</u>
Total Non-Current Assets	<u>68,434</u>
TOTAL ASSETS	<u><u>\$100,022</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 5,285
Deferred Revenue	<u>6,703</u>
Total Current Liabilities	<u>11,988</u>
Total Liabilities	<u><u>\$ 11,988</u></u>

Net Assets

Investment in Capital Assets, Net of Related Debt	\$ 736
Restricted	67,698
Unrestricted	<u>19,600</u>
Total Net Assets	<u><u>\$ 88,034</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, 2011

Operating Revenue:

HUD Operating Subsidies and Grants	\$928,547
Other Revenue	<u>1,204</u>
Total Operating Revenue	929,751

Operating Expenses:

Housing Assistance Payments	814,356
Other Administrative Expense	114,619
Material and Labor – Maintenance	5,785
Depreciation Expense	147
General Expenses	<u>4,079</u>
Total Operating Expenses	<u>938,986</u>

Operating Income (Loss)	(9,235)
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Non-Operating Revenues (Expenses)

Investment Income – Unrestricted	<u>195</u>
Total Non-Operating Revenues (Expenses)	195

Change in Net Assets	(9,040)
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Net Assets - Beginning of Year	<u>97,074</u>
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Net Assets - End of Year	<u><u>\$ 88,034</u></u>
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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, 2011

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (110,141)
Housing assistance payments	(814,356)
HUD operating subsidies and grants	928,547
Other receipts	1,204
Other payments	<u>(9,864)</u>
Net Cash Provided (Used) by Operating Activities	(4,610)
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	<u>0</u>
	0
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>
	0
Cash Flows From Investing Activities:	
Property and Equipment Purchased	(883)
Investment Income	<u>195</u>
Net Cash Provided (Used) by Investing Activities	(688)
Increase (Decrease) in Cash and Cash Equivalents	(5,298)
Cash and Cash Equivalents - Beginning of Year	<u>102,665</u>
Cash and Cash Equivalents - End of Year	<u>\$ 97,367</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (9,235)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Depreciation	147
Accounts Receivable	1,986
Prepaid Expenses	246
Accrued Interest Receivable	(55)
Deposits	(350)
Increase (decrease) in liabilities:	
Accounts Payable	(4,052)
Deferred Revenue	<u>6,703</u>
Net cash Provided (Used) in operating activities	<u>\$ (4,610)</u>

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

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

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, 2011**

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, 2011**

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 2011 fiscal year was \$147.

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 \$67,698.

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, 2011**

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 \$97,367 (including \$25 of petty cash) and the bank balance was \$97,506.

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 \$97,506 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, 2011**

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. However, at March 31, 2011, the Authority investments were limited to certificates of deposits.

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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee.

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years < 1)</u>
Carrying Amount of Deposits	\$ 97,342	\$ 97,342
Petty Cash	<u>25</u>	<u>25</u>
Totals	<u>\$ 97,367</u>	<u>\$ 97,367</u>

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 3 – Restricted Cash:

Restricted cash balance as of March 31, 2011 of \$67,698 represents cash advanced from the Department of Housing and Urban Development for housing assistance.

NOTE 4 – Property and Equipment:

A summary of property and equipment at March 31, 2011, by class is as follows:

Furniture, Equipment – Administrative	\$ 6,589
Less Accumulated Depreciation	<u>(5,853)</u>
Net Property and Equipment	<u>\$ 736</u>

NOTE 5– 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. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
General Liability	\$ 5,000	\$ 5,000,000 (per occurrence)
Transportation	\$ 5,000	\$ 1,000,000
Employee Dishonesty		\$ 25,000

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, 2011.

B. Litigation

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

**SENECA METROPOLITAN HOUSING AUTHORITY
TIFFIN, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

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, 2011

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

FDS Line Item No.	Account Description	Section 8	Home	Total
ASSETS				
111	Cash – Unrestricted	\$ 29,669	\$ 0	\$ 29,669
113	Cash - Other Restricted	<u>42,597</u>	<u>0</u>	<u>42,597</u>
100	TOTAL CASH	72,266	0	72,266
128	Fraud Recovery	3,557		3,759
128.1	Allowance for Doubtful Accounts - Fraud	(3,557)		(3,759)
129	Accrued Interest Receivable	<u>63</u>	<u>0</u>	<u>63</u>
120	TOTAL ACCOUNTS RECEIVABLE	63	0	63
131	Investment - Unrestricted	25,101		25,101
142	Prepaid Expenses and Other Assets	<u>1,856</u>	<u>0</u>	<u>1,856</u>
150	TOTAL CURRENT ASSETS	99,286	0	99,286
164	Furniture, Equipment & Machinery - Administration	6,442		6,442
166	Accumulated Depreciation	<u>(5,706)</u>	<u>0</u>	<u>(5,706)</u>
160	TOTAL FIXED ASSETS, NET	<u>736</u>	<u>0</u>	<u>736</u>
190	TOTAL ASSETS	<u>\$ 100,022</u>	<u>\$ 0</u>	<u>\$ 100,022</u>
LIABILITIES				
312	Accounts Payable	\$ 5,285		\$ 5,285
342	Deferred Revenues	<u>6,703</u>	<u>0</u>	<u>6,703</u>
310	TOTAL CURRENT LIABILITIES	<u>11,988</u>	<u>\$ 0</u>	<u>11,988</u>
	TOTAL LIABILITIES	11,988	0	11,988
508.1	Invested in Capital Assets Net	736		736
511.1	Restricted Net Assets	67,698		67,698
512.1	Unrestricted Net Assets	<u>19,600</u>	<u>0</u>	<u>19,600</u>
	TOTAL EQUITY/NET ASSETS	<u>88,034</u>	<u>0</u>	<u>88,034</u>
	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 100,022</u>	<u>\$ 0</u>	<u>\$ 100,022</u>

SENECA METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended March 31, 2011

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

FDS Line Item No.	<u>Account Description</u>	<u>Section 8</u>	<u>Home</u>	<u>Total</u>
Revenue:				
70600	Housing Assistance Payments	\$ 924,123	\$4,022	\$928,145
71100	Investment Income – Unrestricted	53		53
71400	Fraud Recovery	1,204		1,204
71500	Other Revenue		402	402
72000	Investment Income – Restricted	<u>142</u>		<u>142</u>
700	Total Revenue	925,522	4,424	929,946
Expenses:				
91200	Audit Fees	3,225		3,225
91300	Management Fee	77,608	402	78,010
91310	Bookkeeping Fee	8,232		8,232
91400	Advertising and Marketing	231		231
91600	Office Expense	14,502		14,502
91700	Legal Expense	941		941
91800	Travel	84		84
91900	Other	<u>9,394</u>		<u>9,394</u>
91000	Total Operating Expenses	114,217	402	114,619
94300	Ordinary Maintenance and Operations Contracts	<u>5,785</u>		<u>5,785</u>
94000	Total Maintenance	5,785	0	5,785
96130	Workmen's Compensation	100		100
96140	All Other Insurance	<u>3,979</u>		<u>3,979</u>
	Total Insurance Premiums	4,079	0	4,079
96900	Total Operating Expenses	<u>124,081</u>	<u>402</u>	<u>124,483</u>
97000	Excess Operating Revenue over Operating Expenses	801,441	4,022	805,463
Other Expenses				
97300	Housing Assistance Payments	810,334	4,022	814,356
97400	Depreciation Expense	<u>147</u>		<u>147</u>
90000	Total Expenses	<u>934,562</u>	<u>4,424</u>	<u>938,986</u>
10000	Excess of Revenue Over Expenses	(9,040)	0	(9,040)
11030	Beginning Equity	<u>97,074</u>		<u>97,074</u>
	Ending Equity	<u>\$ 88,034</u>	<u>\$ 0</u>	<u>\$ 88,034</u>

SENECA METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended March 31, 2011

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Program Award <u>Amount</u>	Federal <u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Voucher	14.871	\$ 928,145	<u>\$ 814,356</u>
			<hr/>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 814,356</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, 2011, and have issued my report thereon dated August 18, 2011. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seneca Metropolitan Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

I noted certain matters that I reported to management of the Authority's in a separate letter dated August 18, 2011.

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 18, 2011



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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, 2011. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America and OMB Circular A-1 33, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-1 33 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seneca Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for our opinion. My audit does not provide a legal determination of Seneca Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Seneca Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs as of March 31, 2011 and for the year ended.

Internal Control Over Compliance

The management of Seneca Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Seneca Metropolitan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Seneca Metropolitan Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 18, 2011

Seneca Metropolitan Housing Authority
 Schedule of Findings
 March 31, 2011

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? No

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, 2011

There were no audit findings, during the 2010 fiscal year.



Dave Yost • 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 29, 2011**