

SENECA METROPOLITAN HOUSING AUTHORITY

SENECA COUNTY

SINGLE AUDIT

APRIL 1, 2016 – MARCH 31, 2017



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS



Dave Yost • Auditor of State

Board of Directors
Seneca Metropolitan Housing Authority
PO Box 1029
Mansfield, OH 44901

We have reviewed the *Independent Auditor's Report* of the Seneca Metropolitan Housing Authority, Seneca County, prepared by Wilson, Shannon & Snow, Inc., for the audit period April 1, 2016 through March 31, 2017. 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

September 27, 2017

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**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Seneca Metropolitan Housing Authority
Seneca County
P.O. Box 1029
Mansfield, OH 44501

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Seneca Metropolitan Housing Authority, Seneca County, Ohio (the Authority), as of and for the fiscal year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Seneca Metropolitan Housing Authority
Seneca County
Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seneca Metropolitan Housing Authority, Seneca County as of March 31, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Financial Data Schedules as required by the Department of Housing and Urban Development present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Seneca Metropolitan Housing Authority
Seneca County
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report August 23, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
August 23, 2017

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Seneca Metropolitan Housing Authority’s (the Authority”) Management’s Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position, and (d) identify individual fund issues or concerns.

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 fiscal year 2017, the Authority’s net position decreased by \$5,099 (or 11%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position for fiscal year 2016 was \$46,539 and net position for fiscal year 2017 was \$41,440.
- The revenues decreased by \$8,906 (or 1.09%) during fiscal year 2017, and were \$819,201 and \$810,295 for fiscal year 2016 and fiscal year 2017 respectively.
- Total expenses increased by \$26,399 (or 3.35%) during fiscal year 2017 and were \$788,995 and \$815,394 for fiscal year 2016 and fiscal year 2017 respectively.

USING THIS ANNUAL REPORT

The following is a graphic outlining the major sections of the report:

<p>MD&A ~ Management’s Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Basic Financial Statements~ ~ Notes to the Basic Financial Statements ~</p>
<p>Other Required Supplementary Information ~ Required Supplementary Information – none ~</p>
<p>Supplementary and Other Information ~ Financial Data Schedules ~ ~ Schedule of Expenditures of Federal Awards ~</p>

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

The primary focus of the Authority's financial statement is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Authority to Authority) and enhance the Authority's accountability.

Government-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities equal "Net Position". 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 Position (the "Unrestricted" portion) is designed to represent the net available liquid (non-capital) assets and deferred outflows, net of liabilities and deferred inflows, for the entire Authority. Net Position is reported in three broad categories:

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, 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. The Authority does not have any outstanding debt.

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

Unrestricted: Consists of Net Position that do not meet the definition of "Investment in Capital Assets", or "Restricted".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as grant revenue, Operating Expenses, such as administrative, housing assistance payments, utilities, and maintenance, and depreciation, and Non-Operating Revenue, such as interest revenue.

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

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

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

The Authority's Fund

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector. The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD).

Business-Type Activities:

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 (HAP) made to the landlord. The program is administered under an 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.

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior fiscal year.

STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>
Current and Noncurrent Assets	\$42,941	\$50,661
Capital Assets, Net	709	-
Total Assets	43,650	50,661
Current Liabilities	2,210	4,122
Total Liabilities	2,210	4,122
Net position:		
Investment in Capital Assets	709	-
Restricted	6,319	22,103
Unrestricted	34,412	24,436
Total Net Position	\$41,440	\$46,539

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

Major Factors Affecting the Statement of Net Position

Current and other assets decreased by \$7,720 in fiscal year 2017. This difference mostly represents the excess cash spent in housing assistance payments under the Housing Choice Voucher Program. Liabilities decreased by \$1,912 due to a decrease in unearned revenue offset by an increase in accounts payable which fluctuates based on timing of invoices and payments at fiscal year ends. For fiscal year 2017, the Authority reported accounts receivable of \$2,575 related to admin fees earned and owned from HUD. Capital assets increased by \$709, based on the purchase of computer equipment.

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position March 31, 2016		\$24,436
Results of Operations	10,685	
Adjustments:		
Depreciation (1)	<u>142</u>	
Adjusted Results from Operations		10,827
Capital Expenditures		<u>(851)</u>
Unrestricted Net Position March 31, 2017		<u><u>\$34,412</u></u>

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

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position March 31, 2016		\$22,103
Results of Operations		
HAP Reserves Spent	(18,096)	
Fraud Recovery Payments	<u>2,312</u>	
Adjusted Results from Operations		<u>(15,784)</u>
Restricted Net Position March 31, 2017		<u><u>\$6,319</u></u>

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**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	<u>2017</u>	<u>2016</u>
Revenues		
HUD PHA Operating Grants	\$801,285	\$810,103
Interest	58	34
Other Revenues	4,328	8,127
Fraud Recovery	4,624	937
Total Revenue	<u>810,295</u>	<u>819,201</u>
Expenses		
Administrative	98,480	94,974
Maintenance and Operations	2,494	3,409
Insurance and General	2,962	2,837
Housing Assistance Payments	711,316	687,775
Depreciation	142	-
Total Expenses	<u>815,394</u>	<u>788,995</u>
Change in Net Position	(5,099)	30,206
Net Position at April 1	<u>46,539</u>	<u>16,333</u>
Net Position at March 31	<u><u>\$41,440</u></u>	<u><u>\$46,539</u></u>

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

The leasing rate for HCV program in fiscal year 2017 increased 99.3% compared to fiscal year 2016 which was 97.7% with 2,420 unit months leased out of a possible 2,436.

HUD PHA Operating Grants decreased by \$8,818 or 1.1% in fiscal year 2017 due to HUD funding.

Housing Assistance Payments increased \$23,541 in fiscal year 2017 (or 3.4%). All other expenses remained fairly consistent with the prior fiscal year based on little change in operations of the Authority, along with the Authority trying to reduce costs.

The \$5,099 decrease in net position is made up of a \$15,784 decrease to restricted housing assistance payment funds offset by a \$10,685 increase to administrative operations.

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2017, the Authority had \$709 invested in capital assets as reflected in the following schedule, which represents an increase from fiscal year 2016. A new computer was purchased and two old fully depreciated computers were removed.

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

	<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>
Capital Assets, Cost	\$3,394	\$6,589
Accumulated Depreciation	<u>(2,685)</u>	<u>(6,589)</u>
	<u>\$709</u>	<u>\$ -</u>

Capital Assets are presented in detail on page 17 of the notes.

CHANGE IN CAPITAL ASSETS

	<u>Business Type Activities</u>
Beginning Balance	\$ -
Additions	851
Depreciation	<u>(142)</u>
Ending Balance	<u>\$ 709</u>

Additions of capital assets for fiscal year 2017 consisted of a new computer. The Authority had \$4,046 in disposals of fully depreciated capital assets for fiscal year 2017.

Debt Outstanding

As of March 31, 2017, the Authority has no outstanding debt.

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 demand for 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
SENECA COUNTY**

**STATEMENT OF NET POSITION
MARCH 31, 2017**

Assets

Current Assets:

Cash	\$ 32,860
Accounts Receivable	2,575
Prepaid Items	<u>1,187</u>
Total Current Assets	<u>36,622</u>

Non-Current Assets:

Restricted Cash	6,319
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Capital Assets:

Furniture and Equipment	3,394
Accumulated Depreciation	<u>(2,685)</u>
Total Capital Assets	<u>709</u>

Total Non-Current Assets	<u>7,028</u>
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Total Assets	<u><u>43,650</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	<u>2,210</u>
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Total Liabilities	<u>2,210</u>
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Net Position

Investment in Capital Assets	709
Restricted	6,319
Unrestricted	<u>34,412</u>

Total Net Position	<u><u>\$ 41,440</u></u>
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The notes to the basic financial statements are an integral part of the statements.

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

Operating Revenues		
HUD PHA Operating Grants		\$ 801,285
Fraud Recovery		4,624
Other Revenues		<u>4,328</u>
Total Operating Revenue		<u>810,237</u>
Operating Expenses		
Housing Assistance Payments	711,316	
Administrative	98,480	
Maintenance and Operations	2,494	
Depreciation	142	
Insurance & General	<u>2,962</u>	
Total Operating Expenses		<u>815,394</u>
Operating Loss		<u>(5,157)</u>
Nonoperating Revenues		
Interest		<u>58</u>
Total Nonoperating Revenues		<u>58</u>
Change in Net Position		(5,099)
Net Position at April 1, 2016		<u>46,539</u>
Net Position at March 31, 2017		<u><u>\$ 41,440</u></u>

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

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

Cash flows from operating activities:

Cash received from HUD and other grantor agencies	\$ 796,341
Cash received from other sources	8,952
Cash payments for good or services - HUD	(711,316)
Cash payments for goods or services	(103,613)
	(9,636)
Net cash used by operating activities	(9,636)

Cash flows from investing activities:

Interest	58
	58
Net cash provided by investing activities	58

Cash flows from capital and related activities:

Acquisition of capital assets	(851)
	(851)
Net cash used by capital and related activities	(851)
Net change in cash	(10,429)
Cash at April 1, 2016	49,608
Cash at March 31, 2017	\$ 39,179

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (5,157)
Depreciation	142
Changes in assets and liabilities:	
Accounts receivable	(2,575)
Prepaid items	(134)
Accounts payable	457
Other liabilities	(2,369)
	(2,369)
Net cash used by operating activities	\$ (9,636)

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

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Seneca Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the generally accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Choice Voucher 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 which are similar to those found in the private sector. The following is the Authority's only 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 position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. 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.

Accounting and Reporting for Nonexchange Transactions

The Authority accounts for nonexchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after June 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

<u>Description</u>	<u>Estimated Useful Life – Years</u>
Equipment	3-7
Computer Hardware	3

Prepaid Items

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal year.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$6,319.

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. Net position is 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. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did report restricted net position for HAP reserves of \$6,319 at March 31, 2017.

SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 non-operating revenues.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in a non-interest bearing checking account. Security shall be furnished for all accounts in the Authority's name.

Cash and cash equivalents included in the Authority's cash position at March 31, 2017 are as follows:

Demand deposits:	<u>Checking</u>
Bank balance	\$40,503
Items-in-transit	<u>(1,349)</u>
Carrying balance	<u><u>\$39,154</u></u>

The fiscal year-end bank balance of \$40,503 was covered by federal deposit insurance. In addition, \$25 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net position.

Based on the Authority having only demand deposits at March 31, 2017, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
(CONTINUED)

3. 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 fiscal years.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
General Liability	\$5,000	\$2,000,000
		(per occurrence)
Transportation	\$2,000	\$ 500,000
Employee Dishonesty		\$ 25,000

4. CAPITAL ASSETS

The following is a summary of capital assets at March 31, 2017:

	<u>Balance at</u> <u>April 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>March 31, 2017</u>
Furniture & equipment	\$6,589	\$851	(\$4,046)	\$3,394
Accumulated depreciation	<u>(6,589)</u>	<u>(142)</u>	<u>4,046</u>	<u>(2,685)</u>
Total Capital assets, net	<u>\$ -</u>	<u>\$709</u>	<u>\$ -</u>	<u>\$709</u>

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 would not have a material adverse effect on the overall financial position of the Authority at March 31, 2017.

B. Litigation

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

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
MARCH 31, 2017**

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers
	Current Assets	
	Cash	
111	Cash - Unrestricted	\$ 32,860
113	Cash - Other Restricted	6,319
100	Total Cash	<u>39,179</u>
	Accounts Receivable	
122	HUD Other Projects	2,575
128	Fraud Recovery	798
128.1	Allowance for Doubtful Accounts	(798)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>2,575</u>
	Other Assets	
142	Prepaid Items	1,187
150	Total Current Assets	<u>42,941</u>
	Noncurrent Assets	
	Capital Assets	
164	Furniture and Equipment - Administration	3,394
166	Accumulated Depreciation	(2,685)
160	Total Capital Assets net of accumulated depreciation	<u>709</u>
180	Total Noncurrent Assets	<u>709</u>
190	Total Assets and Deferred Outflow of Resources	<u>\$ 43,650</u>
	Current Liabilities	
312	Accounts Payable	\$ 2,210
310	Total Current Liabilities	<u>2,210</u>
300	Total Liabilities	<u>2,210</u>
	Net Position	
508.4	Invested in Capital Assets	709
511.4	Restricted Net Position	6,319
512.4	Unrestricted Net Position	34,412
	Total Net Position	<u>41,440</u>
600	Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 43,650</u>

NOTE FOR REAC REPORTING: The accompanying statements have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers
	Revenue	
70600-010	Housing Assistance Payment Revenues	\$ 689,604
70600-020	Administrative Fees Revenues	111,681
70600	HUD PHA Operating Grants	<u>801,285</u>
71100	Investment Income - Unrestricted	<u>58</u>
71400	Fraud Recovery	<u>4,624</u>
71500	Other Revenue	<u>4,328</u>
70000	Total Revenue	<u>810,295</u>
	Expenses	
91200	Auditing Fees	4,328
91300	Management Fees	68,363
91400	Advertising and Marketing	24
91600	Office Expenses	16,505
91700	Legal Expenses	135
91800	Travel	849
91900	Other	<u>8,276</u>
91000	Total Operating - Administrative	<u>98,480</u>
94200	Ordinary Maintenance and Operations - Materials and Other	<u>2,494</u>
94000	Total Maintenance and Operations	<u>2,494</u>
96120	Liability Insurance	2,842
96130	Workmen's Compensation	120
96100	Total Insurance Premiums	<u>2,962</u>
96900	Total Operating Expenses	<u>103,936</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>706,359</u>
	Other Expenses	
97300	Housing Assistance Payments	707,700
97350	HAP Portability-In	3,616
97400	Depreciation Expense	142
	Total Other Expenses	<u>711,458</u>
90000	Total Expenses	<u>815,394</u>
10000	Excess of Revenues under Expenses	(5,099)
11030	Beginning Net Position	<u>46,539</u>
11170	Administrative Fee Equity	35,121
11180	Housing Assistance Payment Equity	6,319
	Total Ending Net Position	<u>\$ 41,440</u>

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**STATEMENT OF CHANGES IN EQUITY BALANCES
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	
11170-001	Administrative Fee Equity - Beginning Balance		\$ 24,436
11170-010	Administrative Fee Revenue	\$ 111,681	
11170-040	Investment Income	58	
11170-045	Fraud Recovery Revenue	2,312	
11170-050	Other Revenue	4,328	
11170-051	Comment for Other Revenue: Adminstrative and HAP Revenues from Portability-In Units		
11170-060	Total Administrative Fee Revenues		\$ 118,379
11170-080	Total Operating Expenses	103,936	
11170-090	Depreciation	142	
11170-095	Housing Assistance Payment Portability-In	3,616	
11170-110	Total Expenses		<u>107,694</u>
11170-002	Net Administrative Fee		10,685
11170-003	Administrative Fee Equity - Ending Balance		<u>35,121</u>
11170	Administrative Fee Equity		<u><u>\$ 35,121</u></u>
11180-001	Housing Assistance Payments Equity - Beginning Balance		\$ 22,103
11180-010	Housing Assistance Payment Revenues	689,604	
11180-015	Fraud Recovery Revenue	2,312	
11180-030	Total Housing Assistance Payments Revenues		691,916
11180-080	Housing Assistance Payments	707,700	
11180-100	Total Housing Assistance Payments Expenses		707,700
11180-002	Net Housing Assistance Payments		(15,784)
11180-003	Housing Assistance Payments Equity - Ending Balance		<u>6,319</u>
11180	Housing Assistance Payments Equity		<u><u>\$ 6,319</u></u>

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2017**

<u>Federal Grantor/Pass Through Grantor Program/Cluster Title</u>	<u>Pass- Through Number</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers	N/A	14.871	\$ 801,285
Total Expenditures of Federal Awards			\$ 801,285

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Seneca Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended March 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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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**

Seneca Metropolitan Housing Authority
Seneca County
P.O. Box 1029
Mansfield, Ohio 44501

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Seneca Metropolitan Housing Authority, Seneca County, (the Authority) as of and for the fiscal year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 23, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
August 23, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Seneca Metropolitan Housing Authority
Seneca County
P.O. Box 1029
Mansfield, Ohio 44501

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Seneca Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Seneca Metropolitan Housing Authority's major federal program for the fiscal year ended March 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Seneca Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended March 31, 2017.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shanna & Son, Inc.

Newark, Ohio
August 23, 2017

**SENECA METROPOLITAN HOUSING AUTHORITY
SENECA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
MARCH 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Housing Choice Vouchers/CFDA #14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

SENECA COUNTY 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
OCTOBER 10, 2017**