# MANSFIELD METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2008

Together with Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Mansfield Metropolitan Housing Authority
88 West Third Street
P.O. Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Mansfield Metropolitan Housing Authority, Richland County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mansfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 19, 2008

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**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND, OHIO**

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**Independent Auditor's Report**

Board of Trustees
Mansfield Metropolitan Housing Authority
Richland, Ohio

I have audited the accompanying statement of net assets of Mansfield Metropolitan Housing Authority, as of June 30, 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Mansfield 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 Mansfield Metropolitan Housing Authority, as of June 30, 2008, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 – 10 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 November 4, 2008 on my consideration of the Mansfield Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 the 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.

Mansfield Metropolitan Housing Authority has omitted the supplementary information required by the U.S. Department of Housing and Urban Development. The required supplementary information is the responsibility of management of Mansfield Metropolitan Housing Authority, and is not a required part of the basic financial statements.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Mansfield 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. This schedule is the responsibility of management of Mansfield 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.

November 4, 2008

# Mansfield Metropolitan Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2008

The Mansfield 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 (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 11).

## FINANCIAL HIGHLIGHTS

- During FY 2008, the Authority's net assets increased by $456,477 (or 30.60%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $1,491,585 and $1,948,062 for FY 2007 and FY 2008 respectively.

- The revenue increased by $1,031,967 (or 13.74%) during FY 2008, and was $7,513,100 and $8,545,218 for FY 2007 and FY 2008 respectively.

- The total expenses of the Authority increased by $315,570 (or 4.05%). Total expenses were $7,773,218 and $8,088,788 for FY 2007 and FY 2008 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 11-12) 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.

New Construction Section8 Program - Under the New Construction Project Based Program the Authority serves as Contract Administrator for two (2) projects: Smiley Gardens and Morchester Villa. The family's rent is subsidized through a Housing Assistance Payment made between the project owner and the family. HUD provides Annual Contributions Funding to the Authority to pay the owner. The Participants' rent is set at 30% of adjusted household income.

Other Non-major Funds - In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses:

Local/State Activities – represents non-HUD resources developed from a variety of activities.

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

## AUTHORITY-WIDE STATEMENT

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

**STATEMENT OF NET ASSETS**

| | FY 2008 | RESTATED FY 2007 |
|---|---|---|
| Current and Other Assets | $1,471,737 | $1,032,009 |
| Capital Assets | 963,873 | 1,002,782 |
| Total Assets | 2,435,610 | 2,034,791 |
| Other Liabilities | 70,951 | 118,675 |
| Non-Current Liabilities | 416,597 | 424,531 |
| Total Liabilities | 487,548 | 543,206 |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 668,497 | 678,386 |
| Restricted | 322,130 | 26,167 |
| Unrestricted | 957,435 | 787,032 |
| Total Net Assets | $1,948,062 | $1,491,585 |

For more detailed information see page 11 for the Statement of Net Assets.

### Major Factors Affecting the Statement of Net Assets

Current assets were increased by $439,728 or 42.61% while liabilities were decreased by $55,658 or .10%. Current assets (primarily cash and investments) were used to extinguish liabilities. Current assets increases where increased because of funding increases for both HAP & administrative from HUD. The authority also had better earnings on investments.

The Capital Assets decreased in 2008 the net result of $38,909 due to additions or purchases, disposition of assets and current year's depreciation. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets and Table 3 the details on the change in Restricted Net Assets.

**TABLE 2**

**CHANGE OF UNRESTRICTED NET ASSETS**

| | | |
|---|---|---|
| Unrestricted Net Assets 6/30/07 (Restated) | | $ 787,032 |
| Results of Operations | 162,134 | |
| Adjustments: | | |
| Depreciation (1) | 53,591 | |
| Prior Period Adjustment (2) | 198 | |
| Adjusted Results from Operations | | 215,923 |
| Capital Expenditures | | (16,500) |
| Retirement of Debt | | (29,020) |
| Unrestricted Net Assets 6/30/08 | | $ 957,435 |

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
(2) Prior period adjustment to correct computer posting error of a 6/30/07 check posted to 7/31/07 expenses.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**TABLE 3**

**CHANGE OF RESTRICTED NET ASSETS**

| | | |
|---|---|---|
| Restricted Net Assets 6/30/07 Restated | | $ 26,167 |
| Results of Operations | | |
| Unspent Current Year HAP funding | $282,268 | |
| Recovery /Other Payments | 12,228 | |
| Interest Earned | 1,467 | |
| Adjusted Results from Operations | | 295,963 |
| Restricted Net Assets 6/30/08 | | $ 322,130 |

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets compared to prior year.

**TABLE 4**

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

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

| | FY 2008 | FY 2007 |
|---|---|---|
| Revenues | | |
| HUD PHA Operating Grants | $ 8,032,085 | $ 7,018,702 |
| Investment Income-ALL | 28,583 | 18,836 |
| G/L on Disposition of Equipment | 1,000 | 0 |
| Other Revenues - Service Income | 462,493 | 452,355 |
| Other Revenues – Fraud Recovery-All | 20,906 | 23,207 |
| Total Revenue | 8,545,067 | 7,513,100 |
| Expenses | | |
| Administrative | 1,092,281 | 1,160,551 |
| Maintenance | 28,636 | 25,804 |
| General | 40,352 | 37,792 |
| Housing Assistance Payments | 6,872,110 | 6,489,719 |
| Depreciation | 55,409 | 59,352 |
| Total Expenses | 8,088,788 | 7,773,218 |
| Net Increase/ (Decrease) | $ 456,279 | $(260,118) |

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

HUD PHA Grants increase was caused by the increases in HUD funding. Housing Assistance Payments also increased due to maintaining a high leasing schedule and the increase in funding.

The large net increase is caused in part by the calendar year increase in HAP funds which increased the Restricted HAP reserves by $295,963 and the surplus in the fiscal year operations by $162,134.

Administrative expenses had a decrease due changes in staffing and the reduction of overtime and other expenses. Most other expenses increased moderately due to inflation.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of 6/30/08 the Authority had $963,873 in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

## TABLE 5

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

| | Business-type Activities | |
|---|---|---|
| | FY 2008 | FY 2007 |
| Land | $ 30,000 | $ 30,000 |
| Building & Improvements | 1,043,137 | 1,043,137 |
| Furniture & Equipment | 179,074 | 179,074 |
| Vehicles | 56,135 | 49,165 |
| Accumulated Depreciation | (344,473) | (298,594) |
| Total | $ 963,873 | $ 1,002,782 |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

## TABLE 6

## CHANGE IN CAPITAL ASSETS

| | Business Type Activities |
|---|---|
| Beginning Balance, July 1, 2007 | $ 1,002,782 |
| Additions | 15,500 |
| Gain/(Loss) from Disposition | 1,000 |
| Depreciation | (55,409) |
| Ending Balance, June 30,2008 | $ 963,873 |

This year's major additions are:

A used Automobile -2006 Honda for $15,500

**Debt Outstanding**

As of 6/30/08 the Authority had $ 295,376 in debt (mortgage) outstanding as compared to $ 324,396 last year, a $29,020 decrease.

## 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 Mansfield Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH  44901.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

| | |
|---|---|
| **Current Assets** | |
| Cash and Cash Equivalents - Unrestricted (Note 2) | $ 1,014,532 |
| Cash and Cash Equivalents - Restricted (Note 2) | 322,130 |
| Accounts Receivable – HUD | 101,224 |
| Accounts Receivable - Fraud Recovery | 32,666 |
| Allowance for Doubtful Accounts | (32,666) |
| Accounts Receivable – Other | 8,652 |
| Accrued Interest Receivable | 12,135 |
| Prepaid Expenses | 13,064 |
| Total Current Assets | 1,471,737 |
| **Non-Current Assets** | |
| Nondepreciable Capital Assets - (Note 3) | 30,000 |
| Depreciation Capital Assets - (Note 3) | 933,873 |
| Total Non-Current Assets | 963,873 |
| TOTAL ASSETS | $ 2,435,610 |

LIABILITIES AND NET ASSETS

| | |
|---|---|
| **Current Liabilities** | |
| Accounts Payable | $ 14,722 |
| Accounts Payable – HUD | 3,554 |
| Accrued Expenses | 7,473 |
| Current Portion of Long-Term Debt | 28,560 |
| Accrued Compensated Absences | 16,642 |
| Total Current Liabilities | 70,951 |
| **Non-Current Liabilities** | |
| Long-Term Debt, Net of Current Portion | 266,816 |
| Accrued Compensated Absences | 149,781 |
| Total Non-Current Liabilities | 416,597 |
| Total Liabilities | $ 487,548 |
| **Net Assets** | |
| Investment in Capital Assets, Net of Related Debt | $ 668,497 |
| Restricted | 322,130 |
| Unrestricted | 957,435 |
| Total Net Assets | $ 1,948,062 |

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

| | |
|---|---|
| **Operating Revenue:** | |
| HUD Operating Subsidies and Grants | $ 8,032,085 |
| Other Revenue | 483,399 |
| Total Operating Revenue | 8,515,484 |
| | |
| **Operating Expenses:** | |
| Housing Assistance Payments | 6,872,110 |
| Other Administrative Expense | 1,092,281 |
| Material and Labor – Maintenance | 28,636 |
| Depreciation Expense | 55,409 |
| General Expenses | 23,773 |
| Total Operating Expenses | 8,072,209 |
| | |
| Operating Income (Loss) | 443,275 |
| | |
| Non-Operating Revenues (Expenses) | |
| Investment Income – Unrestricted | 28,583 |
| Interest Expense | (16,579) |
| Gain on Disposition of Equipment | 1,000 |
| Total Non-Operating Revenues (Expenses) | 13,004 |
| | |
| Change in Net Assets | 456,279 |
| | |
| Net Assets - Beginning of Year as Previously Stated | 1,491,585 |
| | |
| Prior Period Adjustment (Note 12) | 198 |
| | |
| Net Assets - Beginning of Year as Restated | 1,491,783 |
| | |
| Net Assets - End of Year | $ 1,948,062 |

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | |
|---|---|
| Cash Flows From Operating Activities: | |
| Cash payments to suppliers for goods and services | $ (1,203,465) |
| Housing assistance payments | (6,872,110) |
| HUD operating subsidies and grants | 8,032,085 |
| Other receipts | 483,399 |
| Other payments | (23,773) |
| Net Cash Provided (Used) by Operating Activities | 416,136 |
| Cash Flows From Capital and Related Financing Activities: | |
| Fixed Assets Addition | (16,500) |
| Repayment of long term debt | (29,020) |
| Proceeds from Sale of Capital Assets | 1,000 |
| Interest Expense | (16,579) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (61,099) |
| Cash Flows From Investing Activities: | |
| Investment Income | 28,583 |
| Net Cash Provided (Used) by Investing Activities | 28,583 |
| Increase (Decrease) in Cash and Cash Equivalents | 383,620 |
| Cash and Cash Equivalents - Beginning of Year | 953,042 |
| Cash and Cash Equivalents - End of Year | $ 1,336,662 |

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | |
|---|---|
| Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Operating Income (Loss) | $ 443,275 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Depreciation | 55,409 |
| (Increase) decrease in: | |
| Accounts Receivable | (89,599) |
| Prepaid Expenses | 1,363 |
| Increase (decrease) in: | |
| Accounts Payable | (9,124) |
| Compensated Absences | 7,339 |
| Accrued Expenses | 7,473 |
| Net cash used in operating activities | $ 416,136 |

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

## NOTE 1 - Summary of Significant Accounting Policies:

### Organization and Reporting Entity

The Mansfield Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. 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 a 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. These criteria were considered in determining the reporting entity. The Authority has no component units that are presented in the financial statements.

### Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

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

**Basis of Presentation** (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

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

**Cash and Cash Equivalents**

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Effective July 1, 2003, the Authority made a change in the presentation of its cash flow statement. The Authority is now presenting cash and cash equivalents (including certificates of deposit) in the cash flow statement.

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

**Capital Assets**

The Authority capitalizes all assets with a cost of $500 and above. Capital assets are 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. Depreciation is computed on the straight line method based on the following estimated useful lives:

| | |
|---|---|
| Buildings and Improvements | 20 to 30 years |
| Equipment | 5 to 7 years |
| Autos | 5 years |
| Computers | 3 years |

Total depreciation expense for the 2008 fiscal year was $55,409.

**Capitalization of Interest**

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

**Investments**

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

**Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and (2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 7.

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

**Prepaid Items**

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

**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 $322,130.

**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 $1,336,662 (including $100 of petty cash) and the bank balance was $1,370,951.

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

*Custodial Credit Risk*

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling $100,000 were covered by Federal Depository Insurance and deposits totaling $1,270,951 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**B. Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and records all its investments at fair value.

*Interest Rate Risk*

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

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

*Concentration of Credit Risk*
Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

*Foreign Currency Risk*
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

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

| | Cash and Cash Equivalents * | Investments |
|---|---|---|
| Per Statement of Net Assets | $ 559,592 | $777,070 |
| Certificate of Deposit | 777,070 | (777,070) |
| Per GASB Statement No. 3 | $ 1,336,662 | $ 0 |

* Includes Petty Cash.

**NOTE 3 – Capital Assets:**

A summary of capital assets at June 30, 2008, by class is as follows:

| | 6/30/2007 | Reclass/ Additions | Reclass/ Disposals | 6/30/2008 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 30,000 | $ 0 | $ 0 | $ 30,000 |
| Total Capital Assets Not Being Depreciated | 30,000 | 0 | 0 | 30,000 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 1,043,137 | 0 | 0 | 1,043,137 |
| Vehicles | 49,165 | 16,500 | (9,530) | 56,135 |
| Furniture, Equipment, and Machinery – Administrative | 179,074 | 0 | 0 | 179,074 |
| Subtotal Capital Assets Being Depreciated | 1,271,376 | 16,500 | (9,530) | 1,278,346 |
| Accumulated Depreciation: | | | | |
| Buildings | ( 205,018) | (49,207) | 59,168 | (195,057) |
| Vehicles | | (41,802) | | ( 41,802) |
| Furniture, Equipment and Machinery | ( 93,576) | (23,568) | 9,530 | (107,614) |
| Total Accumulated Depreciation | ( 298,594) | (114,577) | 68,698 | (344,473) |
| Depreciable Assets, Net | 972,782 | ( 98,077) | 59,168 | (933,873) |
| Total Capital Assets, Net | $1,002,782 | $( 98,077) | $59,168 | $(963,873) |

## NOTE 4: Defined Benefit Pension Plan:

**Ohio Public Employees Retirement System**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800222-7377.

Effective January 1, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions increased to 10.5 percent effective January 1, 2008. The Authority's contribution rate for pension benefits was 8.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2008, 2007 and 2006 were $69,436, $55,655 and $66,960 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

## NOTE 5- Post Employment Benefits:

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for postretirement health care coverage.

**NOTE 5- Post Employment Benefits:** (Continued)

**Ohio Public Employees Retirement System** (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2008, the Authority's contribution rate was 14.00 percent of covered payroll; 5.50 percent of covered payroll was the portion that was used to fund healthcare.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor raging from .50 percent to 6.00 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. Actual employer contributions for 2008 which were used to fund postemployment benefits were $17,510. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Member and employer contribution rates increased as of January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

## NOTE 6 - Long-Term Debt:

| | Balance at 6/30/07 | Additions | Deletions | Balance at 6/30/08 | Due Within One Year |
|---|---|---|---|---|---|
| Richland Bank Note, 8/10/06 | $324,396 | $ 0 | $ 29,020 | $295,376 | $28,560 |
| Compensated Absences | $159,084 | $ 7,339 | $ 0 | $166,423 | $16,642 |

Long-term debt for Low-Rent Public Housing includes a 20 year note payable to Richland Bank. The proceeds of $350,000 will be used for the 88 West Third Street building project. This note is secured by the Third Street Building and bears interest at 5.25 percent. The note and agreement matures as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2008-2009 | $ 28,560 | $ 17,040 | $ 45,600 |
| 2009-2010 | 35,126 | 10,474 | 45,600 |
| 2010-2011 | 31,319 | 14,281 | 45,600 |
| 2011-2012 | 35,926 | 9,674 | 45,600 |
| 2012-2013 | 37,858 | 7,742 | 45,600 |
| 2013-2016 | 126,587 | 10,213 | 136,800 |
| | $ 295,376 | $ 69,424 | $ 364,800 |

## NOTE 7- Compensated Absences:

Full time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation days may not be carried over into the next calendar year. Generally, upon termination after one year of service, employees are entitled to be paid all accrued vacation.

The following schedule details earned annual leave based on length of service:

| | |
|---|---|
| 1-8 years | 12 days |
| 9-14 years | 18 days |
| 15-19 years | 24 days |
| 20 years and over | 30 days |

Sick leave accrues to full time, permanent employees to specified maximums. Sick leave may be cumulative without limit. However, employees with 8 years or more of service, upon termination of employment, may receive a percentage of their accumulated sick leave at one-third of the first 240 days, one-fourth of unused sick leave in excess of 240 hours but less than 960 hours, plus 15 percent of unused sick leave in excess of 960 hours. Employees, upon retirement, may receive 50 percent of their accumulated sick leave hours.

**NOTE 7- Compensated Absences:** (Continued)

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off as some other form of compensation because an employee has not met the minimum service requirement is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The Authority's estimated liability for compensated absences at June 30, 2008 is $166,423.

**NOTE 8 - Insurance Coverage:**

The Authority is covered for property damage, general liability, automobile liability, and other crime liabilities through various insurance companies. Deductibles and coverage limits are summarized below:

| | Deductible | Coverage Limits |
|---|---|---|
| Property | $ 500 | $ 2,092,000 |
| General Liability | 0 | 1,000,000/2,000,000 |
| Automobile | 250/500 | 1,000,000 |
| Employee Dishonesty | 500 | 1,000,000 |
| Public Officials | 2,500 | 2,000,000 |

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Medical Mutual for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

**NOTE 9 - Contingent Liabilities:**

A. Grants

The Authority has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

B. Litigation

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

**NOTE 10 - Schedule of Expenditures of Federal Awards:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mansfield 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.

**NOTE 11- Construction and Other Commitments:**

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2008.

**NOTE 12 - Prior Period Adjustment:**

Beginning net assets (unrestricted) balance has been restated in the amount of $198 as a result of a computer posting error.

**NOTE 13- Reclassification:**

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

| | |
|---|---|
| Unrestricted Net Assets at July 1, 2007 | $813,199 |
| Adjustment to Reclassify Grant Surplus Received | (26,167) |
| Unrestricted Net Assets at July 1, 2007, as restated | $787,032 |

MANSFIELD METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Program Award Amount | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | |
| Direct Program: | | | |
| **Section 8 Programs** | | | |
| Section 8 Voucher Programs: | | | |
| Housing Assistance Payments: | | | |
| Housing Choice Voucher | 14.871 | $ 7,778,802 | $ 7,763,517 |
| Section 8 Project Based Programs: | | | |
| Project Based - New Construction | 14.182 | 253,283 | 253,283 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | $ 8,016,800 |

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

Kevin L.
**Penn, Inc.**

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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
Mansfield Metropolitan Housing Authority
Richland, Ohio

I have audited the financial statements of Mansfield Metropolitan Housing Authority, Richland, Ohio (the Authority) as of and for the year ended June 30, 2008, and have issued my report thereon dated November 4, 2008. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Authority's in a separate letter dated November 4, 2008.

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.

November 4, 2008

Kevin L.
Penn, Inc.

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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
Mansfield Metropolitan Housing Authority
Richland, Ohio

Compliance

I have audited the compliance of Mansfield 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 June 30, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

In my opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

<u>Internal Control Over Compliance</u>

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

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

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

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

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

Kevin L. Penn, Inc.

November 4, 2008

**Mansfield Metropolitan Housing Authority**
Schedule of Findings
June 30, 2008

Section I - Summary of Auditor's Results

*Financial Statements*

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

*Federal Awards*

| | |
|---|---|
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant Deficiency(ies) identified not considered to be material weaknesses? | None Reported |
| Type of auditor's report issued on compliance for major program: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | No |
| Identification of major programs: | |
| 14.871 | Housing Choice Vouchers |
| Dollar threshold used to distinguish between Type A and Type B programs: | $300,000 (Type A) |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Mansfield Metropolitan Housing Authority**
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

There were no audit findings, during the 2007 fiscal year.

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**

**RICHLAND 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**
**DECEMBER 31, 2008**