MANSFIELD METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2010

Together with Auditors' Report

Dave Yost • Auditor of State

Board of Trustees
Mansfield Metropolitan Housing Authority
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, 2009 through June 30, 2010. 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.

Dave Yost
Auditor of State

January 20, 2011

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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, 2010 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, 2010, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2010 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 8, 2010 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.

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. In addition, the financial data schedule, pages 27 to 29 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of 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 8, 2010

Mansfield Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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 2010, the Authority's net assets increased by $562,706 (or 27.8%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $2,024,039 and $2,586,745 for FY 2009 and FY 2010 respectively.

- The revenue increased by $910,552 (or 10.81%) during FY 2010, and was $8,425,255 and $9,335,807 for FY 2009 and FY 2010 respectively.

- The total expenses of the Authority increased by $424,154 (or 5.08%). Total expenses were $8,348,947 and $8,773,101 for FY 2009 and FY 2010 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 11-13) 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 13) 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 2010	FY 2009
Current and Other Assets	$2,079,072	$1,512,334
Capital Assets	945,556	977,508
Total Assets	3,024,628	2,489,842
Other Liabilities	97,608	63,226
Non-Current Liabilities	340,275	402,577
Total Liabilities	437,883	465,803
Net Assets:		
Invested in Capital Assets, Net of Related Debt	713,175	712,794
Restricted	498,645	248,424
Unrestricted	1,374,925	1,062,821
Total Net Assets	$2,586,745	$2,024,039

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 $566,738 or 37.47% and total liabilities were decreased by $27,920 or 6.0%. Current assets (primarily cash and investments) were used to extinguish liabilities. The operating increase was the major reason for the increase of assets.

The Capital Assets increased in 2010 the net result of $31,952 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 6/30/09		$1,062,821
Results of Operations	148,695	
Adjustments:		
Depreciation (1)	62,764	
HUD NRA Adjustment (2)	163,790	
Adjusted Results from Operations		375,249
Capital Expenditures		(30,812)
Retirement of Debt		(32,333)
Unrestricted Net Assets 6/30/10		$1,374,925

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
(2) HUD reconciliation of NRA funds thru 12/31/09.

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 6/30/09		$248,424
Results of Operations		
Unspent Current Year HAP funding	400,716	
Recovery /Other Payments	11,208	
Interest Earned	2,087	
HUD NRA Adjustments thru 12/31	(163,790)	
Adjusted Results from Operations		250,221
Restricted Net Assets 6/30/10		$ 498,645

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 2010	FY 2009
Revenues		
HUD PHA Operating Grants	$ 8,895,762	$ 7,923,828
Investment Income-ALL	11,920	27,038
G/L on Disposition of Equipment	0	0
Other Revenues - Service Income	404,483	447,245
Other Revenues – Fraud Recovery-All	23,642	27,144
Total Revenue	9,335,807	8,425,255
Expenses		
Administrative	1,075,553	1,101,927
Maintenance	20,725	34,249
General	13,445	48,022
Housing Assistance Payments	7,600,614	7,109,706
Depreciation	62,764	55,043
Total Expenses	8,773,101	8,348,947
Net Increase/ (Decrease)	$ 562,706	$ 76,308

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

HUD PHA Grants for FY2010 increased by $971,934 or 12.27%. $651,934 came from an increase in HUD grant funding with a special 1 time addition of $320,000 grant for CA 2009 because of the large jump in HAP expenses. Service Income decreased by $42,762 or 9.56% with fewer services billed out. Fraud Recovery payments also decreased by $3,502 or 12.9%.

The large net increase of $562,706 was the result of a $414,011 increase to HAP reserves and a $148,695 increase in the fiscal year administrative operations.

High leasing & increased HAP costs which in part were caused by the economical conditions caused the Housing Assistance Payments increase of $490,908 or 6.9%. Most other expenses increase moderately due to inflation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/10 the Authority had $945,556 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 2010	FY 2009
Land	$ 30,000	$ 30,000
Building & Improvements	1,111,815	1,111,815
Furniture & Equipment	110,421	139,030
Vehicles	56,135	56,135
Accumulated Depreciation	(362,815)	(359,472)
Total	$ 945,556	$ 977,508

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 21 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2009	$ 977,508
Additions	30,812
Gain/(Loss) from Disposition	0
Depreciation	(62,764)
Ending Balance, June 30,2010	$ 945,556

This year's major additions are:

DTE Telephone system $15,776 and 16 Dell computers & Server $15,036

Debt Outstanding

As of 6/30/10 the Authority had $ 232,381 in debt (mortgage) outstanding as compared to $ 264,714 last year, a $32,333 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, 2010

ASSETS

Current Assets	
Cash and Cash Equivalents - Unrestricted (Note 1)	$1,555,552
Cash and Cash Equivalents - Restricted (Note 3)	498,645
Accounts Receivable - Fraud Recovery	38,176
Allowance for Doubtful Accounts	(35,855)
Accounts Receivable – Other	8,105
Accrued Interest Receivable	2,581
Prepaid Expenses	11,868
Total Current Assets	2,079,072
Non-Current Assets	
Nondepreciable Capital Assets - (Note 1)	30,000
Depreciation Capital Assets - (Note 1)	915,556
Total Non-Current Assets	945,556
TOTAL ASSETS	$3,024,628

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 20,906
Accounts Payable – HUD	19,748
Accrued Expenses	5,614
Current Portion of Long-Term Debt	31,319
Accrued Compensated Absences	10,018
Total Current Liabilities	87,605
Non-Current Liabilities	
Long-Term Debt, Net of Current Portion	201,062
Accrued Compensated Absences	149,216
Total Non-Current Liabilities	350,278
Total Liabilities	$ 437,883
Net Assets	
Investment in Capital Assets, Net of Related Debt	$ 713,175
Restricted	498,645
Unrestricted	1,374,925
Total Net Assets	$2,586,745

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, 2010

Operating Revenue:	
HUD Operating Subsidies and Grants	$ 8,895,762
Other Revenue	428,125
Total Operating Revenue	9,323,887
Operating Expenses:	
Housing Assistance Payments	7,600,614
Other Administrative Expense	1,059,343
Material and Labor - Maintenance	20,725
Depreciation Expense	62,764
General Expenses	16,388
Total Operating Expenses	8,759,834
Operating Income (Loss)	564,053
Non-Operating Revenues (Expenses)	
Investment Income - Unrestricted	9,833
Investment Income - Restricted	2,087
Interest Expense	(13,267)
Total Non-Operating Revenues (Expenses)	(1,347)
Change in Net Assets	562,706
Net Assets - Beginning of Year	2,024,039
Net Assets - End of Year	$ 2,586,745

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, 2010

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	$(1,063,905)
Housing assistance payments	(7,600,614)
HUD operating subsidies and grants	8,895,762
Other receipts	428,125
Other payments	(16,388)
Net Cash Provided (Used) by Operating Activities	642,980
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	(30,812)
Repayment of long term debt	(32,333)
Interest Expense	(13,267)
Net Cash Provided (Used) by Capital and Related Financing Activities	(76,412)
Cash Flows From Investing Activities:	
Investment Income	11,920
Net Cash Provided (Used) by Investing Activities	11,920
Increase (Decrease) in Cash and Cash Equivalents	578,488
Cash and Cash Equivalents - Beginning of Year	1,475,709
Cash and Cash Equivalents - End of Year	$ 2,054,197

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, 2010

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	$ 564,053
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	62,764
(Increase) decrease in:	
Accounts Receivable	5,118
Accrued Interest Receivable	6,362
Prepaid Expenses	270
Increase (decrease) in:	
Accounts Payable	16,960
Compensated Absences	(17,688)
Accrued Expenses	5,141
Net cash used in operating activities	$ 642,980

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 2010 fiscal year was $62,764.

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.

Operating Revenues and Expenses

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

Accounts Receivable

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

Accrued Interest Receivable

Accrued interest receivable represents the amount of interest earned but not collected on certificates of deposits as of the balance sheet date. Interest is collected upon maturity.

Interfund Receivables/Payables

The Authority reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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 $498,645.

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.

NOTE 2 – Deposits and Investments: (continued)

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 $2,054,197 (including $100 of petty cash) and the bank balance was $2,084,089.

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. The financial institution collateral pool 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 $250,000 was covered by Federal Depository and $1,834,089 was covered by the collateral pool.

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.

NOTE 2 – Deposits and Investments: (continued)

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. However, at June 30, 2010, the Authority investments were limited to certificates of deposits.

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

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

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

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.

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

Cash and Investment Type	Fair Value	Investment Maturities (In Years < 1)
Carrying Amount of Deposits	$2,054,097	$2,054,097
Petty Cash	100	100
Totals	$2,054,197	$2,054,197

NOTE 3 – Restricted Cash:

Restricted cash balance as of June 30, 2010 of $498,645 represents cash advanced from the Department of Housing and Urban Development for housing assistance.

NOTE 4 – Capital Assets:

A summary of capital assets at June 30, 2010, by class is as follows:

	6/30/2009	Additions	Disposals	6/30/2010
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	56,135	0	0	56,135
Furniture, Equipment, and Machinery – Administrative	207,709	30,812	(59,421)	179,100
Subtotal Capital Assets Being Depreciated	1,306,981	30,812	(59,421)	1,278,372
Accumulated Depreciation:				
Buildings	(244,263)	(49,206)	0	(293,469)
Vehicles	(44,468)	(2,666)		(47,134)
Furniture, Equipment and Machinery	(70,742)	(10,892)	59,421	(22,213)
Total Accumulated Depreciation	(359,473)	(62,764)	59,421	(362,816)
Depreciable Assets, Net	947,508	(31,952)	0	915,556
Total Capital Assets, Net	$ 977,508	$(31,952)	$ 0	$ 945,556

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.

NOTE 4: Defined Benefit Pension Plan: (continued)

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.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority’s contribution rate for 2010 and 2009 was 14.0 percent (of which 8.5 percent relates to pension contributions) of covered payroll.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2010, 2009 and 2008 were $92,399, $90,490 and $86,946 respectively; 100 percent has been contributed for 2010, 2009, and 2008.

NOTE 5- Post Employment Benefits:

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.50 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended March 31, 2010, which were used to fund post-employment benefits were $36,698.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 6 - Long-Term Debt:

	Balance at 6/30/09	Additions	Deletions	Balance at 6/30/10	Due Within One Year
Richland Bank Note, 8/10/06	$264,714	$ 0	$ 32,333	$232,381	$31,319
Compensated Absences	$176,922	$ 0	$ 17,688	$159,234	$10,018

Long-term debt for Low-Rent Public Housing includes a 10 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
2010-2011	$31,319	$14,281	$45,600
2011-2012	35,926	9,674	45,600
2012-2013	37,858	7,742	45,600
2013-2014	39,894	5,706	45,600
2013-2015	41,882	3,718	45,600
2015-2016	45,502	98	45,600
	$232,381	$41,219	$273,600

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.

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, 2010 is $159,234.

NOTE 8 - Risk Management:

Commercial Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years. Deductibles and coverage limits are summarized below:

Type of Coverage	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

NOTE 8 – Risk Management: (continued)

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, 2010.

NOTE 12 - Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 8, 2010, the date on which the financial statements were available to be issued.

NOTE 13 – Interprogram Receivables/Payables:

Interprogram balance at June 30, 2010, consists of the following receivables and payables:

	Due From	Due to
Home Program	$18,000	
Housing Choice Voucher Program		$18,000

These interprogram Due From/Due To arise from housing assistance payments. These balances are eliminated for the Statement of Net Assets on page 11.

Mansfield Metropolitan Housing Authority
Statement of Net Assets
June 30, 2010

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

Line item	Account Description	Housing Choice Voucher	Section 8	Subtotal	State & Local	TOTALS
111	Cash - Unrestricted	$ 47,760	$ 12,790	$ 60,550	$ 960,256	$ 1,020,806
100	Total Cash	47,760	12,790	60,550	960,256	1,020,806
125	Acct Receivable – Misc.	8,105		8,105		8,105
128	Fraud Recovery	38,176		38,176		38,176
128.1	Allow Doubtful Accounts	(35,855)		(35,855)		(35,855)
129	Accrued Interest Receivable	596		596	1,985	2,581
120	Net Total Receivables	11,022	-	11,022	1,985	13,007
131	Investments-Unrestricted	534,746		534,746		534,746
132	Investments-Restricted	498,645		498,645		498,645
142	Prepaid Expenses	11,868		11,868		11,868
145	Inter Program Due From			-	18,000	18,000
150	**Total Current Assets**	1,104,041	12,790	1,116,831	980,241	2,097,072
161	Land				30,000	30,000
162	Buildings				295,000	295,000
164	F/E/M Admin.	95,828		95,828	70,728	166,556
165	Leasehold Improvements	68,678		68,678	748,137	816,815
166	Accum. Depreciation	(69,347)		(69,347)	(293,468)	(362,815)
160	Net Fixed Assets	95,159	-	95,159	850,397	945,556
190	**TOTAL ASSETS**	**1,199,200**	**12,790**	**1,211,990**	**1,830,638**	**3,042,628**
312	A/P <= 90 days	20,906		20,906		20,906
321	Accrued Wage/Taxes Payable	5,614		5,614		5,614
322	Accrued Comp Abs - current	22,780		22,780		22,780
342	Deferred Revenue	19,748		19,748		19,748
347	Inter Program - Due To	18,000		18,000		18,000
348	Loan Liability - Current			-	28,560	28,560
310	Total Current Liabilities	87,048	-	87,048	28,560	115,608
354	Accrued Comp Abs. - Noncurrent	126,436	10,018	136,454		136,454
355	Loan Liability				203,821	203,821
	Total Liabilities	213,484	10,018	223,502	232,381	455,883
508.1	Invested in Capital Assets Net	95,159		95,159	618,016	713,175
511.1	Restricted Net Assets	498,645		498,645	-	498,645
512.1	Unrestricted Net Assets	391,912	2,772	394,684	980,241	1,374,925
513	Total Equity/Net Assets	985,716	2,772	988,488	1,598,257	2,586,745
600	**TOTAL LIAB. & EQUITY**	**$ 1,199,200**	**$ 12,790**	**$ 1,211,990**	**$ 1,830,638**	**$ 3,042,628**

Mansfield Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2010

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

Line item	Account Description	Housing Choice Voucher	Section 8	Subtotal	State & Local	TOTALS
706	HUD PHA Operating Grants	$ 8,678,435	$ 217,327	$ 8,895,762		$ 8,895,762
711	Investment Income - PHA	1,034	11	1,045	8,788	9,833
714	Fraud Recovery - PHA	23,642		23,642		23,642
715	Other Revenue	8,002		8,002	396,481	404,483
720	Investment Income - Restricted	2,087	-	2,087	-	2,087
700	TOTAL REVENUE	8,713,200	217,338	8,930,538	405,269	9,335,807
911	Admin. Salaries	455,595	11,930	467,525	199,729	667,254
912	Audit	5,994	1,000	6,994		6,994
914	Advertisement & Marketing	1,561	30	1,591		1,591
915	Employee Benefits	115,712	2,253	117,965	89,878	207,843
916	Office Expenses	109,690	1,651	111,341	36,616	147,957
917	Legal Expense	2,435	47	2,482		2,482
918	Travel	7,225	141	7,366		7,366
919	Other	32,940	1,126	34,066		34,066
	Total Operating - Admin.	731,152	18,178	749,330	326,223	1,075,553
942	Ordinary Maint.	13,798	269	14,067	6,658	20,725
	Total Maint.	13,798	269	14,067	6,658	20,725
961.2	Insurance - Liab Insurance	13,618	313	13,931		13,931
961.3	Interest Expense	2,457		2,457		2,457
	Total Insurance	16,075	313	16,388	-	16,388
962.1	Comp Abs	(17,436)		(17,436)		(17,436)
966	Bad Debt - Other	1,226		1,226		1,226
967	Interest Expense	-	-	-	13,267	13,267
	TOTAL OPERATING EXPENSES	744,815	18,760	763,575	346,148	1,109,723
970	Excess Oper. Rev. over Exp.	7,968,385	198,578	8,166,963	59,121	8,226,084
973	HAP	7,394,090	199,111	7,593,201		7,593,201
973.5	HAP Portability-In	7,413		7,413		7,413
974	Depreciation Exp	13,558	-	13,558	49,206	62,764
900	TOTAL EXPENSES	8,159,876	217,871	8,377,747	395,354	8,773,101
1000	NET INCOME (LOSS)	$ 553,324	$ (533)	$ 552,791	$ 9,915	$ 562,706

Mansfield Metropolitan Housing Authority
Additional Information Required by HUD
June 30, 2010

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

Line item	Account Description	Housing Choice Voucher	Section 8
11030	Beginning Equity	$ 432,392	$ 3,305
11170	Administrative Fee Equity	$ 487,071	
11180	Housing Assistance Payment Equity	$ 498,645	
11190	Unit Months Available	20520	684
11210	Number of Unit Months Leased	19506	684

MANSFIELD METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

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	$ 8,678,435	$ 7,394,090
Section 8 Project Based Programs:			
Project Based - New Construction	14.182	217,327	199,111
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 7,593,201

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

Kevin L. Penn, Inc.

Certified Public Accountant
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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, 2010, and have issued my report thereon dated November 8, 2010. 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 Mansfield Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mansfield Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effective ness of the Mansfield Metropolitan Housing Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Authority's in a separate letter dated November 8, 2010.

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 8, 2010

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, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

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

In my opinion, Mansfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs as of June 30, 2010 and for the year ended.

Internal Control Over Compliance

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

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

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

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

Kevin L. Penn, Inc.

November 8, 2010

Mansfield Metropolitan Housing Authority
Schedule of Findings
June 30, 2010

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, 2010

There were no audit findings, during the 2009 fiscal year.

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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
FEBRUARY 3, 2011

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