MANSFIELD METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2012

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, 2011 through June 30, 2012. 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

February 5, 2013

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MANSFIELD METROPOLITAN HOUSING AUTHORITY
MANSFIELD, OHIO

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Independent Auditor's Report

Board of Trustees
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

I have audited the accompanying statement of net assets of Mansfield Metropolitan Housing Authority, as of June 30, 2012 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, 2012, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued a report dated November 5, 2012, on my consideration of the 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. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United states of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or to provide any other assurance.

I conducted my audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Supplemental Financial Data Schedules are required by the U.S. Department of Housing and Urban Development, are not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures and Supplemental Financial Data Schedules are management's responsibility, and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

November 5, 2012

Mansfield Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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 2012, the Authority's net assets increased by $502,630 (or 22%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $2,284,850 and $2,787,480 for FY 2011 and FY 2012 respectively.

- The revenue increased by $300,836 (or 3.39%) during FY 2012, and was $8,886,388 and $9,187,224 for FY 2011 and FY 2012 respectively.

- The total expenses of the Authority decreased by $503,579 (or 5.48%). Total expenses were $9,188,173 and $8,684,594 for FY 2011 and FY 2012 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 <u>Statement of Net Assets</u>, 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 2011	FY 2012
Current and Other Assets	$2,298,496	$1,814,283
Capital Assets	847,923	903,817
Total Assets	3,146,419	2,718,100
Other Liabilities	55,954	93,600
Non-Current Liabilities	302,985	339,650
Total Liabilities	358,939	433,250
Net Assets:		
Invested in Capital Assets, Net of Related Debt	685,566	705,531
Restricted	656,093	182,669
Unrestricted	1,445,821	1,396,650
Total Net Assets	$2,787,480	$2,284,850

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 $484,213 or 26.69%. Major cause was the increase in cash because of the addition to HAP reserves (Restricted Net Assets) of $473,424 during FY12. Liabilities were decreased by $74,311 or 17.15% because of the mortgage payments and the decrease of HUD deferred revenues.

The Capital Assets decreased in 2012 the net result of $55,894 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 6/30/11		$1,396,650
Results of Operations	29,207	
Adjustments:		
Depreciation (1)	67,782	
Adjusted Results from Operations		96,989
Capital Expenditures		(11,888)
Retirement of Debt		(35,930)
Unrestricted Net Assets 6/30/12		$1,445,821

(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 correction of expenses allocated

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 6/30/11		$182,669
Results of Operations		
Use of Current Year HAP funding	453,947	
Recovery /Other Payments	18,416	
Interest Earned	1,061	
Adjusted Results from Operations		473,424
Restricted Net Assets 6/30/12		$ 656,093

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 2012	FY 2011
Revenues		
HUD PHA Operating Grants	$ 8,734,724	$ 8,444,788
Investment Income-ALL	4,593	4,778
G/L on Disposition of Equipment	0	1,964
Other Revenues - Service Income	411,074	394,674
Other Revenues – Fraud Recovery-All	36,833	40,184
Total Revenue	9,187,224	8,886,388
Expenses		
Administrative	1,180,489	1,225,455
Maintenance	21,153	31,729
General	16,241	17,134
Housing Assistance Payments	7,398,929	7,846,995
Depreciation	67,782	66,860
Total Expenses	8,684,594	9,188,173
Net Increase/ (Decrease)	$ 502,630	$ (301,785)

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

HUD PHA Grants for FY2012 increased by $289,936 or 3.43%. Investment Income decreased slightly and Fraud Recovery payments also decreased in FY12 by $3,351 or 8.34%. Other revenues-Service income/ports increased in FY12 by $16,400 or 4.16%.

Housing Assistance Payments Expense decreased by $448,066 or 5.71% in Fy12. This was the result of lower leasing in FY11 20,872 unit months were leased while in FY12 20,236 unit months were leased a decrease of 3.05%.

Administrative, Maintenance and General Expenses also had decreases totaling $56,435 or 4.43%. There were changes in staffing in FY12 and efforts to decrease costs because of cuts to admin funds were in part of the cause of these decreases.

The large net increase of $502,630 was the result of a $473,425 increase to HAP reserves and a $29,205 increase in the fiscal year administrative operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/12 the Authority had $847,923 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 2012	FY 2011
Land	$ 30,000	$ 30,000
Building & Improvements	1,122,705	1,111,815
Furniture & Equipment	112,302	111,304
Vehicles	51,699	51,699
Accumulated Depreciation	(468,783)	(401,001)
Total	$ 847,923	$ 903,817

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, 2011	$ 903,817
Additions	11,888
Gain/(Loss) from Disposition	0
Depreciation	(67,782)
Ending Balance, June 30, 2012	$ 847,923

This year's major additions are:

A Dell computer $998 and $10,890 in office building improvements.

Debt Outstanding

As of 6/30/12 the Authority had $162,357 in debt (mortgage) outstanding as compared to $ 198,287 last year, a $35,930 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, 2012

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted (Note 2)	$ 1,616,642
Cash and Cash Equivalents - Restricted (Note 3)	656,093
Accounts Receivable - Fraud Recovery	24,232
Allowance for Doubtful Accounts	(24,232)
Accounts Receivable - Other	12,801
Accrued Interest Receivable	320
Prepaid Expenses	12,640
Total Current Assets	2,298,496
Non-Current Assets	
Nondepreciable Capital Assets - (Note 4)	30,000
Depreciation Capital Assets - (Note 4)	817,923
Total Non-Current Assets	847,923
TOTAL ASSETS	$ 3,146,419
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 14,286
Accrued Expenses	5,738
Current Portion of Long-Term Debt	37,858
Accrued Compensated Absences	22,450
Total Current Liabilities	80,332
Non-Current Liabilities	
Long-Term Debt, Net of Current Portion	124,499
Accrued Compensated Absences	154,108
Total Non-Current Liabilities	278,607
Total Liabilities	$ 358,939
Net Assets	
Investment in Capital Assets, Net of Related Debt	$ 685,566
Restricted	656,093
Unrestricted	1,445,821
Total Net Assets	$ 2,787,480

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, 2012

Operating Revenue:	
HUD Operating Subsidies and Grants	$ 8,734,724
Other Revenue	447,907
Total Operating Revenue	9,182,631
Operating Expenses:	
Housing Assistance Payments	7,398,929
Other Administrative Expense	1,170,819
Material and Labor - Maintenance	21,153
Depreciation Expense	67,782
General Expenses	16,241
Total Operating Expenses	8,674,924
Operating Income (Loss)	507,707
Non-Operating Revenues (Expenses)	
Investment Income - Unrestricted	3,532
Investment Income - Restricted	1,061
Interest Expense	(9,670)
Total Non-Operating Revenues (Expenses)	(5,077)
Change in Net Assets	502,630
Net Assets - Beginning of Year	2,284,850
Net Assets - End of Year	$ 2,787,480

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, 2012

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	$ (1,231,929)
Housing assistance payments	(7,398,929)
HUD operating subsidies and grants	8,734,724
Other receipts	447,907
Other payments	(10,787)
Net Cash Provided (Used) by Operating Activities	540,986
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	(11,888)
Repayment of Long Term Debt	(35,929)
Interest Expense	(9,670)
Net Cash Provided (Used) by Capital and Related Financing Activities	(57,487)
Cash Flows From Investing Activities:	
Investment Income	4,593
Net Cash Provided (Used) by Investing Activities	4,593
Increase (Decrease) in Cash and Cash Equivalents	488,092
Cash and Cash Equivalents - Beginning of Year	1,784,643
Cash and Cash Equivalents - End of Year	$ 2,272,735

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	$ 507,707
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	67,782
(Increase) decrease in:	
Accounts Receivable	4,166
Accrued Interest Receivable	(35)
Prepaid Expenses	(252)
Increase (decrease) in:	
Accounts Payable	(196)
Compensated Absences	(5,455)
Deferred Revenue	(32,550)
Accrued Expenses	(181)
Net cash used in operating activities	$ 540,986

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

NOTE 1 - Summary of Significant Accounting Policies:

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, Determining Whether Organizations are Component Units, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

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

Reporting Entity (continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the Authority's only proprietary fund type:

Enterprise Fund - The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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.

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

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.

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 2012 fiscal year was $67,782.

Capitalization of Interest

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

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 8.

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

Investments

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

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 HUD was $656,093.

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 $2,272,735 (including $100 of petty cash) and the bank balance was $2,301,623.

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 $318,274 was covered by Federal Depository and $1,983,349 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, 2012, 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	$2,272,635	$2,272,635
Petty Cash	100	100
Totals	$2,272,735	$2,272,735

NOTE 3 – Restricted Cash:

Restricted cash balance as of June 30, 2012 of $656,093 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, 2012, by class is as follows:

	6/30/2011	Additions	Disposals	6/30/2012
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	10,890	0	1,054,027
Vehicles	51,699	0	0	51,699
Furniture, Equipment, and Machinery – Administrative	179,982	998	0	180,980
Subtotal Capital Assets Being Depreciated	1,274,818	11,888	0	1,286,706
Accumulated Depreciation:				
Buildings	(342,675)	(49,206)	0	(391,881)
Vehicles	(24,999)	(6,539)	0	(31,538)
Furniture, Equipment and Machinery	(33,327)	(12,037)	0	(45,364)
Total Accumulated Depreciation	(401,001)	(67,782)	0	(468,783)
Depreciable Assets, Net	873,817	(55,894)	0	817,923
Total Capital Assets, Net	$ 903,817	$(55,894)	$ 0	$ 847,923

NOTE 5: 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 5: 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 2012 and 2011 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, 2012, 2011 and 2010 were $9,636, $99,660 and $92,399 respectively; 100 percent has been contributed for 2012, 2011, and 2010.

NOTE 6- 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 2012 and 2011, 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 2012 and 2011, the employer contribution allocated to the health care plan was 4.23 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 June 30, 2012, which were used to fund post-employment benefits were $30,104.

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 7 - Long-Term Debt:

	Balance at 6/30/11	Additions	Deletions	Balance at 6/30/12	Due Within One Year
Mansfield Bank Note, 8/10/06	$198,286	$ 0	$ 35,929	$162,357	$37,858
Compensated Absences	$182,012	$ 97,318	$102,771	$176,559	$22,450

Long-term debt for Low-Rent Public Housing includes a 10 year note payable to Mansfield 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
2012-2013	$37,858	$7,742	$45,600
2013-2014	39,894	5,706	45,600
2014-2015	42,040	3,560	45,600
2015-2016	42,565	3,035	45,600
	$162,357	$20,043	$182,400

NOTE 8 - 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, 2012 is $176,559.

NOTE 9 - 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 9 – 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 10 - 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 11 - 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 12 - Construction and Other Commitments:

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2012.

NOTE 13 - 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 5, 2012, the date on which the financial statements were available to be issued.

Mansfield Metropolitan Housing Authority
Statement of Net Assets
June 30, 2012

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	$ 34,826	$ -	$ 34,826	$ 4,560	$ 39,386
100	Total Cash	34,826	-	34,826	4,560	39,386
122	Acct Rec-HUD Other Projects	1,609		1,609		1,609
125	Acct Rec-Misc.	11,192		11,192		11,192
128	Fraud Recovery	24,232		24,232		24,232
128.1	Allow Doubtful Accounts	(24,232)		(24,232)		(24,232)
129	Accrued Interest Receivable	192		192	128	320
120	Net Total Receivables	12,993	-	12,993	128	13,121
131	Investments-Unrestricted	552,607		552,607	1,024,649	1,577,256
132	Investments-Restricted	656,093		656,093		656,093
142	Prepaid Expenses	12,640		12,640		12,640
145	Inter Program Due From			-	-	-
150	**Total Current Assets**	1,269,159	-	,269,159	1,029,337	2,298,496
161	Land				30,000	30,000
162	Buildings	79,568		79,568	295,000	374,568
164	F/E/M Admin.	93,273		93,273	70,728	164,001
165	Leasehold Improvements	-		-	748,137	748,137
166	Accum Depreciation	(76,903)		(76,903)	(391,880)	(468,783)
160	Net Fixed Assets	95,938	-	95,938	751,985	847,923
190	**TOTAL ASSETS**	**1,365,097**	**-**	**1,365,097**	**1,781,322**	**3,146,419**
312	A/P <= 90 days	14,286		14,286		14,286
321	Accrued Wage/Taxes Payable	5,738		5,738		5,738
348	Loan Liability – Current			-	37,858	37,858
310	Total Current Liabilities	20,024	-	20,024	37,858	57,882
354	Accrued Comp Abs. - Noncurrent	176,558	-	176,558		176,558
355	Loan Liability				124,499	124,499
	Total Liabilities	196,582	-	196,582	162,357	358,939
508.1	Invested in Capital Assets Net	95,938		95,938	589,628	685,566
511.1	Restricted Net Assets	656,093		656,093	-	656,093
512.1	Unrestricted Net Assets	416,484	-	416,484	1,029,337	1,445,821
513	Total Equity/Net Assets	1,168,515	-	1,168,515	1,618,965	2,787,480
600	**TOTAL LIAB. & EQUITY**	**$ 1,365,097**	**$ -**	**$ 1,365,097**	**$ 1,781,322**	**$ 3,146,419**

Mansfield Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2012

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	$ 7,850,309	$ -	$ 7,850,309		$ 7,850,309
706.2	Ongoing Administrative Fees Earned	884,415		884,415		884,415
711	Investment Income - PHA	918	-	918	2,614	3,532
714	Fraud Recovery - PHA	36,833		36,833		36,833
715	Other Revenue	2,759		2,759	408,315	411,074
720	Investment Income - Restricted	1,061	-	1,061	-	1,061
700	TOTAL REVENUE	8,776,295	-	8,776,295	410,929	9,187,224
911	Admin. Salaries	537,734	2,772	540,506	182,884	723,390
912	Audit	6,919	-	6,919		6,919
914	Advertisement & Marketing	106	-	106		106
915	Employee Benefits	156,618	-	156,618	113,055	269,673
916	Office Expenses	131,241	-	131,241	34,569	165,810
917	Legal Expense	5,279	-	5,279		5,279
918	Travel	5,096	-	5,096		5,096
919	Other	-	-	-		-
	Total Operating - Admin.	842,993	2,772	845,765	330,508	1,176,273
942	Ordinary Maint.	14,503	-	14,503	6,650	21,153
	Total Maint.	14,503	-	14,503	6,650	21,153
961.2	Insurance - Liab Insurance	13,451	-	13,451		13,451
961.3	Interest Expense	2,790		2,790		2,790
	Total Insurance	16,241	-	16,241	-	16,241
962.1	Comp Abs	(5,454)		(5,454)		(5,454)
966	Bad Debt - Other	-		-		-
967	Interest Expense	-	-	-	9,670	9,670
	TOTAL OPERATING EXPENSES	868,283	2,772	871,055	346,828	1,217,883
970	Excess Oper. Rev. over Exp.	7,908,012	(2,772)	7,905,240	64,101	7,969,341
973	HAP	7,396,362	-	7,396,362		7,396,362
973.5	HAP Portability-In	2,567		2,567		2,567
974	Depreciation Exp	18,576	-	18,576	49,206	67,782
900	TOTAL EXPENSES	8,285,788	2,772	8,288,560	396,034	8,684,594
1000	NET INCOME (LOSS)	$ 490,507	$ (2,772)	$ 487,735	$ 14,895	$ 502,630

Mansfield Metropolitan Housing Authority
Additional Information Required by HUD
June 30, 2012

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

Line item	Account Description	Housing Choice Voucher	Section 8
11030	Beginning Equity	$ 678,008	$ 2,772
11170	Administrative Fee Equity	$ 51,242	
11180	Housing Assistance Payment Equity	$ 656,093	
11190	Unit Months Available	20,520	
11210	Number of Unit Months Leased	20,236	

Mansfield Metropolitan Housing Authority

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Program		
Section 8 Housing Choice Vouchers	14.871	$ 8,227,017
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 8,227,017

The accompanying notes to this schedule are an integral part of this schedule.

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
Mansfield, Ohio

I have audited the financial statements of Mansfield Metropolitan Housing Authority, Mansfield, Ohio (the Authority) as of and for the year ended June 30, 2012, and have issued my report thereon dated November 5, 2012. 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

Management of Mansfield Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, we 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 Mansfield Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness 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 entity'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 we consider to be material weaknesses, as defined previously.

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 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 5, 2012.

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 5, 2012

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
Mansfield, 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, 2012. 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; 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 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 my 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the 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 is a deficiency, or combination of deficiencies, 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 the management, those charged with governance, others within the entity 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 5, 2012

Mansfield Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

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 compliance:	
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, 2012

There were no audit findings, during the 2011 fiscal year.

Dave Yost • Auditor of State

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 19, 2013