**MANSFIELD METROPOLITAN HOUSING AUTHORITY**

**RICHLAND COUNTY**

**SINGLE AUDIT**

**JULY 1, 2018 – JUNE 30, 2019**

WILSON, SHANNON & SNOW INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Mansfield Metropolitan Housing Authority
88 W. Third Street
Mansfield, Ohio 44902

We have reviewed the *Independent Auditor's Report* of the Mansfield Metropolitan Housing Authority, Richland County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2018 through June 30, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2019

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**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

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# INDEPENDENT AUDITOR'S REPORT

Mansfield Metropolitan Housing Authority
Richland County
88 W. Third Street
Mansfield, Ohio 44902

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Mansfield Metropolitan Housing Authority, Richland County, Ohio (the Authority), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Metropolitan Housing Authority, Richland County as of June 30, 2019, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.



10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We 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 our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have[i] also issued our report dated November 6, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2019

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, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

## FINANCIAL HIGHLIGHTS

- During fiscal year 2019, the Authority's net position increased by $90,207 (or 12.36%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net positions were $729,926 and $820,133 for fiscal year 2018 and fiscal year 2019, respectively.

- The revenue increased by $456,843 (or 4.9%) during fiscal year 2019, and was $9,323,228 and $9,780,071 for fiscal year 2018 and fiscal year 2019, respectively.

- Total expenses increased by $175,405 (or 1.84%) during fiscal year 2018 and were $9,514,459 and $9,689,864 for fiscal year 2018 and fiscal year 2019, respectively.

## USING THIS ANNUAL REPORT

The Report includes the following sections:

| |
|---|
| MD&A<br>~ Management's Discussion and Analysis ~ |
| Basic Financial Statements<br>~ Statement of Net Position ~<br>~ Statement of Revenues, Expenses and Changes in Net Position ~<br>~ Statement of Cash Flows ~<br>~ Notes to the Basic Financial Statements ~ |
| Other Required Supplementary Information<br>~ Required Supplementary Information (Pension and OPEB Schedules) ~ |
| Supplementary and Other Information<br>~ Financial Data Schedules ~<br>~ Schedule of Federal Awards Expenditures ~ |

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

## Government-Wide Financial Statements

The statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflow of resources, minus liabilities and deferred inflow of resources, equal "Net Position". Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted" portion) is designed to represent the net available liquid (non-capital) assets and deferred outflows, net of liabilities and deferred inflows, for the entire Authority. Net Position is reported in three broad categories:

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have any outstanding debt.

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

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

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

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

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

## The Authority's Fund

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

**Business-Type Activities:**

**Housing Choice Voucher Program** – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

**Other Programs** – In addition to the major program above, the Authority also maintains other activities which are listed below:

> Supportive Housing for Persons with Disabilities – a new program starting in November 2018 designated to assist "Mainstream" clients with a Housing Choice Voucher type Program.
>
> Home Investment Partnerships Program – grant monies are received from local sources to administer this Program in a manner similar to the Housing Choice Voucher Program.
>
> Local/State Program-represents resources developed from services provided to other metropolitan housing authorities.

The net pension liability (NPL) is the largest single liability reported by the Authority at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In addition, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute.

The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability not accounted for as deferred inflows/outflows.

## Statement of Net Position

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

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## STATEMENT OF NET POSITION

| | 2019 | 2018 |
|---|---|---|
| Current and Other Assets | $ 2,223,044 | $ 1,819,166 |
| Capital Assets | 474,046 | 526,817 |
| Total Assets | 2,697,090 | 2,345,983 |
| Deferred Outflows of Resources | 413,748 | 190,285 |
| | | |
| Current Liabilities | 69,370 | 64,856 |
| Non-Current Liabilities | 2,201,008 | 1,503,346 |
| Total Liabilities | 2,270,378 | 1,568,202 |
| Deferred Inflows of Resources | 20,327 | 238,140 |
| | | |
| Net position: | | |
| Investment in Capital Assets | 474,046 | 526,817 |
| Restricted | 153,792 | 27,788 |
| Unrestricted | 192,295 | 175,321 |
| Total Net Position | $ 820,133 | $ 729,926 |

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

### Major Factors Affecting the Statement of Net Position

Current and other assets increased by $403,878 or 22.2% in fiscal year 2019; the increase was because of an increase in restricted cash for HAP expenses and surplus in operations. Total Liabilities increased by $702,176 or 44.78%. Major cause was GASB 68 & 75 adjustments and increasing compensated absence liabilities for fiscal year 2019. Capital assets decreased in fiscal year 2019; the net decrease was $52,771 which resulted from the current year depreciation and equipment disposed exceeding current fiscal year equipment purchases. For more detail see "Capital Assets and Debt Administration" on page 9.

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

## CHANGE OF UNRESTRICTED NET POSITION

| | | |
|---|---|---|
| Unrestricted Net position July 1, 2018 | | $ 175,321 |
| Results of Operations | (35,297) | |
| Depreciation (1) | 68,071 | |
| | | |
| Adjusted Results from Operations | | 32,774 |
| Capital Expenditures | | (15,800) |
| Unrestricted Net position as of June 30, 2019 | | $ 192,295 |

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

## CHANGE OF RESTRICTED NET POSITION

| | | |
|---|---|---|
| Restricted Net position July 1, 2018 | | $ 27,788 |
| Results of Operations | | |
| HAP unspent | 122,551 | |
| Recovery Payments | 3,453 | |
| Adjusted Results from Operations | | 126,004 |
| Restricted Net position as of June 30, 2019 | | $ 153,792 |

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

| | 2019 | 2018 |
|---|---|---|
| Revenues | | |
| HUD PHA Operating Grants | $ 9,283,663 | $ 8,889,741 |
| Interest | 35,618 | 17,072 |
| Gain/(Loss) on Sale of Assets | (150) | 300 |
| Other Revenues–Service Income | 453,885 | 407,010 |
| Other Revenues-Recovery Payments | 6,905 | 9,105 |
| Total Revenue | 9,779,921 | 9,323,228 |
| Expenses | | |
| Administrative & Comp Absences | 1,397,170 | 1,318,224 |
| Maintenance & Operations | 49,944 | 46,652 |
| General | 18,215 | 14,563 |
| Housing Assistance Payments | 8,156,314 | 8,068,139 |
| Depreciation | 68,071 | 66,881 |
| Total Expenses | 9,689,714 | 9,514,459 |
| Change in Net Position | 90,207 | (191,231) |
| Net Position at July 1 | 729,926 | 921,157 |
| Net Position at June 30 | $ 820,133 | $ 729,926 |

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

HUD PHA Grants for fiscal year 2019 increased by $393,922 or 4.43% due to funding increases for the HCV program and the addition of the 5-year Mainstream program. Interest revenue increased by $18,546 or 109% as the Authority receiving higher interest rates after a new bank negotiation. Other Revenues-Service income increased in fiscal year 2019 by $46,875 or 11.52% due to an increase in services provided to the other MHA's., including the addition of 2 new MHA's.

Housing Assistance Payments Expense in fiscal year 2019 increased by $88,175 or 1.09% the result of HCV & 5-year Mainstream Program increases. HCV in fiscal year 2019 program, had a decrease in unit months leased with 21,239 compared to 23,734 leased in fiscal year 2018. HUD funded 35 additional units for the 5-year Mainstream program starting in November 2018. The increase in net position of $90,207 was the result of a $126,004 increase to HAP reserves along with a $35,797 decrease in the fiscal year administrative operations (includes capital investment activity).

Other revenues from tenant fraud recovery tend to fluctuate slightly between fiscal years.

Administrative expenses include salaries and related benefits, along with other administrative expense such as audit fees and office expenses. The Authority attempts to control these expenses to reduce spending as much as possible; these expenses fluctuate slightly between fiscal years.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2019, the Authority had $474,046 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, net deductions and depreciation).

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

| | 2019 | 2018 |
|---|---|---|
| Land | $ 30,000 | $ 30,000 |
| Building & Improvements | 1,165,476 | 1,165,476 |
| Furniture & Equipment | 120,231 | 121,563 |
| Vehicles | 49,700 | 46,976 |
| Accumulated Depreciation | (891,361) | (837,198) |
| Total | $ 474,046 | $ 526,817 |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 22 of the notes.

**CHANGE IN CAPITAL ASSETS**

| | |
|---|---|
| Beginning Balance, July 1, 2018 | $ 526,817 |
| Additions | 15,800 |
| Disposals, net of accumulated depreciation | (500) |
| Depreciation | (68,071) |
| Ending Balance, June 30, 2019 | $474,046 |

This fiscal year's additions consist of a 2016 Ford Escape and disposals relate to sale of the old vehicle as well as removal of old equipment (fully depreciated).

**Debt Outstanding**

As of the fiscal year-end, the Authority has no outstanding debt (bonds, notes, etc.).

## ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

## FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Mansfield Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at 88 West Third Street, Mansfield, OH  44902.

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**STATEMENT OF NET POSITION**
**PROPRIETARY FUND**
**JUNE 30, 2019**

| | |
|---|---|
| **Assets** | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 2,042,891 |
| Accounts Receivable | 11,001 |
| Prepaid Items | 15,360 |
| Total Current Assets | 2,069,252 |
| Non-Current Assets: | |
| Restricted Cash | 153,792 |
| Capital Assets: | |
| Nondepreciable Capital Assets | 30,000 |
| Depreciable Capital Assets | 1,335,407 |
| Accumulated Depreciation | (891,361) |
| Total Capital Assets | 474,046 |
| Total Non-Current Assets | 627,838 |
| **Total Assets** | 2,697,090 |
| **Deferred Outflows of Resources** | |
| Pension | 364,445 |
| OPEB | 49,303 |
| **Total Deferred Outflows of Resources** | 413,748 |
| **Liabilities** | |
| Current Liabilities: | |
| Accounts Payable | 30,871 |
| Accrued Wages and Payroll Taxes | 6,062 |
| Unearned Revenue | 7,413 |
| Accrued Compensated Absences | 25,024 |
| Total Current Liabilities | 69,370 |
| Non-Current Liabilities: | |
| Accrued Compensated Absences | 154,184 |
| Net Pension Liability | 1,418,149 |
| Net OPEB Liability | 628,675 |
| Total Non-Current Liablities | 2,201,008 |
| **Total Liabilities** | 2,270,378 |
| **Deferred Inflows of Resources** | |
| Pension | 18,621 |
| OPEB | 1,706 |
| **Total Deferred Inflows of Resources** | 20,327 |
| **Net Position** | |
| Investment in Capital Assets | 474,046 |
| Restricted | 153,792 |
| Unrestricted | 192,295 |
| **Total Net Position** | $ 820,133 |

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

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**PROPRIETARY FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | | |
|---|---|---|
| **Operating Revenues** | | |
| HUD PHA Operating Grants | | $ 9,283,663 |
| Fraud Recovery | | 6,905 |
| Other Revenues | | 453,885 |
| **Total Operating Revenues** | | 9,744,453 |
| **Operating Expenses** | | |
| Housing Assistance Payments | 8,156,314 | |
| Administrative | 1,397,170 | |
| Maintenance and Operations | 49,944 | |
| General | 18,215 | |
| Depreciation | 68,071 | |
| **Total Operating Expenses** | | 9,689,714 |
| Operating Income | | 54,739 |
| **Nonoperating Revenues and (Expenses)** | | |
| Loss on Sale of Assets | | (150) |
| Interest | | 35,618 |
| **Total Nonoperating Revenues and (Expenses)** | | 35,468 |
| Change in Net Position | | 90,207 |
| Net Position at July 1, 2018 | | 729,926 |
| **Net Position at June 30, 2019** | | $ 820,133 |

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

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from HUD and other grantor agencies | $ 9,311,789 |
| Cash received from other sources | 460,790 |
| Cash payments for employees for services | (933,724) |
| Cash payments for good or services - HUD | (8,156,314) |
| Cash payments for goods or services | (276,158) |
| Net cash provided by operating activities | 406,383 |
| **Cash flows from capital activities:** | |
| Proceeds from sale of assets | 350 |
| Purchases of capital assets | (15,800) |
| Net cash used by capital activities | (15,450) |
| **Cash flows from investing activities:** | |
| Interest | 35,122 |
| Net cash provided by investing activities | 35,122 |
| Net change in cash | 426,055 |
| Cash at July 1, 2018 | 1,770,628 |
| **Cash at June 30, 2019** | $ 2,196,683 |
| **Reconciliation of operating income to net cash provided by operating activities:** | |
| Operating income | $ 54,739 |
| Depreciation | 68,071 |
| Changes in assets and liabilities: | |
| Accounts receivable, net | 23,671 |
| Prepaid items | (998) |
| Accounts payable | 9,311 |
| Unearned revenue | 7,413 |
| Accrued wages and payroll taxes | 366 |
| Compensated absences | 25,387 |
| Net pension liability | 575,073 |
| Net OPEB liability | 84,626 |
| Change in deferred outflow of resources | (223,463) |
| Change in deferred inflow of resources | (217,813) |
| **Net cash provided by operating activities** | $ 406,383 |

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

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**
**NOTES TO THE BASIC FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

## 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. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Measurement Focus/Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In accordance with GASB Statement No 34, the accompanying basic financial statements are reported on an Authority-Wide basis.

GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority's basic financial statements:

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Authority receives (or gives) value without directly giving equal value in return. Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* identifies four classes of nonexchange transactions as follows:

Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).

Imposed nonexhange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments imposed on exchange transactions (i.e. property taxes and fines).

Government-mandated nonexhange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e. federal programs that state or local governments are mandated to perform). Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

Authority grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distant standards depending upon the kind of stipulation imposed by the provider.

Time requirements specify (a) the period for which resources are required to be used or when use may begin(for example, operating or capital grants for a specific period) of (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexhange transactions.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Purpose restrictions specify the purpose for which the resources are required to be used (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, Authority's that receive resources with purpose restrictions should report resulting Net Position, equity, or fund balance as restricted.

The Authority will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The Authority will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, Authority's should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The Authority receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

### Fund Accounting

The Authority uses proprietary fund to report on its financial position and the results of its operations for the various grant programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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, liabilities, and deferred inflows and outflows of resources associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

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

### Use of Estimates

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Accounts Receivable

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

Prepaid Items

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

Capital Assets

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

| Description | Estimated Useful Life – Years |
|---|---|
| Building | 20-30 years |
| Building Improvements | 5-15 years |
| Vehicles | 6 years |
| Equipment | 3-7 years |

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. 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. 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, 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 current liability.

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.

## 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 deposits and money market investments. The Authority investments during the fiscal year were limited to certificates of deposit which are reported at cost.

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 Receivable/Payables

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of $153,792.

Deferred Inflow/Outflow of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 5 and 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the statement of net position. The deferred inflows of resources related to pension and OPEB are explained in Note 5 and 6.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did report restricted net position for HAP reserves of $153,792 at June 30, 2019.

Operating Revenues and Expenses

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

## 2. CASH AND CASH EQUIVALENTS

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.

### A. Deposits

State statues 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 for depositories. Inactive deposits mist 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 fiscal year end, the carrying amount of the Authority's deposits was $2,196,683 (including $50 of petty cash) and the bank balance was $2,207,487

**2. CASH AND CASH EQUIVALENTS – CONTINUED**

*Custodial Credit Risk*

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insures public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of the fiscal year-end, deposits totaling $951,072 was covered by Federal Depository and $1,256,415 was covered by the pledged securities collateral.

**B. Investments**

HUD, State Statue, 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, 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 investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and records all its investments at fair value. However, at June 30, 2019, the Authority investments were limited to certificates of deposits which are reported at cost.

*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 ear 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.

## 2. CASH AND CASH EQUIVALENTS - CONTINUED

*Concentration of Credit Risk*

Generally, the Authority places on 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 represent 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 the 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 possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.12(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."

### C. Restricted Cash

The Authority had $153,792 in restricted cash as of June 30, 2019. Restricted cash is the unspent HAP funding provided for the Housing Choice Voucher Programs.

## 3. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

| Type of Coverage | Deductible | Coverage Limits |
|---|---|---|
| Property | $500 | $2,092,000 |
| General Liability | $0 | $1,000,00/2,000,000 |
| Automotive | $250/500 | $1,000,000 |
| Employee Dishonesty | $500 | $1,000,000 |
| Public Officials | $2,500 | $2,000,000 |

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

## 4. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2019:

| | Balance at July 1, 2018 | Additions | Disposals | Balance at June 30, 2019 |
|---|---|---|---|---|
| **Capital Assets Not Depreciated** | | | | |
| Land | $ 30,000 | $ - | $ - | $ 30,000 |
| **Total Capital Assets Not Depreciated** | 30,000 | - | - | 30,000 |
| **Capital Assets Depreciated** | | | | |
| Building and Improvements | 1,165,476 | - | - | 1,165,476 |
| Vehicles | 46,976 | 15,800 | (13,076) | 49,700 |
| Furniture, Equipment, and Machinery | 121,563 | - | (1,332) | 120,231 |
| **Total Capital Assets Depreciated** | 1,334,015 | 15,800 | (14,408) | 1,335,407 |
| **Accumulated Depreciation** | | | | |
| Building and Improvements | (715,206) | (57,452) | - | (772,658) |
| Vehicles | (43,076) | (5,535) | 12,576 | (36,035) |
| Furniture, Equipment, and Machinery | (78,916) | (5,084) | 1,332 | (82,668) |
| **Total Accumulated Depreciation** | (837,198) | (68,071) | 13,908 | (891,361) |
| **Total Capital Assets Depreciated, Net** | 496,817 | (52,271) | (500) | 444,046 |
| **Total Capital Assets, Net** | $ 526,817 | $(52,271) | $ (500) | $ 474,046 |

## 5. DEFINED BENEFIT PENSION PLAN

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

## 5. DEFINED BENEFIT PENSION PLAN-CONTINUED

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in *accounts payable* on the accrual basis of accounting.

***Plan Description*** – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan.

2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides age and service retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by visiting the OPERS website at www.opers.org.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Authority is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the PERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the contribution rate consistent across all three plans.

The Authority's contractually required pension contribution to OPERS was $99,209 for fiscal year 2019. Of this amount $8,491 is reported within accounts payable.

**5. DEFINED BENEFIT PENSION PLAN-CONTINUED**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of the contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS Traditional Plan |
|---|---|
| Proportionate Share of the Net Pension Liability | $1,418,149 |
| Proportion of the Net Pension Liability | 0.0051780% |
| Change in Proportion from Prior Measurement Date | -0.0001960% |
| Pension Expense | $314,092 |

The Authority's employees have only participated in the Traditional Plan.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Total Deferred Outflows |
|---|---|
| Difference between expected and actual experience | $ 65 |
| Changes of assumptions | 123,453 |
| Net difference between projected and actual investment earnings on pension plan investments | 192,483 |
| Authority contributions subsequent to the measurement date | 48,444 |
| Total Deferred Outflows of Resources | $364,445 |

| | Total Deferred Inflows |
|---|---|
| Difference between expected and actual experience | $ 18,621 |

The $48,444 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:

| | |
|---|---|
| 2020 | $ 74,741 |
| 2021 | 74,741 |
| 2022 | 70,906 |
| 2023 | 38,497 |
| 2024 | 38,495 |
| Total | $297,380 |

## 5. DEFINED BENEFIT PENSION PLAN-CONTINUED

### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

| **Actuarial Information** | **Traditional Pension Plan** |
|---|---|
| Measurement & Valuation Date | December 31, 2018 |
| Experience Study | 5-Year Period Ended December 31, 2015 |
| Actuarial Cost Method | Individual entry age |
| Actuarial Assumptions | |
| Investment Rate of Return | 7.20% |
| Wage Inflation | 3.25% |
| Projected Salary increases | 3.25%-10.75% (includes wage inflation at 3.25%) |
| Cost of living Adjustments | 3.00% Simple |

Special tables are used for the period after disability retirement and post-retirement mortality. The most recent experience study was completed December 31, 2018. The long-term return expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| **Asset Class** | **Target Allocation** | **Real Rate of Return** |
|---|---|---|
| Fixed Income | 23.00% | 2.79% |
| Domestic Equities | 19.00 | 6.21 |
| Real Estate | 10.00 | 4.90 |
| Private Equity | 10.00 | 10.81 |
| International Equities | 20.00 | 7.83 |
| Other Investments | 18.00 | 5.50 |
| **TOTAL** | **100.00%** | **5.95%** |

## 5. DEFINED BENEFIT PENSION PLAN-CONTINUED

***Discount Rate*** The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.2 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

| | 1% Decrease (6.2%) | Current Discount Rate (7.2%) | 1% Increase (8.2%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 2,095,019 | $ 1,418,149 | $ 855,665 |

***Plan Fiduciary Net Position*** Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS's financial report.

## 6. OTHER POST EMPLOYEMENT BENEFITS

### Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions –between an employer and its employees – of salaries and benefits for employee services. OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB. GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium.

## 6. OTHER POST EMPLOYEMENT BENEFITS-CONTINUED

The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accounts payable on the accrual basis of accounting.

**Plan Description – OPERS**

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS). OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service was required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

## 6. OTHER POST EMPLOYEMENT BENEFITS-CONTINUED

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2019, Authority contributed at a rate of 14 percent of earnable salary.

The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage.

The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2018 and 2019.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability for OPERS was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on The Authority's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | |
|---|---|
| Proportionate Share of the Net OPEB Liability | $628,675 |
| Proportion of the Net OPEB Liability | 0.0048220% |
| Change in Proportion from Prior Measurement Date | -0.0001880% |
| OPEB Expense | $58,101 |

| | Total Deferred Outflows |
|---|---|
| Difference between expected and actual experience | $ 213 |
| Changes of assumptions | 20,269 |
| Net difference between projected and actual investment earnings on OPEB investments | 28,821 |
| Total Deferred Outflows of Resources | $ 49,303 |

| | Total Deferred Inflows |
|---|---|
| Difference between expected and actual experience | $ 1,706 |

## 6. OTHER POST EMPLOYEMENT BENEFITS-CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30: | |
|---|---|
| 2020 | $ 11,959 |
| 2021 | 11,959 |
| 2022 | 11,959 |
| 2023 | 5,955 |
| 2024 | 5,765 |
| Total | $ 47,597 |

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

| | |
|---|---|
| Wage Inflation | 3.25% |
| Future Salary Increases, including inflation | 3.25% 3.25 - 10.75% |
| Single Discount Rate | 3.96% |
| Investment Rate of Return | 6.00% |
| Municipal Bond Rate | 3.71% |
| Health Care Cost Trend Rate | 10.0% initial, 3.25% ultimate in 2029 |
| Actuarial Cost Method | Individual entry age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females were then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**6. OTHER POST EMPLOYEMENT BENEFITS-CONTINUED**

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| **Asset Class** | **Target Allocation** | **Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)** |
|---|---|---|
| Fixed Income | 34.00% | 2.42% |
| Domestic Equities | 21.00 | 6.21 |
| REITs | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other Investments | 17.00 | 5.57 |
| TOTAL | 100.00% | 5.16% |

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the Authority's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.96 percent, as well as what The Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one percentage-point higher (4.96 percent) than the current rate:

| | 1% Decrease (2.96%) | Current Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|---|---|---|
| Authority's proportionate Share of the net OPEB liability | $804,310 | $628,675 | $488,999 |

## 6. OTHER POST EMPLOYEMENT BENEFITS-CONTINUED

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Authority’s proportionate share of the net OPEB liability | $604,293 | $628,675 | $656,756 |

## 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2019:

| | Balance at July 1, 2018 | Additions | Deductions | Balance at June 30, 2019 | Due in One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 153,821 | $ 25,387 | $ - | $ 179,208 | $ 25,024 |
| Net OPEB Liability | 843,076 | - | (214,401) | 628,675 | - |
| Net Pension Liability | 544,049 | 874,100 | - | 1,418,149 | - |
| TOTAL | $1,540,946 | $899,487 | $(214,401) | $2,226,032 | $ 25,024 |

See Note 5 for information on the Authority’s net pension liability and Note 6 for information on the Authority’s net OPEB liability.

## 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. The current policy does not allow current vacation days earned to be carried over into next calendar year. Generally, upon termination after one year of service, employees are entitled to be paid all accrued all 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 |

## 8. COMPENSATED ABSENCES – CONTINUED

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 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 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 service 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, 2019 is $179,208.

## 9. CONTINGENT LIABILITIES

### A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at June 30, 2019.

### B. Litigation

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

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**LAST SIX FISCAL YEARS**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | .0051780% | 0.0053740% | 0.0056440% | 0.0058190% | 0.0056040% | 0.0056040% |
| Authority's Proportionate Share of the Net Pension Liability | $1,418,149 | $843,076 | $1,281,656 | $1,007,924 | $675,905 | $660,639 |
| Authority's Covered Employee Payroll | $708,636 | $710,000 | $704,550 | $737,329 | $715,979 | $673,900 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 200.12% | 118.74% | 181,91% | 136.70% | 94.40% | 98.03% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 89.19% |

1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2014 is not available.

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**
**LAST THREE FISCAL YEARS**

| | **2019** | **2018** | **2017** |
|---|---|---|---|
| Authority's Proportion of Net OPEB Liability | .0048220% | .0005010% | .0005261% |
| Authority's Proportionate Share of the Net OPEB Liability | $628,675 | $544,049 | $506,027 |
| Authority's Covered Employee Payroll | $708,636 | $710,000 | $704,550 |
| Authority's Proportionate Share of the Net Pension Liability as a percent of covered employee payroll | 88.72% | 76.63% | 71.82% |
| Plan Fiduciary Net Position as a percentage of the total OPEB Liability | 46.33% | 54.14% | 68.52% |

1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2017 is not available.

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**
**LAST TEN FISCAL YEARS**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required employer contributions: | | | | | | | | | | |
| Pension | $99,209 | $95,774 | $84,546 | $88,479 | $85,917 | $87,607 | $70,664 | $85,402 | $94,321 | $87,449 |
| OPEB | - | 3,626 | 14,091 | 14,747 | 14,320 | 6,739 | 28,266 | 14,234 | 5,339 | 4,950 |
| Contributions in relation to the contractually required contributions | (99,209) | (99,400) | (98,637) | (103,226) | (100,237) | (94,346) | (98,930) | 99,636) | (99,660) | (92,399) |
| Contributions deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority covered-employee payroll | $708,636 | $710,000 | $704,550 | $737,329 | $715,979 | $673,900 | $706,643 | $711,686 | $711,857 | $659,993 |
| Contributions as a percentage of covered-employee payroll | | | | | | | | | | |
| Pension | 14.00% | 13.49% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% | 12.00% | 13.25% | 13.25% |
| OPEB | - | 0.51% | 2.00% | 2.00% | 2.00% | 1.00% | 4.00% | 2.00% | .75% | .75% |

***Ohio Public Employees' Retirement System***

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for the fiscal years presented.

*Changes in assumptions:* In 2016, actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with most notable being a reduction in the actuarially assumed rate of return from 8.0% to 7.5% for the defined benefits investments. See the notes to the basic financial statements for the methods and assumptions in this calculation.

***Net OPEB Liability***

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for 2019.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2019.

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**ENTITY WIDE BALANCE SHEET SUMMARY**
**FDS SCHEDULE SUBMITTED TO HUD**
**JUNE 30, 2019**

| FDS Line Item No. | Account Description | 14.871 Section 8 Housing Choice Vouchers | 14.181 Supportive Housing for Persons w/ Disabilities | State/Local | Total |
|---|---|---|---|---|---|
| | Current Assets | | | | |
| | Cash | | | | |
| 111 | Cash - Unrestricted | $ 594,486 | $ 4,252 | $ 1,444,153 | $ 2,042,891 |
| 113 | Cash - Other Restricted | 53,402 | 100,390 | - | 153,792 |
| 100 | Total Cash | 647,888 | 104,642 | 1,444,153 | 2,196,683 |
| | Accounts Receivable | | | | |
| 125 | Accounts Receivable - Other | 9,782 | - | - | 9,782 |
| 128 | Fraud Recovery | 18,105 | - | - | 18,105 |
| 128.1 | Allowance for Doubtful Accounts | (18,105) | - | - | (18,105) |
| 129 | Accrued Interest Receivable | - | - | 1,219 | 1,219 |
| 120 | Total Receivables, Net of Allowance for Doubtful Accounts | 9,782 | - | 1,219 | 11,001 |
| | Other Assets | | | | |
| 142 | Prepaid Expenses and Other Assets | 15,360 | - | - | 15,360 |
| 150 | Total Current Assets | 673,030 | 104,642 | 1,445,372 | 2,223,044 |
| | Noncurrent Assets | | | | |
| | Capital Assets | | | | |
| 161 | Land | - | - | 30,000 | 30,000 |
| 162 | Buildings | - | - | 295,000 | 295,000 |
| 164 | Furniture and Equipment - Administration | 99,203 | - | 70,728 | 169,931 |
| 165 | Leasehold Improvements | 122,339 | - | 748,137 | 870,476 |
| 166 | Accumulated Depreciation | (155,039) | - | (736,322) | (891,361) |
| 160 | Total Capital Assets net of accumulated depreciation | 66,503 | - | 407,543 | 474,046 |
| 180 | Total Noncurrent Assets | 66,503 | - | 407,543 | 474,046 |
| 200 | Deferred Outflow of Resources | 413,748 | - | - | 413,748 |
| 290 | Total Assets and Deferred Outflow of Resources | $ 1,153,281 | $ 104,642 | $ 1,852,915 | $ 3,110,838 |
| | Current Liabilities | | | | |
| 312 | Accounts Payable | $ 30,871 | $ - | $ - | $ 30,871 |
| 321 | Accrued Wages and Payroll Taxes | 6,062 | - | - | 6,062 |
| 322 | Accrued Compensated Absences - Current | 25,024 | - | - | 25,024 |
| 342 | Unearned Revenue | 3,161 | 4,252 | - | 7,413 |
| 310 | Total Current Liabilities | 65,118 | 4,252 | - | 69,370 |
| | Non-Current Liabilities | | | | |
| 354 | Accrued Compensated Absences-Non-Current | 154,184 | - | - | 154,184 |
| 357 | Accrued Pension and OPEB Liabilities | 2,046,824 | | | 2,046,824 |
| 350 | Total Non-Current Liabilities | 2,201,008 | - | - | 2,201,008 |
| 300 | Total Liabilities | 2,266,126 | 4,252 | - | 2,270,378 |
| 400 | Deferred Inflow of Resources | 20,327 | - | - | 20,327 |
| | Net Position | | | | |
| 508.4 | Invested in Capital Assets | 66,503 | - | 407,543 | 474,046 |
| 511.4 | Restricted Net Position | 53,402 | 100,390 | - | 153,792 |
| 512.4 | Unrestricted Net Position | (1,253,077) | - | 1,445,372 | 192,295 |
| | Total Net Position | (1,133,172) | 100,390 | 1,852,915 | 820,133 |
| 600 | Total Liabilities, Deferred Inflows of Resources, and Net Position | $ 1,153,281 | $ 104,642 | $ 1,852,915 | $ 3,110,838 |

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

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**ENTITY WIDE REVENUE AND EXPENSE SUMMARY**
**FDS SCHEDULE SUBMITTED TO HUD**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| FDS Line Item No. | Account Description | 14.871 Section 8 Housing Choice Vouchers | 14.181 Supportive Housing for Persons w/ Disabilities | 14.239 HOME Investment Partnership Program | State/Local | Total |
|---|---|---|---|---|---|---|
| | Revenue | | | | | |
| 70600-010 | Housing Assistance Payment Revenues | $ 8,157,593 | | | | $ 8,157,593 |
| 70600-020 | Administrative Fees Revenues | 1,002,375 | | | | 1,002,375 |
| 70600 | HUD PHA Operating Grants | 9,159,968 | $ 104,942 | $ 18,753 | $ - | 9,283,663 |
| 71100 | Investment Income - Unrestricted | 10,564 | - | - | 25,054 | 35,618 |
| 71400-010 | Housing Assistance Payments | 3,452 | - | - | - | 3,452 |
| 71400-020 | Administrative Fees | 3,453 | - | - | - | 3,453 |
| 71400 | Fraud Recovery | 6,905 | - | - | - | 6,905 |
| 71500 | Other Revenue | - | - | - | 453,885 | 453,885 |
| 71600 | Loss on Sale of Capital Assets | (150) | - | - | - | (150) |
| 70000 | Total Revenue | 9,177,287 | 104,942 | 18,753 | 478,939 | 9,779,921 |
| | Expenses | | | | | |
| 91100 | Administrative Salaries | 444,854 | 718 | 1,705 | 268,299 | 715,576 |
| 91200 | Auditing Fees | 6,425 | - | - | - | 6,425 |
| 91400 | Advertising and Marketing | 3,856 | - | - | - | 3,856 |
| 91500 | Employee Benefit Contributions - Administrative | 417,093 | - | - | 75,124 | 492,217 |
| 91600 | Office Expenses | 118,434 | - | - | 22,997 | 141,431 |
| 91700 | Legal Expenses | 2,290 | - | - | - | 2,290 |
| 91800 | Travel | 10,351 | - | - | - | 10,351 |
| 91000 | Total Operating - Administrative | 1,003,303 | 718 | 1,705 | 366,420 | 1,372,146 |
| 94200 | Ordinary Maintenance and Operations - Materials and Other | 33,079 | - | - | 16,865 | 49,944 |
| 94000 | Total Maintenance and Operations | 33,079 | - | - | 16,865 | 49,944 |
| 96120 | Liability Insurance | 17,382 | - | - | - | 17,382 |
| 96100 | Total Insurance Premiums | 17,382 | - | - | - | 17,382 |
| 962000 | Other General Expenses | 833 | - | - | - | 833 |
| 962100 | Compensated Absences | 25,024 | - | - | - | 25,024 |
| 96000 | Total Other General Expenses | 25,857 | - | - | - | 25,857 |
| 96900 | Total Operating Expenses | 1,079,621 | 718 | 1,705 | 383,285 | 1,465,329 |
| 97000 | Excess Operating Revenue Over Operating Expenses | 8,097,666 | 104,224 | 17,048 | 95,654 | 8,314,592 |
| | Other Expenses | | | | | |
| 97300 | Housing Assistance Payments | 8,135,432 | 3,834 | 17,048 | - | 8,156,314 |
| 97400 | Depreciation Expense | 18,865 | - | - | 49,206 | 68,071 |
| | Total Other Expenses | 8,154,297 | 3,834 | 17,048 | 49,206 | 8,224,385 |
| 90000 | Total Expenses | 9,233,918 | 4,552 | 18,753 | 432,491 | 9,689,714 |
| 10000 | Excess of Revenues under Expenses | (56,631) | 100,390 | - | 46,448 | 90,207 |
| 11030 | Beginning Net Position | (1,076,541) | - | - | 1,806,467 | 729,926 |
| 11170 | Administrative Fee Equity | (1,186,574) | - | - | - | (1,186,574) |
| 11180 | Housing Assistance Payment Equity | 53,402 | - | - | - | 53,402 |
| | Total Ending Net Position | $ (1,133,172) | $ 100,390 | $ - | $ 1,852,915 | $ 820,133 |

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Federal Grantor/Pass Through Grantor Program/Cluster Title | Pass-Through Number | Federal CFDA Number | Total Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Housing and Urban Development** | | | |
| Housing Voucher Cluster: | | | |
| Section 8 Housing Choice Vouchers | N/A | 14.871 | $ 9,159,968 |
| Supportive Housing for Persons with Disabilities | N/A | 14.181 | 104,942 |
| Passed through City of Mansfield: | | | |
| Home Investment Partnerships Program | M-17-MC-39-0221 | 14.239 | 18,753 |
| **Total Expenditures of Federal Awards** | | | $ 9,283,663 |

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mansfield Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mansfield Metropolitan Housing Authority
Richland County
88 W. Third Street
Mansfield, Ohio 44902

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mansfield Metropolitan Housing Authority, Richland County, (the Authority) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 6, 2019.

## *Internal Control Over Financial Reporting*

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

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

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

## *Compliance and Other Matters*

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



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***Purpose of this Report***

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2019

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

Mansfield Metropolitan Housing Authority
Richland County
88 W. Third Street
Mansfield, Ohio 44902

To the Board of Trustees:

***Report on Compliance for the Major Federal Program***

We have audited the Mansfield Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Mansfield Metropolitan Housing Authority's major federal program for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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


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***Opinion on the Major Federal Program***

In our opinion, the Mansfield Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2019.

***Report on Internal Control Over Compliance***

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2019

**MANSFIELD METROPOLITAN HOUSING AUTHROITY**
**RICHLAND COUNTY**

**SCHEDULE OF FINDINGS**
**2 CFR § 200.515**
**JUNE 30, 2019**

## 1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

## 3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE
KEITH FABER

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**DECEMBER 5, 2019**

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