# MANSFIELD METROPOLITAN HOUSING AUTHORITY

# AUDIT REPORT

# FOR THE YEAR ENDED JUNE 30, 2003

**Auditor of State**
**Betty Montgomery**

Board of Directors
Mansfield Metropolitan Housing Authority
150 Park Avenue West
Mansfield, Ohio 44901

We have reviewed the Independent Auditor's Report of the Mansfield Metropolitan Housing Authority, Richland County, prepared by James G. Zupka, C.P.A., Inc., for the audit period July 1, 2002 to June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 16, 2004

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MANSFIELD METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2003

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**JAMES G. ZUPKA, C.P.A., INC.**
***Certified Public Accountants***
***5240 East 98th Street***
***Garfield Hts., Ohio 44125***

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Mansfield Metropolitan Housing Authority, as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Mansfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2003, and the changes in net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No, 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", as of July 1, 2002. The implementation resulted in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2003 on our consideration of Mansfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplementary Financial Data Schedule is presented for purposes of additional analysis and are not a required part of the financial statements of the Mansfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The accompanying Statement of Actual Modernization Cost Certification is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

James G. Zupka
Certified Public Accountant

November 17, 2003

The Mansfield Metropolitan Housing Authority (the "Authority") Management's Discussion and Analysis is designed to **a)** assist the reader in focusing on significant financial issues, **b)**provide an overview of the Authority's financial activity, **c)** identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and **d)** identify individual fund issues or concerns.

The Management's Discussion and Analysis is new and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current known facts, please read it in conjunction with the Authority's financial statements, which begin on page 10.

## Financial Highlights

- During fiscal year 2003, the Authority's net assets increased by $116,354, or 8.11 percent. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were $1,434,999 and $1,551,353 for fiscal year 2002 and fiscal year 2003, respectively.

- The Authority's revenue increased by $589,202, or 10.14 percent during fiscal year 2003. Revenue for fiscal year 2002 and fiscal year 2003 was $5,812,146 and $6,401,348, respectively.

- The total expenses of the Authority increased by $521,608, or 9.05 percent. Total expenses for fiscal year 2002 and fiscal year 2003 were $5,763,386 and $6,284,994, respectively.

## Using This Annual Report

This is a very different perspective of the Authority's previous financial statements. The following outlines these changes and is provided for your review:

**MD&A**
Management's Discussion and Analysis (new)

**Basic Financial Statements**
Financial Statements (refocused) - pages 10-12
Notes to the Basic Financial Statements (expanded/restructured) - pages 13-23

**Other Required Supplementary Information**
Required Supplementary Information - none (other than MD&A expanded)

The primary focus of the Authority's financial statements (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (Authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year, or Authority to Authority) and enhance the Authority's accountability.

**Authority-Wide Financial Statements**

The Authority-wide financial statements on pages 10 through 12 are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

The statements include a Statement of Net Assets, which is similar to a balance sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities equal Net Assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible into cash within one year) and "non-current".

The focus on the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net assets, formerly equity, are reported in three broad categories:

- *Net Assets, Invested in Capital Assets, Net of Related Debt* This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

- *Unrestricted Net Assets* Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, which is similar to an Income Statement. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenues and expenses, such as grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to net income or loss.

Finally, a Statement of Cash Flows on page 12 is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than fund types. The Authority consists of exclusively enterprise funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**The Authority's Funds**

<u>Business-Type Funds</u>

*Housing Choice Voucher Program* Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under 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 percent of adjusted household income.

*New Construction Section 8 Program* Under the New Construction Project Based Program, the Authority serves as Contractor Administrator for two (2) projects: Smiley Gardens and Morchester Villa. The family's rent is subsidized through a Housing Assistance Payments made between the project owner and the family. HUD provides annual contributions funding to the Authority to pay the owner. The participants' rent is set at 30 percent of adjusted household income.

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

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

## Authority-Wide Statements

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged in only business-type activities.

**Table 1 - Statement of Net Assets**

| | FY 2003 | FY 2002 |
|---|---|---|
| **Assets** | | |
| Current and Other Assets | $ 2,029,123 | $ 1,710,900 |
| Capital Assets | 194,315 | 200,947 |
| **Total Assets** | 2,223,438 | 1,911,847 |
| **Liabilities** | | |
| Current Liabilities | 418,632 | 455,072 |
| Noncurrent Liabilities | 253,453 | 21,776 |
| **Total Liabilities** | 672,085 | 476,848 |
| **Net Assets** | | |
| Invested in Capital Assets, Net of Related Debt | 194,315 | 200,947 |
| Unrestricted | 1,357,038 | 1,234,052 |
| **Total Net Assets** | $ 1,551,353 | $ 1,434,999 |

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

## Major Factors Affecting the Statement of Net Assets

Current assets, primarily cash and investments, were increased by $318,223 in fiscal year 2003. Liabilities were also increased by $195,237.

Noncurrent liabilities increased by $231,677 due to the reclassification of a portion of accrued compensated absences from current to noncurrent.

Capital assets did not change significantly, decreasing from $200,947 to $194,315. The $6,632 decrease can be attributed to a combination of acquisitions/dispositions of $13,958 less current year depreciation of $20,590. For more detail, see Capital Assets and Debt Administration below.

**Table 2 - Change of Unrestricted Net Assets**

| | | |
|---|---|---|
| Unrestricted Net Assets at June 30,2002 | | $ 1,234,052 |
| Results of Operations | $ 116,354 | |
| Adjustments: | | |
| Depreciation (1) | 20,590 | |
| Disposition of Assets (2) | 1,000 | |
| Adjusted Results from Operations | | 137,944 |
| Capital Expenditures | | (14,958) |
| **Unrestricted Net Assets at June 30, 2003** | | $ 1,357,038 |

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net assets.
(2) Loss on disposition of automobile.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes is unrestricted net assets provides a clearer change in financial well-being.

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

**Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets**

| | FY 2003 | FY 2002 |
|---|---|---|
| **Revenues** | | |
| HUD PHA Operating Grants | $ 5,969,571 | $ 5,431,279 |
| Investment Income | 20,667 | 40,008 |
| Loss on Disposition of Equipment | (1,000) | 0 |
| Other Revenues - Service Income | 406,559 | 336,553 |
| Other Revenues - Fraud Recovery | 5,551 | 4,306 |
| **Total Revenues** | 6,401,348 | 5,812,146 |
| **Expenses** | | |
| Administrative | 1,028,877 | 930,781 |
| Maintenance | 21,615 | 22,317 |
| General | 18,229 | 17,517 |
| Housing Assistance Payments | 5,195,683 | 4,770,417 |
| Depreciation | 20,590 | 22,354 |
| **Total Expenses** | 6,284,994 | 5,763,386 |
| Net Increase | $ 116,354 | $ 48,760 |

## Major Factors Affecting the Statement of Revenue, Expenses, and Changes in Net Assets

HUD PHA grants increased due to the Authority's increase in leasing and the addition of 156 units effective March 1, 2003. Fiscal year 2003 had a leasing rate of 99.3 percent or 16,604 unit months leased out of a 16,728 available. Compared to a 93.5 percent rate for fiscal year 2002 or 15,634 unit months leased with 16,728 available.

These additional 970 unit months leased would have also had an effect on the In-Housing Assistance Payments increase of $425,266 from last year. The increase in Payment Standards would also have added to the cause of the increase.

Administrative expenses increased because of the changes in personnel. An additional inspector was hired in January of 2003, due to the addition of new units. Employee health insurance cost also continued to increase.

Most other expenses increased modestly due to inflation.

## Capital Assets

As of June 30, 2003, the Authority had $194,315 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation).

**Table 4 - Capital Assets at Year-End (Net of Depreciation)**

| | FY 2003 | FY 2002 |
|---|---|---|
| Land | $ 56,000 | $ 56,000 |
| Buildings and Improvements | 209,462 | 209,462 |
| Furniture and Equipment | 274,184 | 271,186 |
| Vehicles | 108,685 | 97,725 |
| Accumulated Depreciation | (454,016) | (433,426) |
| Total | $ 194,315 | $ 200,947 |

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 19 of the notes.

**Table 5 - Change in Capital Assets**

| | Business-Type Activities |
|---|---|
| Beginning Balance | $ 200,947 |
| Additions | 14,958 |
| Gain/(Loss) from Disposition | (1,000) |
| Depreciation | (20,590) |
| Ending Balance | $ 194,315 |

The Capital Asset additions for the year are:

| | |
|---|---|
| 2002 Buick Century | $ 10,960 |
| Ricoh copier | 3,998 |
| Total Additions | $ 14,958 |

**Debt Outstanding**

As of June 30, 2003, 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 amount of housing assistance
- Inflationary pressure on utility rates, supplies, and other costs.

**Financial Contact**

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Mansfield Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, Ohio 44901.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

| | Totals |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash and Cash Equivalents | $ 147,794 |
| Receivables - Net of Allowance | 50,423 |
| Investments - Unrestricted | 1,826,731 |
| Deferred Charges and Other Assets | 4,175 |
| Total Current Assets | 2,029,123 |
| | |
| Noncurrent Assets | |
| Capital Assets - Net of Accumulated Depreciation | 194,315 |
| Total Noncurrent Assets | 194,315 |
| **Total Assets** | $ 2,223,438 |
| | ========= |
| **LIABILITIES AND NET ASSETS** | |
| Current Liabilities | |
| Accounts Payable | $ 12,413 |
| Accounts Payable - HUD | 382,908 |
| Accrued Compensated Absences | 23,311 |
| Total Current Liabilities | 418,632 |
| | |
| Noncurrent Liabilities | |
| Other Liabilities | 16,720 |
| Accrued Compensated Absences, Noncurrent | 236,733 |
| Total Noncurrent Liabilities | 253,453 |
| **Total Liabilities** | 672,085 |
| | |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 194,315 |
| Unrestricted Net Assets | 1,357,038 |
| **Total Net Assets** | 1,551,353 |
| | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 2,223,438 |
| | ========= |

See accompanying notes to the basic financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

| | Totals |
|---|---|
| **Operating Revenue** | |
| Program Operating Grants/Subsidies | $5,969,571 |
| Other Income - Service Income | 406,559 |
| Other Income - Fraud Recovery | 5,551 |
| **Total Operating Revenue** | 6,381,681 |
| | |
| **Operating Expenses** | |
| Administrative | 1,028,877 |
| Maintenance | 21,615 |
| General | 18,229 |
| Housing Assistance Payments | 5,195,683 |
| Depreciation | 20,590 |
| **Total Operating Expenses** | 6,284,994 |
| Excess of Revenue Over Expenses | 96,687 |
| | |
| **Nonoperating Revenues (Expenses)** | |
| Interest and Investment Revenue | 20,667 |
| Loss on Disposition of Equipment | (1,000) |
| **Total Nonoperating Revenues (Expenses)** | 19,667 |
| Change in Net Assets | 116,354 |
| | |
| Total Net Assets, Beginning Balance | 1,434,999 |
| **Total Net Assets, Ending** | $ 1,551,353 |
| | ========= |

See accompanying notes to the basic financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2003

| | Totals |
|---|---|
| **Cash Flows from Operating Activities** | |
| Cash Received from HUD | $ 6,140,752 |
| Cash Received From Clients | 394,093 |
| Cash Payments for Housing Assistance Payments | (5,195,683) |
| Cash Payments for Administrative | (1,005,566) |
| Cash Payments for Other Operating Expenses | (39,596) |
| **Net Cash (Used) by Operating Activities** | 294,000 |
| | |
| **Cash Flows from Capital and Related Financing Activities** | |
| Acquisition of Fixed Assets | (14,958) |
| **Net Cash Provided by Capital and Other Related Financing Activities** | (14,958) |
| | |
| **Cash Flows from Investing Activities** | |
| Purchase of Investments | (288,742) |
| Investment Income | 20,667 |
| **Net Cash Provided by Investing Activities** | (268,075) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 10,967 |
| | |
| Cash and Cash Equivalents, Beginning | 136,827 |
| **Cash and Cash Equivalents, Ending** | $ 147,794 |
| | |
| **Reconciliation of Operating Loss to Net Cash Used by Operating Activities** | |
| Net Operating Income (Loss) | $ 96,687 |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Depreciation | 20,590 |
| (Increase) Decrease in: | |
| Receivables - Net of Allowance | (18,017) |
| Deferred Charges and Other Assets | (497) |
| Increase (Decrease) in: | |
| Accounts Payable | 5,801 |
| HUD Payables | 171,181 |
| Accrued Compensated Absences | 23,311 |
| Deferred Credits Other Liabilities | (5,056) |
| **Net Cash Used by Operating Activities** | $ 294,000 |

See accompanying notes to the basic financial statements.

## NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Organization and Reporting Entity

The Mansfield Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

### Basis of Presentation

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

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)
The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

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

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

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

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

**Changes in Accounting Principles**
Effective July 1, 2002, the Authority adopted the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" as amended by GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Changes in Accounting Principles** (Continued)
Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Disclosures". GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for capital assets, and the preparation of the statements of cash flows on the direct method.

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

**Cash and Cash Equivalents**
The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Capital Assets**
The Authority capitalizes all assets with a cost of $1,000 and above. Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

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

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 5.

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Cash**
State statutes classify monies held by the Authority into three categories.

A. 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.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

**Cash** (Continued)

B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

C. 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.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

**Deposits**

Category 1 — Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 — Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 — Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of the Authority's deposits was $1,974,525 at June 30, 2003. The corresponding bank balances were $2,011,936.

The amount of $100,000 was covered by federal depository insurance and the remaining deposits were covered by collateralization held by the bank in the Authority's name as required by HUD and are Category 1 deposits.

Book balances by program at June 30, 2003 were as follows:

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

| | |
|---|---|
| Public Housing | $ 191,215 |
| Section 8 Vouchers | 425,651 |
| Rural Rental Housing | 1,357,659 |
| Total | $1,974,525 |

**Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's only investments consisted of Certificates of Deposits with maturity periods of less than three months.

## NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2003 by class is as follows:

| | 06/30/02 | Increases | Decreases | 06/30/03 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land | $ 56,000 | $ 0 | $ 0 | $ 56,000 |
| **Total Capital Assets Not Being Depreciated** | 56,000 | 0 | 0 | 56,000 |
| **Capital Assets Being Depreciated** | | | | |
| Buildings and Improvements | 209,462 | 0 | 0 | 209,462 |
| Vehicles | 97,725 | 10,960 | 0 | 108,685 |
| Furniture, Equipment, and Machinery - Administrative | 271,186 | 3,998 | (1,000) | 274,184 |
| **Subtotal Capital Assets Being Depreciated** | 578,373 | 14,958 | (1,000) | 592,331 |
| Accumulated Depreciation | (433,426) | (20,590) | 0 | (454,016) |
| Depreciable Assets, Net | 144,947 | (5,632) | (1,000) | 138,315 |
| **Total Capital Assets, Net** | $ 200,947 | $ (5,632) | $ (1,000) | $ 194,315 |

## NOTE 4: **DEFINED BENEFIT PENSION PLANS**

### Ohio Public Employees Retirement System

The following information was provided by the OPERS to assist the Authority in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers.*

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2003 and 2002 employer contribution rates were 13.55 percent of covered payroll of which 5 percent and 4.3 percent were the portions used to fund health care for the years 2003 and

NOTE 4: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Ohio Public Employees Retirement System** (Continued)
2002, respectively. The Authority's contributions to OPERS for the years ended June 30, 2003, 2002, and 2001 were $88,406, $83,464, and $78,592, respectively, which were equal to the required contributions for each year.

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portions of the 2003 and 2002 employer contributions used to fund health care were $32,791 and $26,487, respectively.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the System's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of OPERS' net assets available for OPEB at December 31, 2001 was $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

NOTE 4: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Ohio Public Employees Retirement System** (Continued)
In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE 5: **COMPENSATED ABSENCES**

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

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

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

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

NOTE 5: **COMPENSATED ABSENCES** (Continued)

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or 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 probably that the conditions for compensation will be met in the future.

The estimated liability for compensated absences is $260,044 for Section 8.

NOTE 6: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 7: **INSURANCE COVERAGE**

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

| | Deductible | Coverage Limits |
|---|---|---|
| Property | $ 500 | $ 660,000 (per location) |
| General Liability | 0 | $1,000,000/2,000,000 |
| Automobile | 250/500 | $ 1,000,000 |
| Employee Dishonesty | 0 | $ 50,000 |
| Lead Based Paint Liability | 5,000 | $1,000,000/5,000,000 |
| 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 Anthem for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 8: **CONTINGENCIES**

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

NOTE 9: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2003.

NOTE 10: **CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY**

**Changes in Accounting Principles**

For the period ending June 30, 2003, the Authority implemented GASB Statement No. 34. This had an effect on the classification of equity. See the following for the reclassification and restatement.

| | Total | Net HUD/PHA Contributions | Undesignated Retained Earnings | Invested in Capital Assets- Net of Debt | Unrestricted Net Assets |
|---|---|---|---|---|---|
| Net Assets, Beginning of Year | $ 1,434,999 | $ 536,962 | $ 898,037 | $ 0 | $ 0 |
| Reclassification - GASB 34 | 0 | (536,962) | (898,037) | 200,947 | 1,234,052 |
| Net Assets, Beginning of Year, Restated | $ 1,434,999 | $ 0 | $ 0 | $ 200,947 | $ 1,234,052 |

# Mansfield Metropolitan Housing Authority
## Supplemental Financial Data Schedule
## Balance Sheet by Program
## As of June 30, 2003

| Line Item No. | Account Description | N/C S/R Section 8 Programs | Housing Choice Vouchers | State/Local | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| 111 | Cash - Unrestricted | $94,718 | $45,133 | $7,943 | $147,794 |
| 100 | Total Cash | $94,718 | $45,133 | $7,943 | $147,794 |
| | | | | | |
| 125 | Accounts Receivable - Miscellaneous | $0 | $14,517 | $19,000 | $33,517 |
| 126.2 | Allowance for Doubtful Accounts - Other | $0 | $0 | $0 | $0 |
| 128 | Fraud Recovery | $0 | $16,720 | $0 | $16,720 |
| 128.1 | Allowance for Doubtful Accounts - Fraud | $0 | $0 | $0 | $0 |
| 129 | Accrued Interest Receivable | $0 | $0 | $186 | $186 |
| 120 | Total Receivables, net of allowances for doubtful accounts | $0 | $31,237 | $19,186 | $50,423 |
| | | | | | |
| 131 | Investments - Unrestricted | $96,497 | $380,518 | $1,349,716 | $1,826,731 |
| 142 | Prepaid Expenses and Other Assets | $0 | $4,175 | $0 | $4,175 |
| 150 | Total Current Assets | $191,215 | $461,063 | $1,376,845 | $2,029,123 |
| | | | | | |
| 161 | Land | $0 | $0 | $56,000 | $56,000 |
| 162 | Buildings | $0 | $0 | $126,365 | $126,365 |
| 164 | Furniture, Equipment & Machinery - Administration | $0 | $171,274 | $255,621 | $426,895 |
| 165 | Leasehold Improvements | $0 | $22,082 | $0 | $22,082 |
| 166 | Accumulated Depreciation | $0 | ($158,229) | ($278,798) | ($437,027) |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | $0 | $35,127 | $159,188 | $194,315 |
| | | | | | |
| 180 | Total Non-Current Assets | $0 | $35,127 | $159,188 | $194,315 |
| | | | | | |
| 190 | Total Assets | $191,215 | $496,190 | $1,536,033 | $2,223,438 |

## Mansfield Metropolitan Housing Authority
## Supplemental Financial Data Schedule
## Balance Sheet by Program
## As of June 30, 2003

| Line Item No. | Account Description | N/C S/R Section 8 Programs | Housing Choice Vouchers | State/Local | Total |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| 312 | Accounts Payable <= 90 Days | $0 | $12,413 | $0 | $12,413 |
| 322 | Accrued Compensated Absences - Current Portion | $1,086 | $22,225 | $0 | $23,311 |
| 331 | Accounts Payable - HUD PHA Programs | $181,489 | $201,419 | $0 | $382,908 |
| 310 | Total Current Liabilities | $182,575 | $236,057 | $0 | $418,632 |
| | | | | | |
| 354 | Accrued Compensated Absences - Non Current | $12,977 | $223,756 | $0 | $236,733 |
| 353 | Noncurrent Liabilities - Other | $0 | $16,720 | $0 | $16,720 |
| 350 | Total Noncurrent Liabilities | $12,977 | $240,476 | $0 | $253,453 |
| | | | | | |
| 300 | Total Liabilities | $195,552 | $476,533 | $0 | $672,085 |
| **EQUITY** | | | | | |
| 508 | Total Contributed Capital | $0 | $0 | $0 | $0 |
| | | | | | |
| 508.1 | Invested in Capital Assets, Net of Related Debt | $0 | $35,127 | $159,188 | $194,315 |
| 511 | Total Reserved Fund Balance | $0 | $0 | $0 | $0 |
| | | | | | |
| 511.1 | Restricted Net Assets | $0 | $0 | $0 | $0 |
| 512.1 | Unrestricted Net Assets | ($4,337) | ($15,470) | $1,376,845 | $1,357,038 |
| 513 | Total Equity/Net Assets | ($4,337) | $19,657 | $1,536,033 | $1,551,353 |
| | | | | | |
| 600 | Total Liabilities and Equity/Net Assets | $191,215 | $496,190 | $1,536,033 | $2,223,438 |

# Mansfield Metropolitan Housing Authority
## Supplemental Financial Data Schedule
## Statement of Revenues, Expenses and Changes in Equity by Program
## For the year ended June 30, 2003

| Line Item No. | Account Description | N/C S/R Section 8 Programs | Housing Choice Vouchers | State/Local | Total |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| 705 | Total Tenant Revenue | $0 | $0 | $0 | $0 |
| | | | | | |
| 706 | HUD PHA Operating Grants | $454,222 | $5,515,349 | $0 | $5,969,571 |
| 711 | Investment Income - Unrestricted | $1,679 | $2,669 | $16,319 | $20,667 |
| 714 | Fraud Recovery | $0 | $5,551 | $0 | $5,551 |
| 715 | Other Revenue | $0 | $0 | $406,559 | $406,559 |
| 716 | Gain/Loss on Sale of Fixed Assets | $0 | $0 | ($1,000) | ($1,000) |
| 700 | Total Revenue | $455,901 | $5,523,569 | $421,878 | $6,401,348 |

# Mansfield Metropolitan Housing Authority
## Supplemental Financial Data Schedule
## Statement of Revenues, Expenses and Changes in Equity by Program
## For the year ended June 30, 2003

| Line Item No. | Account Description | N/C S/R Section 8 Programs | Housing Choice Vouchers | State/Local | Total |
|---|---|---|---|---|---|
| **EXPENSES** | | | | | |
| 911 | Administrative Salaries | $21,423 | $438,288 | $196,108 | $655,819 |
| 912 | Auditing Fees | $700 | $5,777 | $0 | $6,477 |
| 914 | Compensated Absences | $1,086 | $22,225 | $0 | $23,311 |
| 915 | Employee Benefit Contributions - Administrative | $6,124 | $125,300 | $78,442 | $209,866 |
| 916 | Other Operating - Administrative | $2,727 | $55,799 | $74,878 | $133,404 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | $675 | $13,809 | $7,131 | $21,615 |
| 961 | Insurance Premiums | $849 | $17,380 | $0 | $18,229 |
| 969 | Total Operating Expenses | $33,584 | $678,578 | $356,559 | $1,068,721 |
| | | | | | |
| 970 | Excess Operating Revenue over Operating Expenses | $422,317 | $4,844,991 | $65,319 | $5,332,627 |
| | | | | | |
| 973 | Housing Assistance Payments | $422,001 | $4,773,682 | $0 | $5,195,683 |
| 974 | Depreciation Expense | $0 | $13,327 | $7,263 | $20,590 |
| 900 | Total Expenses | $455,585 | $5,465,587 | $363,822 | $6,284,994 |
| | | | | | |
| 1010 | Total Other Financing Sources (Uses) | $0 | $0 | $0 | $0 |
| | | | | | |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | $316 | $57,982 | $58,056 | $116,354 |
| 1102 | Debt Principal Payments - Enterprise Funds | $0 | $0 | $0 | $0 |
| 1103 | Beginning Equity | ($4,653) | ($38,325) | $1,477,977 | $1,434,999 |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | $157,676 | $8,398,812 | $0 | $8,556,488 |
| 1114 | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | $0 | $0 | $0 | $0 |
| 1115 | Contingency Reserve, ACC Program Reserve | $1,972,499 | $587,956 | $0 | $2,560,455 |
| 1116 | Total Annual Contributions Available | $2,130,175 | $8,986,768 | $0 | $11,116,943 |
| | | | | | |
| 1120 | Unit Months Available | 1,512 | 16,728 | 0 | 18,240 |
| 1121 | Number of Unit Months Leased | 1,512 | 16,604 | 0 | 18,116 |

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Funds Expended |
|---|---|---|
| **From U.S. Department of HUD** | | |
| **Direct Programs** | | |
| *Section 8 Programs* | | |
| Section 8 Voucher Programs: | | |
| Housing Assistance Payments: | | |
| Housing Choice - Vouchers | 14.871 | $ 5,515,349 |
| Subtotal Section 8 Voucher Program | | 5,515,349 |
| Section 8 Project Based Programs: | | |
| Project Based - New Construction | 14.182 | 454,222 |
| Subtotal Section 8 Project Based Programs | | 454,222 |
| **Total Section 8 Programs** | | 5,969,571 |
| **Total U.S. Department of HUD** | | 5,969,571 |
| **TOTAL ALL PROGRAMS** | | $ 5,969,571 |

**JAMES G. ZUPKA, C.P.A., INC.**
*Certified Public Accountants*
*5240 East 98th Street*
*Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Mansfield Metropolitan Housing Authority as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mansfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State and Federal Award Agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka
Certified Public Accountant

November 17, 2003

**JAMES G. ZUPKA, C.P.A., INC.**
***Certified Public Accountants***
***5240 East 98th Street***
***Garfield Hts., Ohio 44125***

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

**Compliance**

We have audited the compliance of the Mansfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133*, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Mansfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Mansfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Mansfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Mansfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of the Mansfield Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mansfield Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal Awarding Agencies and is not intended to be used by anyone other than these specified parties.

James G. Zupka
Certified Public Accountant

November 17, 2003

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2003

## 1. **SUMMARY OF AUDITOR'S RESULTS**

| | | |
|---|---|---|
| 2003(i) | Type of Financial Statement Opinion | Unqualified |
| 2003(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| 2003(ii) | Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)? | No |
| 2003(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2003(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| 2003(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| 2003(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| 2003(vi) | Are there any reportable findings under .510? | No |
| 2003(vii) | Major Programs (list):<br>Section 8 Housing Choice - Vouchers - #14.871 | |
| 2003(viii) | Dollar Threshold: Type A\B Programs | Type A: >$300,000<br>Type B: < all others |
| 2002(ix) | Low Risk Auditee? | Yes |

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

   None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

   None.

Auditor of State
Betty Montgomery

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Facsimile 614-466-4490

**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**
**JANUARY 29, 2004**