

MANSFIELD METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

Board of Commissioners
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, CPA, Inc., for the audit period July 1, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 2, 2006

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MANSFIELD METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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JAMES G. ZUPKA, C.P.A., INC.

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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 June 30, 2005, and for the year then ended, as listed in the foregoing 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, based on our audit the basic financial statements present fairly, in all material respects, the financial position of the Mansfield Metropolitan Housing Authority as of June 30, 2005, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2005, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the 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 Mansfield Metropolitan Housing 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. 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, CPA, Inc.
Certified Public Accountants

December 2, 2005

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

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

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 2005, the Authority's net assets decreased by \$57,441, or 3.68 percent. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$1,561,937 and \$1,504,496 for fiscal year 2004 and fiscal year 2005, respectively.
- The Authority's revenue increased by \$236,176, or 3.12 percent during fiscal year 2005. Revenue for fiscal year 2004 and fiscal year 2005 was \$7,571,312 and \$7,807,488, respectively.
- The total expenses of the Authority increased by \$304,283, or 4.02 percent. Total expenses for fiscal year 2004 and fiscal year 2005 were \$7,560,646 and \$7,864,929, respectively.

Using This Annual Report

This report includes three major sections, the Management's Discussion and Analysis (MD&A), the Basic Financial Statements, and Other Required Supplementary Information.

MD&A

Management's Discussion and Analysis - pages 3-9

Basic Financial Statements

Authority-Wide Financial Statements - pages 10-12

Fund Financial Statement - pages 23-24

Notes to the Basic Financial Statements - pages 13-22

Other Required Supplementary Information

Required Supplementary Information - none

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide).

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
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Unaudited

Fund Financial Statements

The Authority is accounted for as an enterprise fund. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

The Authority's Funds

Business-Type Funds

Housing Choice Voucher Program Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under 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 Payment made between the project owner and the family. HUD provides Annual Contributions Funding to the Authority to pay the owner. The participants' rent is set at 30 percent of adjusted household income.

Other Non-Major Funds In addition to the programs 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, including services to other entities.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

Authority-Wide Statements

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

Table 1 - Statement of Net Assets

	FY 2005	FY 2004
Assets		
Current and Other Assets	\$ 1,403,746	\$ 1,956,139
Capital Assets	493,119	199,100
Total Assets	<u>1,896,865</u>	<u>2,155,239</u>
Liabilities		
Current Liabilities	62,047	314,270
Noncurrent Liabilities	330,322	279,032
Total Liabilities	<u>392,369</u>	<u>593,302</u>
Net Assets		
Invested in Capital Assets	493,119	199,100
Unrestricted	1,011,377	1,362,837
Total Net Assets	<u>\$ 1,504,496</u>	<u>\$ 1,561,937</u>

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

Major Factors Affecting the Statement of Net Assets

Assets were reduced by \$258,374, or 12 percent, while liabilities were reduced by \$200,933 or 34 percent. Current assets, primarily cash and investments, were used to extinguish liabilities. Cash used to purchase new office building and changes to HUD funding for 2005 were causes for the cash decreases.

Capital assets had significant changes, increasing from \$199,100 to \$493,119. The \$294,019 increase can be attributed to a combination of acquisitions of the new office building for \$325,000 and a Peachtree software update for \$724, less current year depreciation of \$(31,705). For more detail, see Capital Assets and Debt Administration below.

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

Table 2 - Change of Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2004		\$ 1,362,837
Results of Operations	\$ (57,441)	
Adjustments:		
Depreciation (1)	<u>31,705</u>	
Adjusted Results from Operations		(25,736)
Capital Expenditures		<u>(325,724)</u>
Unrestricted Net Assets at June 30, 2005		<u>\$ 1,011,377</u>

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

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

The following schedule reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets and compares the revenues and expenses for the current and previous fiscal year.

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

	<u>FY 2005</u>	<u>FY 2004</u>
<u>Revenues</u>		
HUD PHA Operating Grants/Subsidies	\$ 7,372,157	\$ 7,096,003
Investment Income	11,345	10,068
Loss on Disposition of Equipment	200	0
Other Revenues - Service Income	416,930	460,167
Other Revenues - Fraud Recovery	<u>6,856</u>	<u>5,074</u>
Total Revenues	<u>7,807,488</u>	<u>7,571,312</u>
<u>Expenses</u>		
Administrative	1,153,614	1,220,080
Maintenance	65,735	32,568
General	22,941	23,111
Housing Assistance Payments	6,590,934	6,258,814
Depreciation	<u>31,705</u>	<u>26,073</u>
Total Expenses	<u>7,864,929</u>	<u>7,560,646</u>
Change in Net Assets	<u>\$ (57,441)</u>	<u>\$ 10,666</u>

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

HUD PHA grants increased primarily in the area of HAP due to the Authority's increase in leasing units. Fiscal year 2004 had a leasing rate of 94 percent or 18,494 unit months leased out of a 19,656 available, compared to a 95 percent rate for fiscal year 2005 or 19,123 unit months leased with 20,136 available.

Other revenue service income shows a decrease of funds due to HUD funding changes, as most housing authorities either decreased services or remained the same. Also, due to funding shortages there were no salary increases, therefore administrative costs decreased.

Maintenance increased due to architecture and engineering expenses of \$35,000 due to the search of and purchase of a new office.

Most other expenses increased moderately due to inflation.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

Capital Assets

As of June 30, 2005, the Authority had \$493,119 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions, and depreciation).

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

	<u>FY 2005</u>	<u>FY 2004</u>
Land	\$ 86,000	\$ 56,000
Buildings and Improvements	504,463	209,463
Furniture and Equipment	298,706	297,982
Vehicles	49,165	98,755
Accumulated Depreciation	<u>(445,215)</u>	<u>(463,100)</u>
Total	<u>\$ 493,119</u>	<u>\$ 199,100</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 18 of the notes.

Table 5 - Change in Capital Assets

	<u>Business-Type Activities</u>
Beginning Balance, July 1, 2004	\$ 199,100
Additions	325,724
Depreciation	<u>(31,705)</u>
Ending Balance, June 30, 2005	<u>\$ 493,119</u>
The year's major additions are:	
Office building located at 88 West Third Street	\$ 325,000
Peachtree Software	724

Debt Outstanding

As of June 30, 2005, 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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2005
Unaudited

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
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Totals</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,170,121
Receivables - Net of Allowance	218,115
Deferred Charges and Other Assets	15,510
Total Current Assets	1,403,746
 <u>Noncurrent Assets</u>	
Capital Assets:	
Nondepreciable Capital Assets	86,000
Depreciable Capital Assets, Net	407,119
Total Noncurrent Assets	493,119
 TOTAL ASSETS	 \$ 1,896,865
 <u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities</u>	
Accrued Wages	\$ 4,999
Accounts Payable	31,952
Accounts Payable - HUD	14,857
Accrued Compensated Absences	10,239
Total Current Liabilities	62,047
 <u>Noncurrent Liabilities</u>	
Other Liabilities	36,378
Accrued Compensated Absences	293,944
Total Noncurrent Liabilities	330,322
Total Liabilities	392,369
 <u>Net Assets</u>	
Invested in Capital Assets	493,119
Unrestricted Net Assets	1,011,377
Total Net Assets	1,504,496
 Total Liabilities and Net Assets	 \$ 1,896,865

See accompanying notes to the basic financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Totals</u>
<u>Operating Revenue</u>	
Program Operating Grants/Subsidies	\$ 7,372,157
Other Income - Service Income	416,930
Other Income - Fraud Recovery	<u>6,856</u>
Total Operating Revenue	<u><u>7,795,943</u></u>
 <u>Operating Expenses</u>	
Administrative	1,153,614
Maintenance	65,735
General	22,941
Housing Assistance Payments	6,590,934
Depreciation	<u>31,705</u>
Total Operating Expenses	<u><u>7,864,929</u></u>
Operating Income (Loss)	<u>(68,986)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Gain on Sale of Fixed Assets	200
Interest and Investment Revenue	<u>11,345</u>
Total Nonoperating Revenues (Expenses)	<u><u>11,545</u></u>
Change in Net Assets	(57,441)
 Total Net Assets, Beginning Balance	 <u>1,561,937</u>
 Total Net Assets, Ending	 <u><u>\$ 1,504,496</u></u>

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, 2005

	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 7,113,552
Cash Received from Clients	316,090
Cash Payments for Housing Assistance Payments	(6,590,934)
Cash Payments for Administrative	(1,113,332)
Cash Payments for Other Operating Expenses	<u>(82,282)</u>
Net Cash (Used) by Operating Activities	<u><u>(356,906)</u></u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Received from Sale of Capital Assets	200
Acquisition of Capital Assets	<u>(325,724)</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u><u>(325,524)</u></u>
 <u>Cash Flows from Investing Activities</u>	
Investment Income	<u>11,345</u>
Net Cash Provided by Investing Activities	<u><u>11,345</u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(671,085)
 Cash and Cash Equivalents, Beginning	<u>1,841,206</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,170,121</u></u>
 <u>Reconciliation of Operating Loss to</u>	
<u>Net Cash Used by Operating Activities</u>	
Net Operating Income (Loss)	\$ (68,986)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	31,705
(Increase) Decrease in:	
Receivables - Net of Allowance	(107,696)
Deferred Charges and Other Assets	(10,996)
Increase (Decrease) in:	
Accounts Payable	25,044
HUD Payables	(258,605)
Compensated Absences	15,238
Deferred Credits Other Liabilities	<u>17,390</u>
Net Cash Used by Operating Activities	<u><u>\$ (356,906)</u></u>

See accompanying notes to the basic financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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.

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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

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

Capital Assets

The Authority capitalizes all assets with a cost of \$500 and above. Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

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

Capitalization of Interest

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

Investments

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

Compensated Absences

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

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

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was \$1,170,121, and the bank balance was \$1,200,105. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2005, \$100,000 of the Authority's bank balance was covered by Federal Depository Insurance and \$1,100,105 was uninsured and collateralized with securities held by the pledging financial institution's trust department in the Authority's name.

Custodial credit risk is the risk that, in the event of 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 Authority's Board. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy; however, the Authority held no investments at June 30, 2005.

Interest Rate Risk

As a means of limiting its exposure to fair market value losses arising from rising interest rates and according to state law, the Authority's investment policy limits investment portfolio maturities to two years or less. The Authority's investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of the Authority's investments is identified in the table below. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

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

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested to any one issuer. Deposits at June 30, 2005 were as follows:

	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>< 1 Year</u>	<u>1-2 Years</u>
Carrying Amount of Deposits	\$ 1,170,121	\$ 1,170,121	\$ 0
Totals	\$ 1,170,121	\$ 1,170,121	\$ 0

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2005 by class is as follows:

	<u>06/30/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/05</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 56,000	\$ 30,000	\$ 0	\$ 86,000
Total Capital Assets Not Being Depreciated	<u>56,000</u>	<u>30,000</u>	<u>0</u>	<u>86,000</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	209,463	295,000	0	504,463
Vehicles	98,755	0	(49,590)	49,165
Furniture, Equipment, and Machinery - Administrative	<u>297,982</u>	<u>724</u>	<u>0</u>	<u>298,706</u>
Subtotal Capital Assets Being Depreciated	<u>606,200</u>	<u>295,724</u>	<u>(49,590)</u>	<u>852,334</u>
Accumulated Depreciation	<u>(463,100)</u>	<u>(31,705)</u>	<u>49,590</u>	<u>(445,215)</u>
Depreciable Assets, Net	<u>143,000</u>	<u>264,019</u>	<u>0</u>	<u>407,119</u>
Total Capital Assets, Net	\$ <u>199,100</u>	\$ <u>294,019</u>	\$ <u>0</u>	\$ <u>493,119</u>

NOTE 4: **PENSION PLAN**

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 4: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system 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 retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS to fund retirement benefits for the years ended March 31, 2005, 2004, and 2003, were \$95,772, \$95,650, and \$88,406, respectively. The Authority has contributed 100 percent of these contributions for all three years.

NOTE 5: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment 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 post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The fiscal year 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for fiscal year 2005.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 5: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2004 used to fund postemployment benefits were \$35,340. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 6: COMPENSATED ABSENCES

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

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

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

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

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

The Authority's estimated liability for compensated absences at June 30, 2005 is \$304,183.

NOTE 7: 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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 8: 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:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 500	\$ 1,158,000 (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 9: 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 10: CONSTRUCTION AND OTHER COMMITMENTS

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2005.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS BY PROGRAM
AS OF JUNE 30, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	State/Local	Total
ASSETS					
Current Assets					
111	Cash - Unrestricted	\$16,954	\$71,888	\$7,962	\$96,804
100	Total Cash	\$16,954	\$71,888	\$7,962	\$96,804
122	Accounts Receivable - HUD Other Projects	\$0	\$125,337	\$0	\$125,337
125	Accounts Receivable - Miscellaneous	\$0	\$2,255	\$50,000	\$52,255
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$36,378	\$0	\$36,378
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$4,145	\$4,145
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$163,970	\$54,145	\$218,115
131	Investments - Unrestricted	\$0	\$35,430	\$1,037,887	\$1,073,317
142	Prepaid Expenses and Other Assets	\$0	\$15,510	\$0	\$15,510
144	Interprogram Due From	\$0	\$0	\$110,800	\$110,800
150	Total Current Assets	\$16,954	\$286,798	\$1,210,794	\$1,514,546
Non-current Assets					
161	Land	\$0	\$0	\$86,000	\$86,000
162	Buildings	\$0	\$0	\$421,365	\$421,365
164	Furniture, Equipment & Machinery - Administration	\$0	\$202,855	\$145,016	\$347,871
165	Leasehold Improvements	\$0	\$22,083	\$61,015	\$83,098
166	Accumulated Depreciation	\$0	(\$193,598)	(\$251,617)	(\$445,215)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$31,340	\$461,779	\$493,119
180	Total Non-Current Assets	\$0	\$31,340	\$461,779	\$493,119
190	Total Assets	\$16,954	\$318,138	\$1,672,573	\$2,007,665
LIABILITIES					
312	Accounts Payable <= 90 Days	\$0	\$31,952	\$0	\$31,952
321	Accrued Wage/Payroll Taxes Payable	\$0	\$4,999	\$0	\$4,999
322	Accrued Compensated Absences - Current Portion	\$470	\$9,769	\$0	\$10,239
331	Accounts Payable - HUD PHA Programs	\$14,857	\$0	\$0	\$14,857
347	Interprogram Due To	\$0	\$110,800	\$0	\$110,800
310	Total Current Liabilities	\$15,327	\$157,520	\$0	\$172,847
354	Accrued Compensated Absences - Non Current	\$15,551	\$278,393	\$0	\$293,944
353	Noncurrent Liabilities - Other	\$0	\$36,378	\$0	\$36,378
350	Total Noncurrent Liabilities	\$15,551	\$314,771	\$0	\$330,322
300	Total Liabilities	\$30,878	\$472,291	\$0	\$503,169
NET ASSETS					
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$31,340	\$461,779	\$493,119
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	(\$13,924)	(\$185,493)	\$1,210,794	\$1,011,377
513	Total Equity/Net Assets	(\$13,924)	(\$154,153)	\$1,672,573	\$1,504,496

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS BY PROGRAM
AS OF JUNE 30, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	State/Local	Total
REVENUES					
705	Total Tenant Revenue	\$0	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$467,505	\$6,904,652	\$0	\$7,372,157
711	Investment Income - Unrestricted	\$50	\$1,571	\$9,724	\$11,345
714	Fraud Recovery	\$0	\$6,856	\$0	\$6,856
715	Other Revenue	\$0	\$0	\$416,930	\$416,930
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$200	\$200
700	Total Revenue	<u>\$467,555</u>	<u>\$6,913,079</u>	<u>\$426,854</u>	<u>\$7,807,488</u>
EXPENSES					
911	Administrative Salaries	\$21,174	\$461,143	\$229,311	\$711,628
912	Auditing Fees	\$750	\$6,113	\$0	\$6,863
914	Compensated Absences	\$449	\$9,790	\$0	\$10,239
915	Employee Benefit Contributions - Administrative	\$8,731	\$190,144	\$91,725	\$290,600
916	Other Operating - Administrative	\$2,051	\$44,678	\$87,555	\$134,284
942	Ordinary Maintenance and Operations - Materials and Other	\$2,520	\$54,876	\$8,339	\$65,735
961	Insurance Premiums	\$1,007	\$21,934	\$0	\$22,941
969	Total Operating Expenses	<u>\$36,682</u>	<u>\$788,678</u>	<u>\$416,930</u>	<u>\$1,242,290</u>
970	Excess Operating Revenue over Operating Expenses	<u>\$430,873</u>	<u>\$6,124,401</u>	<u>\$9,924</u>	<u>\$6,565,198</u>
973	Housing Assistance Payments	\$432,629	\$6,158,305	\$0	\$6,590,934
974	Depreciation Expense	\$0	\$17,559	\$14,146	\$31,705
900	Total Expenses	<u>\$469,311</u>	<u>\$6,964,542</u>	<u>\$431,076</u>	<u>\$7,864,929</u>
1010	Total Other Financing Sources (Uses)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>(\$1,756)</u>	<u>(\$51,463)</u>	<u>(\$4,222)</u>	<u>(\$57,441)</u>
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	(\$12,168)	(\$102,690)	\$1,676,795	\$1,561,937
1113	Maximum Annual Contributions Commitment (Per ACC)	\$240,220	\$6,893,775	\$0	\$7,133,995
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$1,593,903	\$373,588	\$0	\$1,967,491
1116	Total Annual Contributions Available	\$1,834,123	\$7,267,363	\$0	\$9,101,486
1120	Unit Months Available	1,512	20,136	0	21,648
1121	Number of Unit Months Leased	1,512	19,123	0	20,635

**MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<i>From U.S. Department of HUD</i>		
<u>Direct Programs</u>		
<u>Section 8 Programs</u>		
<u>Section 8 Voucher Programs:</u>		
Housing Assistance Payments:		
Housing Choice - Vouchers	14.871	\$ 6,904,652
Subtotal Section 8 Voucher Program		<u>6,904,652</u>
 <u>Section 8 Project Based Programs:</u>		
Project Based - New Construction	14.182	<u>467,505</u>
Subtotal Section 8 Project Based Programs		<u>467,505</u>
<i>Total Section 8 Programs</i>		<u>7,372,157</u>
 Total U.S. Department of HUD		 <u>7,372,157</u>
 TOTAL ALL PROGRAMS		 <u>\$ 7,372,157</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the business-type activities of the Mansfield Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Mansfield Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated December 2, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mansfield Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mansfield Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 2, 2005

JAMES G. ZUPKA, C.P.A., INC.

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**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, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2005. Mansfield Metropolitan Housing Authority, Ohio'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, Ohio'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, Ohio'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, Ohio's compliance with those requirements.

In our opinion, Mansfield Metropolitan Housing Authority, Ohio, 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, 2005.

Internal Control Over Compliance

The management of the Mansfield Metropolitan Housing Authority, Ohio, 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, Ohio'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 reportable 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 caused by error or fraud 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, CPA, Inc.
Certified Public Accountants

December 2, 2005

**MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): Section 8 Housing Choice - Vouchers - #14.871	
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: < all others
2005(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.



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MANSFIELD METROPOLITAN HOUSING AUTHORITY

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**