# MANSFIELD METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2017

Together with Auditors' Report

# Dave Yost • Auditor of State

Board of Trustees
Mansfield Metropolitan Housing Authority
P. O. Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Mansfield Metropolitan Housing Authority, Richland County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mansfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

January 17, 2018

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**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND, OHIO**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
Mansfield Metropolitan Housing Authority
Richland, Ohio

***Report on the Financial Statements***

I have audited the accompanying financial statements of the business-type activities of Mansfield Metropolitan Housing Authority, Richland County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mansfield Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Mansfield Metropolitan Housing Authority, Richland County, Ohio as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, on pages 4 through 11 and Schedules of the Authority's Proportionate Share of the Net Pension Liability and the Authority's Pension Contributions to the Ohio Public Employees Retirement System on pages 40 and 41, be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

*Supplementary*

My audit was conducted to opine on the Mansfield Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

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

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2017 on my consideration of the Mansfield Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mansfield Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

November 18, 2017

MANSFIELD METROPOLITAN HOUSING AUTHORITY
RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12)

## FINANCIAL HIGHLIGHTS

- During FY 2017, the Authority's net position increased by $17,108 (or 1.21%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net positions were $1,410,073 and $1,427,181 for FY 2016 and FY 2017 respectively.

- The revenue increased by $841,811 (or 9.91%) during FY 2017, and was $8,495,032 and $9,336,843 for FY 2016 and FY 2017 respectively.

- Total expenses increased by $795,863 (or 9.34%) during FY2017 and were $8,523,872 and $9,319,735 for FY 2016 and FY 2017 respectively.

## USING THIS ANNUAL REPORT

The Report includes the following sections:

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

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

**Government-Wide Financial Statements**

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

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

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

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

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

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

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

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

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

**The Authority's Fund**

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

**Business-Type Activities:**

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

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

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

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

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

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

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

| | 2017 | 2016 |
|---|---|---|
| Current and Other Assets | $ 1,902,409 | $ 1,671,518 |
| Capital Assets | 592,369 | 628,547 |
| Total Assets | 2,494,778 | 2,300,065 |
| Deferred Outflows of Resources | 494,529 | 356,852 |
| | | |
| Current Liabilities | 73,928 | 40,421 |
| Non-Current Liabilities | 1,480,570 | 1,186,948 |
| Total Liabilities | 1,554,498 | 1,227,369 |
| Deferred Inflows of Resources | 7,628 | 19,475 |
| | | |
| Net position: | | |
| Invested in Capital Assets, Net of Related Debt | 592,369 | 628,547 |
| Restricted – HAP | 180,132 | 0 |
| Unrestricted | 654,680 | 781,526 |
| Total Net Position | $ 1,427,181 | $ 1,410,073 |

**Major Factors Affecting the Statement of Net Position**

Current and other assets increased by $230,891 or 13.81% in fiscal year 2017 most of this increase was due to having an restricted cash from HAP. Also, total Liabilities increased $327,129 or 26.65%. Major cause was GASB68 additions for Pension liabilities for 2017.

Capital assets decreased in 2017 the net result of $66,627 for the current year depreciation and equipment purchases and equipment disposed. For more detail see "Capital Assets and Debt Administration" on page 8.

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

CHANGE OF UNRESTRICTED NET POSITION

| | | |
|---|---|---|
| Unrestricted Net position July 1, 2016 | | $ 781,526 |
| Results of Operations | (163,024) | |
| Adjustments: | | |
| Depreciation (1) | 66,627 | |
| Adjusted Results from Operations | | (96,397) |
| Capital Expenditures | | (30,449) |
| Retirement of Debt | | (0) |
| Unrestricted Net position as of June 30, 2017 | | $ 654,680 |

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

CHANGE OF RESTRICTED NET POSITION

| | | |
|---|---|---|
| Restricted Net position July 1, 2016 | | $ 0 |
| Results of Operations | | |
| HAP not spent to reserves | 173,658 | |
| Recovery Payments | 6,474 | |
| Adjusted Results from Operations | | 180,132 |
| Restricted Net position as of June 30, 2017 | | $ 180,132 |

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

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

| | FY 2017 | FY 2016 |
|---|---|---|
| Revenues | | |
| HUD PHA Operating Grants | $8,926,808 | $8,032,044 |
| Investment Income | 8,659 | 4,789 |
| Other Revenues–Service Income | 388,428 | 449,276 |
| Other Revenues-Recovery Payments | 12,948 | 8,923 |
| Total Revenue | 9,336,843 | 8,495,032 |
| Expenses | | |
| Administrative (comp abs & Interest exp) | 1,367,710 | 1,239,174 |
| Maintenance | 53,684 | 21,362 |
| General(insurance/other) | 16,647 | 18,975 |
| Housing Assistance Payments | 7,815,067 | 7,176,069 |
| Depreciation | 66,627 | 68,292 |
| Total Expenses | 9,319,735 | 8,523,872 |
| Net Increase/(Decrease) | $ 17,108 | $ (28,840) |

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

HUD PHA Grants for FY2017 increased by $894,764 or 11.14% due to funding increases in both HAP & Admin. Also, Investment Income increased by $3,870 as the Authority receiving higher interest rates. Other Revenues-Service income decreased in FY17 by $60,848 or 13.54% due to a decrease in services provided to the other MHA's.

Housing Assistance Payments Expense in FY17 increased by $638,998 or 8.9%. Also in FY17 an increase in unit months leased with 21,360 compared to 20,591 leased in FY16 or a 3.73% decrease.

The net increase of $17,108 was the result of a $180,132 increase to HAP reserves and a $163,024 decrease in the fiscal year administrative operations.

Other revenues represent income from providing services to other housing authorities, revenues from tenant fraud recovery, and service fees from other housing authorities. These revenues tend to fluctuate slightly between fiscal years.

Administrative expenses include salaries and related benefits, along with other administrative expense such as audit fees and office expenses. The Authority attempts to control these expenses to reduce spending as much as possible; these expenses fluctuate slightly between fiscal years. There have been no significant changes in personnel between fiscal years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**

As of June 30, 2017, the Authority had $592,369 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation).

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

| | Business-type Activities | |
|---|---|---|
| | FY 2017 | FY 2016 |
| Land | $ 30,000 | $ 30,000 |
| **Building & Improvements** | 1,165,476 | 1,151,196 |
| **Furniture & Equipment** | 119,734 | 119,171 |
| **Vehicles** | 58,139 | 58,139 |
| **Accumulated Depreciation** | (780,980) | (729,959) |
| Total | $ 592,369 | $ 628,547 |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 23 of the notes.

CHANGE IN CAPITAL ASSETS

| | Business Type Activities |
|---|---|
| Beginning Balance, July 1, 2016 | $ 628,547 |
| Additions | 30,449 |
| Gain /(Loss) from Disposition | (0) |
| Depreciation | (66,627) |
| Ending Balance, June 30, 2017 | $592,369 |

This year's additions: $16,169 – 19 new computers and $14,280 to replace one of the buildings AC units.

**Debt Outstanding**

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

## ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

## FINANCIAL CONTACT

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017

| | |
|---|---|
| ASSETS | |
| **Current Assets** | |
| Cash and Cash Equivalents - Unrestricted (Note 2) | $ 1,698,495 |
| Restricted Cash (Note 3) | 180,132 |
| Accounts Receivable - Fraud Recovery | 23,658 |
| Allowance for Doubtful Accounts | (23,658) |
| Accounts Receivable – Other | 8,830 |
| Accrued Interest Receivable | 389 |
| Prepaid Expenses | 14,563 |
| Total Current Position | 1,902,409 |
| | |
| **Non-Current Assets** | |
| Nondepreciable Capital Assets - (Note 3) | 30,000 |
| Depreciable Capital Assets - (Note 3) | 562,369 |
| Total Non-Current Assets | 592,369 |
| | |
| Deferred Outflow of Resources | 494,529 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 2,989,307 |
| | |
| LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION | |
| **Current Liabilities** | |
| Accounts Payable | $ 11,670 |
| Accrued Expenses | 5,733 |
| Unearned Revenue | 18,851 |
| Accrued Compensated Absences | 37,674 |
| Total Current Liabilities | 73,928 |
| | |
| **Non-Current Liabilities** | |
| Accrued Compensated Absences | 198,914 |
| Accrued Pension | 1,281,656 |
| Total Non-Current Liabilities | 1,480,570 |
| Total Liabilities | $ 1,554,498 |
| | |
| Deferred Inflow of Resources | $ 7,628 |
| | |
| **Net Position** | |
| Net Investment in Capital Assets | $ 592,369 |
| Restricted | 180,132 |
| Unrestricted | 654,680 |
| Total Net Position | $ 1,427,181 |

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---|
| **Operating Revenue:** | |
| HUD Operating Subsidies and Grants | $ 8,926,808 |
| Fraud Recovery | 12,948 |
| Other Revenue | 388,428 |
| Total Operating Revenue | 9,328,184 |
| | |
| **Operating Expenses:** | |
| Housing Assistance Payments | 7,815,067 |
| Other Administrative Expense | 1,367,710 |
| Material and Labor - Maintenance | 53,684 |
| Depreciation Expense | 66,627 |
| General Expenses | 16,647 |
| Total Operating Expenses | 9,319,735 |
| | |
| Operating Income (Loss) | 8,449 |
| | |
| Non-Operating Revenues (Expenses) | |
| Investment Income - Unrestricted | 8,659 |
| Total Non-Operating Revenues (Expenses) | 8,659 |
| | |
| Change in Net Position | 17,108 |
| | |
| Net Position - Beginning of Year | 1,410,073 |
| | |
| Net Position - End of Year | $ 1,427,181 |

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---|
| Cash Flows From Operating Activities: | |
| Cash Received from HUD | $ 8,926,808 |
| Cash Received from Other Income | 401,376 |
| Cash Payments for Housing assistance payments | (7,815,067) |
| Cash Payments for Administrative | (1,217,188) |
| Cash Payments for Other Operating Expenses | (16,647) |
| Net Cash Provided (Used) by Operating Activities | 279,282 |
| | |
| Cash Flows From Capital and Related Financing Activities: | |
| | 0 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 0 |
| | |
| Cash Flows From Investing Activities: | |
| Fixed Asset Additions | (30,449) |
| Investment Income | 8,659 |
| Net Cash Provided (Used) by Investing Activities | (21,790) |
| | |
| Increase (Decrease) in Cash and Cash Equivalents | 257,492 |
| | |
| Cash and Cash Equivalents - Beginning of Year | 1,621,135 |
| | |
| Cash and Cash Equivalents - End of Year | $ 1,878,627 |
| | |
| Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Operating Income (Loss) | $ 8,449 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Depreciation | 66,627 |
| (Increase) decrease in: | |
| Accounts Receivable | 27,268 |
| Accrued Interest Receivable | (206) |
| Prepaid Expenses | (461) |
| Deferred Outflow of Resources | (137,677) |
| Increase (decrease) in: | |
| Accounts Payable | (2,621) |
| Compensated Absences | 37,674 |
| Accrued Pension | 273,732 |
| Unearned Revenue | 18,851 |
| Deferred Inflow of Resources | (11,847) |
| Accrued Expenses | (507) |
| Net cash used in operating activities | $ 279,282 |

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

## NOTE 1 - Summary of Significant Accounting Policies:

### Summary of Significant Accounting Policies

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

### Reporting Entity

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

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

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

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

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

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

**Reporting Entity** (continued)

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

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

**Measurement Focus/Basis of Accounting**

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

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

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

**Accounting and Reporting for Nonexchange Transactions**

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

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

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

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

**Accounting and Reporting for Nonexchange Transactions** (continued)

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

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

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

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

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

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

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

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

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

## Fund Accounting

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

Proprietary Fund Types:

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

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

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

## Use of Estimates

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

## Cash and Cash Equivalents

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

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

### Capital Assets

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

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

Total depreciation expense for the 2017 fiscal year was $66,627.

### Capitalization of Interest

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

### Compensated Absences

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 8.

### Investments

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

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

**Prepaid Items**

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

**Operating Revenues and Expenses**

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

**Accounts Receivable**

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

**Accrued Interest Receivable**

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

**Interfund Receivables/Payables**

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

**Net Position**

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets consist of capital assets net of accumulated depreciation. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted Net Position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position. Net Position restricted by HUD was $180,132.

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

**Pensions**

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

**NOTE 2 – Deposits and Investments:**

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on Net Position and change in Net Position in the prior or current year.

A. **Deposits**

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At year-end, the carrying amount of the Authority's deposits was $1,878,627 (including $50 of petty cash) and the bank balance was $1,908,136.

***Custodial Credit Risk***

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end deposits totaling $1,129,475 was covered by Federal Depository and $778,661 was covered by the collateral pool.

**NOTE 2 – Deposits and Investments: (continued)**

**B. Investments** (continued)

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 has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and records all its investments at fair value. However, at June 30, 2017, the Authority investments were limited to certificates of deposits.

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

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

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

*Foreign Currency Risk* - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

**NOTE 2 – Deposits and Investments: (continued)**

**B. Investments** (continued)

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

| Cash and Investment Type | Fair Value | Investment Maturities (In Years < 1) |
|---|---|---|
| Carrying Amount of Deposits | $1,878,577 | $1,878,577 |
| Petty Cash | 50 | 50 |
| Totals | $1,878,627 | $1,878,627 |

**NOTE 3 – Capital Assets:**

A summary of capital assets at June 30, 2017, by class is as follows:

| | Balance at July 1, 2016 | Additions | Disposals | Balance at June 30, 2017 |
|---|---|---|---|---|
| **Capital Assets Not Depreciated** | | | | |
| Land | $ 30,000 | $ - | $ - | $ 30,000 |
| **Total Capital Assets Not Depreciated** | 30,000 | - | - | 30,000 |
| **Capital Assets Depreciated** | | | | |
| Building and Improvements | 1,151,196 | 14,280 | - | 1,165,476 |
| Vehicles | 58,139 | - | (0) | 58,139 |
| Furniture, Equipment, and Machinery | 119,171 | 16,169 | (15,606) | 119,734 |
| **Total Capital Assets Depreciated** | 1,328,506 | 30,449 | (0) | 1,343,349 |
| **Accumulated Depreciation** | | | | |
| Building and Improvements | (597,190) | (59,119) | - | (656,309) |
| Vehicles | (47,939) | (2,900) | 0 | (50,839) |
| Furniture, Equipment, and Machinery | (84,830) | (4,608) | 15,606 | (73,832) |
| **Total Accumulated Depreciation** | (729,959) | (66,627) | 0 | (780,980) |
| **Total Capital Assets Depreciated, Net** | 598,547 | (36,178) | 0 | 562,369 |
| **Total Capital Assets, Net** | $ 628,547 | $ (36,178) | $ (0) | $ 592,369 |

## NOTE 4: Defined Benefit Pension Plan:

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

### Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee’s employment. Contributions made prior to the employee’s plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2015 can be found in the OPERS 2015 Comprehensive Annual Financial Report.

**Pension Benefits** – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the OPERS 2014 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Defined contribution plan benefits are established in the plan documents, which may be amended by the Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may quality for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they quality for survivor benefits. Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2015. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2017. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2017 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2016 was $102,149, which represented 100% of the Authority's required contribution, and the Authority's proportionate share of pension expense during the same period was $98,637. The Authority did not make any contributions to the Combined Plan during calendar year 2015.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2015, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2015, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

**Net Pension Liability**

The net pension liability was measured as of December 31, 2016, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | |
|---|---|
| Proportionate Share of the Net Pension Liability | $ 1,2881,656 |
| Proportion of the Net Pension Liability | 0.00056440% |
| Pension Expense | $ 272,098 |

**NOTE 4: Defined Benefit Pension Plan: (continued)**

**Actuarial Methods and Assumptions**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

| Actuarial Information | Traditional Pension Plan | Combined Plan |
|---|---|---|
| Valuation Date | December 31, 2016 | December 31, 2016 |
| Experience Study | 5 Year Period Ending December 31, 2015 | 5 Year Period Ending December 31, 2015 |
| Actuarial Cost Method | Individual entry age | Individual entry age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.50% | 7.50% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases | 3.25-10.05% (includes wage inflation at 3.25%) | 3.25–8.25% (includes wage inflation at 3.25%) |
| Cost-of-living Adjustments | 3.00% Simple | 3.00% Simple |

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

**Actuarial Methods and Assumptions** (continued)

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 7.5% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 1,958,016 | $ 1,281,656 | $ 718,030 |

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board of Trustees approved asset allocation policy for 2016 and the long-term expected real rates of return.

| Asset Class | Allocation | Real Rate of Return |
|---|---|---|
| Fixed Income | 23.00% | 2.75% |
| Domestic Equities | 20.70% | 6.34% |
| Real Estate | 10.00% | 4.75% |
| Private Equity | 10.00% | 8.97% |
| International Equities | 18.30% | 7.95% |
| Other Investments | 18.00% | 4.92% |
| Total | 100% | 5.66% |

The long-term expected rate of return on defined benefit investment assets was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**NOTE 4: Defined Benefit Pension Plan: (continued)**

**Actuarial Methods and Assumptions** (continued)

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was .4% for 2016.

**Average Remaining Service Life**

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2016, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

**Deferred Inflows and Deferred Outflows**

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2016. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2016.

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | |
|---|---|
| **Deferred Outflows of Resources** | |
| Net difference between projected and actual earnings on pension plan investments | $395,892 |
| Authority contributions subsequent to the measurement Date | 98,637 |
| Total Deferred Outflows of Resources | $494,529 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $ 7,628 |

**NOTE 4: Defined Benefit Pension Plan: (continued)**

**Deferred Inflows and Deferred Outflows** (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

| Calendar Year Ending December 31 | Traditional Pension Plan Net Deferred Outflows of Resources |
|---|---|
| 2017 | $ (160,152) |
| 2018 | (165,858) |
| 2019 | ( 67,850) |
| 2020 | 5,595 |
| Thereafter | - |
| Total | $ (388,264) |

**NOTE 5: Other Post-Employment Benefits**

**Plan Description**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2017. Please see the Plan Statement in the OPERS 2015 CAFR for details.

**NOTE 5: Other Post-Employment Benefits** (continued)

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

**Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, the Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2017, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS'actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In fiscal year 2017, the Authority's contributions to OPERS totaled $98,637. Of this amount, $14,091 was allocated to the health care plan. The portion of the Authority's fiscal year 2016 and 2015 contributions that were allocated to the health care plan were $14,747 and $14,320, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2017. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 6 - Long-Term Debt:**

| | Restated Balance at July 1, 2016 | Additions | Deductions | Balance at June 30, 2017 | Due in One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 198,914 | $ 78,655 | $ (40,981) | $ 236,588 | $ 37,674 |
| Net Pension Liability | 1,007,924 | 273,732 | - | 1,281,656 | - |
| Total | $ 1,206,838 | $ 352,387 | $ (40,981) | $ 1,518,244 | $ 37,674 |

**NOTE 7 - Compensated Absences:**

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

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

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

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

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

The Authority's estimated liability for compensated absences at June 30, 2017 is $236,588.

## NOTE 8 - Risk Management:

### Commercial Insurance

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

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

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

## NOTE 9 - Contingent Liabilities:

A. Grants

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

B. Litigation

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

## NOTE 10 - Schedule of Expenditures of Federal Awards:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mansfield Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE 11 - Construction and Other Commitments:

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2017.

## NOTE 12 - Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 18, 2017, the date on which the financial statements were available to be issued.

## NOTE 12 – Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government's net pension liability is expected to be significant.

Mansfield Metropolitan Housing Authority
Statement of Net Position
June 30, 2017

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

| Line item | Account Description | Housing Choice Voucher | State & Local | TOTALS |
|---|---|---|---|---|
| 111 | Cash - Unrestricted | $ 381,384 | $ 387,518 | $ 768,902 |
| 113 | Cash - Other Restricted | 180,132 | | 180,132 |
| 100 | Total Cash | 561,516 | 387,518 | 949,034 |
| 124 | Acct Rec-Other Government | 8,830 | | 8,830 |
| 128 | Fraud Recovery | 23,658 | | 23,658 |
| 128.1 | Allow Doubtful Accounts | (23,658) | | (23,658) |
| 129 | Accrued Interest Receivable | - | 389 | 389 |
| 120 | Net Total Receivables | 8,830 | 389 | 9,219 |
| 131 | Investments-Unrestricted | 50,118 | 879,475 | 929,593 |
| 142 | Prepaid Expenses | 14,563 | - | 14,563 |
| **150** | **Total Current Assets** | 635,027 | 1,267,382 | 1,902,409 |
| 161 | Land | | 30,000 | 30,000 |
| 162 | Buildings | | 295,000 | 295,000 |
| 164 | F/E/M Admin. | 107,145 | 70,728 | 177,873 |
| 165 | Leasehold Improvements | 122,339 | 748,137 | 870,476 |
| 166 | Accum Depreciation | (143,070) | (637,910) | (780,980) |
| 160 | Net Fixed Assets | 86,414 | 505,955 | 592,369 |
| 200 | Deferred Outflow of Resources | 494,529 | - | 494,529 |
| **290** | **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | **$ 1,215,970** | **$ 1,773,337** | **$ 2,989,307** |
| 312 | A/P <= 90 days | $ 11,670 | | $ 11,670 |
| 321 | Accrued Wage/Taxes Payable | 5,733 | | 5,733 |
| 322 | Accrued Comp Abs - current | 37,674 | | 37,674 |
| 342 | Unearned Revenue | 18,851 | - | 18,851 |
| 310 | Total Current Liabilities | 73,928 | - | 73,928 |
| 354 | Accrued Comp Abs. - Noncurrent | 198,914 | | 198,914 |
| 357 | Accrued Pension | 1,281,656 | | 1,281,656 |
| | Total Liabilities | 1,554,498 | - | 1,554,498 |
| 400 | Deferred Inflow of Resources | 7,628 | | 7,628 |
| 508.1 | Net Investment in Capital Assets | 86,414 | 505,955 | 592,369 |
| 511.1 | Restricted Net Position | 180,132 | - | 180,132 |
| 512.1 | Unrestricted Net Position | (612,702) | 1,267,382 | 654,680 |
| 513 | Total Equity/Net Position | (346,156) | 1,773,337 | 1,427,181 |
| **600** | **TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY** | **$ 1,215,970** | **$ 1,773,337** | **$ 2,989,307** |

Mansfield Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2017

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

| Line item | Account Description | Housing Choice Voucher | State & Local | TOTALS |
|---|---|---|---|---|
| 706 | HUD PHA Operating Grants | $ 8,926,808 | | $ 8,926,808 |
| 711 | Investment Income - PHA | 2,285 | 6,374 | 8,659 |
| 714 | Fraud Recovery - PHA | 12,948 | | 12,948 |
| 715 | Other Revenue | - | 388,428 | 388,428 |
| 700 | TOTAL REVENUE | 8,942,041 | 394,802 | 9,336,843 |
| | | | | |
| 911 | Admin. Salaries | 483,169 | 239,979 | 723,148 |
| 912 | Audit | 6,404 | | 6,404 |
| 914 | Advertisement & Marketing | 1,162 | | 1,162 |
| 915 | Employee Benefits | 327,133 | 62,395 | 389,528 |
| 916 | Office Expenses | 169,418 | 20,570 | 189,988 |
| 917 | Legal Expense | 4,370 | | 4,370 |
| 918 | Travel | 15,436 | | 15,436 |
| | Total Operating - Admin. | 1,007,092 | 322,944 | 1,330,036 |
| | | | | |
| 942 | Ordinary Maint. | 33,800 | 19,884 | 53,684 |
| | Total Maint. | 33,800 | 19,884 | 53,684 |
| | | | | |
| 961.2 | Insurance - Liab Insurance | 15,042 | | 15,042 |
| 961.3 | Workmen's Compensation | 1,605 | - | 1,605 |
| | Total Insurance | 16,647 | - | 16,647 |
| | | | | |
| 962.1 | Comp Abs | 37,674 | | 37,674 |
| | TOTAL OPERATING EXPENSES | 1,095,213 | 342,828 | 1,438,041 |
| 970 | Excess Oper. Rev. over Exp. | 7,846,828 | 51,974 | 7,898,802 |
| | | | | |
| 973 | HAP | 7,815,067 | | 7,815,067 |
| 974 | Depreciation Exp | 17,421 | 49,206 | 66,627 |
| 900 | TOTAL EXPENSES | 8,927,701 | 392,034 | 9,319,735 |
| 1000 | NET INCOME (LOSS) | $ 14,340 | $ 2,768 | $ 17,108 |

Mansfield Metropolitan Housing Authority
Mansfield Metropolitan Housing Authority
Additional Information Required by HUD
June 30, 2017

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

| Line item | Account Description | Housing Choice Voucher |
|---|---|---|
| 11030 | Beginning Equity | $ (360,496) |
| 11170 | Administrative Fee Equity | $ (526,288) |
| 11180 | Housing Assistance Payment Equity | $ 180,132 |
| 11190 | Unit Months Available | 21,360 |
| 11210 | Number of Unit Months Leased | 21,530 |

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND, OHIO**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017 AND 2016**
**(UNAUDITED)**

| | 2017 | 2016 |
|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.0056440% | 0.0058190% |
| Authority's Proportionate Share of the Net Pension Liability | $ 1,281,656 | $ 1,007,924 |
| Authority's Covered Employee Payroll | $ 704,550 | $ 737,329 |
| Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll | 181.91% | 136.70% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 77.25% | 81.08% |

# MANSFIELD METROPOLITAN HOUSING AUTHORITY
# RICHLAND, OHIO
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
# LAST TEN YEARS
# (UNAUDITED)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required employer contribution | $ 98,637 | $ 103,226 | $ 100,237 | $ 94,346 | $ 98,930 | $ 99,636 | $ 99,660 | $92,399 | $90,769 | $ 86,945 |
| Contributions in relation to the contractually required contribution | $ (98,637) | $ (103,226) | $(100,237) | $(94,346) | $(98,930) | $ (99,636) | $ (99,660) | $(92,399) | $(90,769) | $ (86,945) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority covered-employee payroll | $ 704,550 | $ 737,329 | $ 715,979 | $673,900 | $706,643 | $ 711,686 | $ 711,857 | $659,993 | $648,350 | $ 624,605 |
| Contribution as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.92% |

**MANSFIELD METROPOLITAN HOUSING AUTHORITY**
**RICHLAND, OHIO**
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**
**(UNAUDITED)**

**Ohio Public Employees' Retirement System**

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Mansfield Metropolitan Housing Authority

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

| Federal Grantor<br>Pass Through Grantor/<br>Program Title | Federal<br>CFDA<br>Number | Expenditures |
|---|---|---|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| Direct Program | | |
| Section 8 Housing Choice Vouchers | 14.871 | $ 8,926,808 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | $ 8,926,808 |

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

Kevin L.
Penn, Inc.

Certified Public Accountant
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Cleveland, Ohio 44120
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Email: klpenncpa@aol.com

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

Board of Trustees
Mansfield Metropolitan Housing Authority
Richland, Ohio

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Mansfield Metropolitan Housing Authority, Richland County, (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 18, 2017.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Kevin L. Penn, Inc.

November 18, 2017

Kevin L.
Penn, Inc.

Certified Public Accountant
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Mansfield Metropolitan Housing Authority
Richland, Ohio

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

I have audited Mansfield Metropolitan Housing Authority, Richland County's, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Mansfield Metropolitan Housing Authority's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on each Major Federal Program***

In my opinion, Mansfield Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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

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

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

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

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

Kevin L. Penn, Inc.

November 18, 2017

**Mansfield Metropolitan Housing Authority**
Schedule of Findings
June 30, 2017

Section I - Summary of Auditor's Results

*Financial Statements*

| | |
|---|---|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant Deficiency(ies) identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

*Federal Awards*

| | |
|---|---|
| Internal control over compliance: | |
| Material weakness(es) identified? | No |
| Significant Deficiency(ies) identified not considered to be material weaknesses? | None Reported |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Are there any reportable findings under 2 CFR Section 200.516(a)? | No |
| Identification of major programs: | |
| 14.871 | Housing Choice Vouchers |
| Dollar threshold used to distinguish between Type A and Type B programs: | Type A: > $750,000<br>Type B: all others |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Mansfield Metropolitan Housing Authority**
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no audit findings, during the 2016 fiscal year.

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**MANSFIELD METROPOLITAN HOUSING AUTHORITY**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JANUARY 30, 2018**