

MANSFIELD METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Mansfield Metropolitan Housing Authority, Richland County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 12, 2002

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MANSFIELD METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Mansfield Metropolitan Housing Authority, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Mansfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Metropolitan Housing Authority, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 2002 on our consideration of Mansfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

September 18, 2002

James G. Zupka
Certified Public Accountant

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINED BALANCE SHEET
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2002

	<u>Totals</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 136,827
Receivables - Net of Allowance	32,406
Investments - Unrestricted	1,537,989
Deferred Charges and Other Assets	3,678
Total Current Assets	1,710,900
Fixed Assets - Net of Accumulated Depreciation	200,947
Total Assets	\$ 1,911,847
 <u>LIABILITIES, RETAINED EARNINGS AND OTHER CREDITS</u>	
Accounts Payable	\$ 6,612
Accounts Payable - HUD	211,727
Accrued Compensated Absences	236,733
Total Current Liabilities	455,072
Non-Current Liabilities	21,776
Total Liabilities	476,848
 <u>RETAINED EARNINGS AND OTHER CREDITS</u>	
Contributed Capital	536,962
Retained Earnings	898,037
Total Retained Earnings and Other Credits	1,434,999
Total Liabilities, Retained Earnings, and Other Credits	\$ 1,911,847

See accompanying notes to the general purpose financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2002

	<u>Totals</u>
<u>OPERATING REVENUE</u>	
Program Operating Grants/Subsidies	\$ 5,431,279
Other Income	340,859
Interest Income	40,008
Total Operating Revenue	5,812,146
 <u>OPERATING EXPENSES</u>	
Administrative	930,644
Maintenance	22,317
General	17,517
Housing Assistance Payments	4,770,417
Depreciation	22,354
Interest Expense	137
Total Operating Expenses	5,763,386
Excess of Revenue Over Expenses	48,760
Fund Equity, Beginning of Period	1,386,239
 FUND EQUITY, END OF PERIOD	\$ 1,434,999

See accompanying notes to the general purpose financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2002

	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from HUD	\$ 5,223,632
Cash Received From Clients	397,747
Cash Payments for Housing Assistance Payments	(4,770,417)
Cash Payments for Administrative	(913,643)
Cash Payments for Other Operating Expenses	(52,330)
Net Cash (Used) by Operating Activities	(115,011)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Fixed Assets	(2,412)
Net Cash Provided by Capital and Other Related Financing Activities	(2,412)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Investments	(157,560)
Net Cash Provided by Investing Activities	(157,560)
Net Increase (Decrease) in Cash and Cash Equivalents	(274,983)
Cash and Cash Equivalents, Beginning	411,810
Cash and Cash Equivalents, Ending	\$ 136,827
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
Net Operating Income (Loss)	\$ 48,760
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities Depreciation	22,354
(Increase) Decrease in:	
Receivables - Net of Allowance	86,812
Deferred Charges and Other Assets	5,909
Increase (Decrease) in:	
Accounts Payable	(12,359)
HUD Payables	157,398
Accrued Compensated Absences	8,229
Deferred Credits Other Liabilities	(432,114)
Net Cash Used by Operating Activities	\$ (115,011)

See accompanying notes to the general purpose financial statements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

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

A. Description of the Entity and Programs

The Mansfield Metropolitan Housing Authority is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. 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 rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The Authority participates in the Section 8 Certificate, New Construction and Voucher Program provided by HUD. These programs help assist families in the payment of rent. Under the Certificate program, the dwelling unit a family will occupy must not exceed rent limitations in accordance with HUD guidelines. The Certificate program is being phased out by HUD and absorbed into the Voucher program. Under the Voucher program, the Authority determines the amount of subsidy a family will receive using HUD guidelines; however, there is a limit to the amount charged to the family. Under the New Construction program, subsidy payments are made directly to the landlord on behalf of families living in their respective unit.

B. Summary of Significant Accounting Policies

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

C. Reporting Entity

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, 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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

C. **Reporting Entity** (Continued)

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

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

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

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

Based on the criteria established by GASB Codification 2100, there are no component units to be included with the reporting entity.

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

D. **Fund Accounting**

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

E. **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 proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent 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 or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. **Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

G. **Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2002 totaled \$41,235.

H. **Fixed Assets**

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

I. **Cash and Cash Equivalents**

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

J. **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.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

J. **Compensated Absences** (Continued)

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability. Information regarding compensated absences is detailed in Note 10.

K. **Capital Contributions**

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

L. **Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is adopted by the Board of the Housing Authority and then submitted to the Department of Housing and Urban Development.

M. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Legal and Other Requirements - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer's investment pool (STAROhio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

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

Deposits

- Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of Mansfield Metropolitan Housing Authority's deposits was \$1,674,816. The corresponding bank balances were \$1,709,427.

The amount of \$100,000 was covered by federal depository insurance in one bank and the remaining deposits were covered by collateralization held by the bank in the Authority's name as required by HUD and are Category 2 deposits. For purposes of GASB No. 3, the Authority has no investments at June 30, 2002.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 3: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

NOTE 4: **INSURANCE COVERAGE**

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

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 500	\$ 679,800 (per location)
General Liability	0	1,000,000/3,000,000
Automobile	250	1,000,000
Employee Dishonesty	250	50,000
Lead Based Paint Liability	5,000	1,000,000/5,000,000

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

NOTE 5: **FIXED ASSETS**

The following is a summary of fixed assets held by the Authority:

<u>Asset</u>	<u>Balance at 06/30/01</u>	<u>Asset Additions</u>	<u>Asset Deletions</u>	<u>Balance at 06/30/02</u>
Land	\$ 56,000	\$ 0	\$ 0	\$ 56,000
Buildings and Improvements	209,462	0	0	209,462
Furniture, Machinery & Equipment, Administrative	268,774	2,412	0	271,186
Vehicles	97,725	0	0	97,725
Accumulated Depreciation	(411,072)	(22,354)	0	(433,426)
Net Fixed Assets	<u>\$ 220,889</u>	<u>\$ (19,942)</u>	<u>\$ 0</u>	<u>\$ 200,947</u>

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 5: **FIXED ASSETS** (Continued)

The Authority capitalizes all assets with a cost of \$1,000 or more. The following is a list of useful lives for depreciation purposes:

Buildings and Improvements	20 to 30 years
Equipment	7 years
Computer Equipment	3 years
Vehicles	5 years

The Authority uses the straight line method of depreciation.

NOTE 6: **CHANGES IN FINANCIAL STATEMENTS PREPARATION AND BASIS OF ACCOUNTING - RETAINED EARNINGS ADJUSTMENT**

a. **Change in Accounting Principle**

For June 30, 2002, the Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements for recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of these statements, there was no impact on prior year balances. Therefore, restatement of prior year balances is not necessary.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

Public Employees Retirement System

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

All employees of the Authority participate in the PERS of Ohio, a cost-sharing multiple-employer defined benefit pension plan. The PERS of Ohio provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll, 9.25 percent to fund the pension and 4.3 percent to fund health care. The 2000 and 1999 employer contribution rates were 10.84 and 13.55 percent. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's required contributions to the PERS of Ohio for the years ended June 30, 2002, 2001, and 2000 were \$83,464, \$78,592, and \$74,667 respectively, which were equal to the required contributions for each year. The employee portion of 8.5 percent of the contribution is also paid by the Authority as an additional employee benefit.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Public Employees Retirement System (Continued)

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2002 was 4.3 percent of covered payroll, which amounted to \$26,487.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio's net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 8: **COMPENSATED ABSENCES**

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

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

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

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

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

The estimated liability for compensated absences is \$236,733 for Section 8.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 9: **CONTINGENCIES**

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

NOTE 10: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2002.

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 JUNE 30, 2002

FDS Line Item No.	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Housing Choice Vouchers</u>	<u>State/Local</u>	<u>Total</u>
	<u>ASSETS</u>				
111	Cash - Unrestricted	\$ 95,095	\$ 33,813	\$ 7,919	\$ 136,827
100	Total Cash	<u>95,095</u>	<u>33,813</u>	<u>7,919</u>	<u>136,827</u>
125	A/R - Miscellaneous	0	9,402	0	9,402
126.2	Allowance for Doubtful Accounts-Other	0	0	0	0
128	Fraud Recovery	0	21,776	0	21,776
128.1	Allowance for Doubtful Accounts-Fraud	0	0	0	0
129	Accrued Interest Receivable	0	0	1,228	1,228
120	Total Accounts Receivable	<u>0</u>	<u>31,178</u>	<u>1,228</u>	<u>32,406</u>
131	Investments - Unrestricted	0	236,610	1,301,379	1,537,989
142	Prepaid Expenses and Other Assets	0	3,678	0	3,678
150	Total Current Assets	<u>95,095</u>	<u>305,279</u>	<u>1,310,526</u>	<u>1,710,900</u>
161	Land	0	0	56,000	56,000
162	Buildings	0	0	126,365	126,365
164	Furniture, Equipment, and Machinery - Administration	0	164,375	204,536	368,911
165	Leasehold Improvements	0	22,082	61,015	83,097
166	Accumulated Depreciation	0	(152,961)	(280,465)	(433,426)
160	Total Fixed Assets Net of Accumulated Depreciation	<u>0</u>	<u>33,496</u>	<u>167,451</u>	<u>200,947</u>
180	Total Non-Current Assets	<u>0</u>	<u>33,496</u>	<u>167,451</u>	<u>200,947</u>
190	TOTAL ASSETS	<u><u>\$ 95,095</u></u>	<u><u>\$ 338,775</u></u>	<u><u>\$ 1,477,977</u></u>	<u><u>\$ 1,911,847</u></u>

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 JUNE 30, 2002
 (CONTINUED)

FDS Line Item No.	<u>Account Description</u>	N/C S/R Section 8 Programs	Housing Choice Vouchers	State/Local	Total
	<u>LIABILITIES</u>				
312	Accounts Payable, <= 90 Days	\$ 0	\$ 6,612	\$ 0	\$ 6,612
322	Accrued Compensated Absence - Current Portion	12,977	223,756	0	236,733
331	Accounts Payable - HUD PHA Programs	86,771	124,956	0	211,727
310	Total Current Liabilities	<u>99,748</u>	<u>355,324</u>	<u>0</u>	<u>455,072</u>
353	Non-Current Liabilities - Other	0	21,776	0	21,776
350	Total Non-Current Liabilities	<u>0</u>	<u>21,776</u>	<u>0</u>	<u>21,776</u>
300	TOTAL LIABILITIES	99,748	377,100	0	476,848
504	Net PHA HUD Contributions	0	10,800	0	10,800
507	Other Contributions	0	25,739	500,423	526,162
508	Total Contributed Capital	<u>0</u>	<u>36,539</u>	<u>500,423</u>	<u>536,962</u>
511	Total Reserved Fund Balance	0	0	0	0
512	Undesignated Fund Balance/ Retained Earnings	(4,653)	(74,864)	977,554	898,037
513	Total Equity	<u>(4,653)</u>	<u>(38,325)</u>	<u>1,477,977</u>	<u>1,434,999</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 95,095</u>	<u>\$ 338,775</u>	<u>\$ 1,477,977</u>	<u>\$ 1,911,847</u>

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 JUNE 30, 2002
 (CONTINUED)

FDS Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	State/Local	Total
<u>REVENUE</u>					
705	Total Tenant Revenue	\$ 0	\$ 0	\$ 0	\$ 0
706	HUD PHA Grants	462,173	4,969,106	0	5,431,279
711	Investment Income - Unrestricted	1,459	3,922	34,627	40,008
714	Fraud Recovery	0	4,306	0	4,306
715	Other Revenue	0	0	336,553	336,553
700	Total Revenue	463,632	4,977,334	371,180	5,812,146
<u>EXPENSES</u>					
911	Administrative Salaries	20,299	390,617	185,104	596,020
912	Auditing Fees	335	6,439	0	6,774
914	Compensated Absences	406	7,823	0	8,229
915	Employee Benefit Contributions - Administrative	5,193	99,921	74,042	179,156
916	Other Operating - Administrative	3,448	66,341	70,676	140,465
942	Ordinary Maintenance and Operations - Materials and Other	770	14,816	6,731	22,317
961	Insurance Premiums	865	16,652	0	17,517
967	Interest Expense	0	0	137	137
969	Total Operating Expenses	31,316	602,609	336,690	970,615
970	Excess Operating Revenues Over Operating Expenses	432,316	4,374,725	34,490	4,841,531
<u>OTHER EXPENSES</u>					
973	Housing Assistance Payments	431,542	4,338,875	0	4,770,417
974	Depreciation Expense	0	15,091	7,263	22,354
900	Total Expenses	462,858	4,956,575	343,953	5,763,386
1010	Total Other Financing Sources (Uses)	0	0	0	0
1000	Excess (Deficiency) of Operating Revenues Over (Under) Expenses	774	20,759	27,227	48,760
1102	Debt Principal Payments-Enterprise Funds	0	0	0	0
1103	Beginning Equity	(5,427)	(59,084)	1,450,750	1,386,239
1104	Prior Period Adjustment, Equity Transfers, and Correction of Errors	0	0	0	0
ENDING EQUITY		\$ (4,653)	\$ (38,325)	\$ 1,477,977	\$ 1,434,999

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 ADDITIONAL FDS SCHEDULE INFORMATION
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2002

FDS Line Item No.	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Section 8 Rental Voucher Program</u>	<u>State/Local</u>	<u>Total</u>
1113	Annual Contributions Commitment (per ACC)	\$ 542,208	\$ 4,802,431	\$ 0	\$ 5,344,639
1114	Prorata Maximum Annual Contributions Applicable to a Period of Less Than Twelve Months	0	0	0	0
1115	Contingency Reserve, ACC, Program Reserve	2,192,463	754,638	0	2,947,101
1116	Total Annual Contributions Available	<u>2,734,671</u>	<u>5,557,069</u>	<u>0</u>	<u>8,291,740</u>
1120	Unit Months Available	1,512	16,728	0	18,240
1121	Number of Unit Months Leased	1,512	15,634	0	17,146

MANSFIELD METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>From U.S. Department of HUD</u>		
<u>Direct Programs</u>		
 <i>U.S. Department of HUD</i>		
<u>Section 8 Cluster Programs:</u>		
Housing Assistance Payments:		
Housing Choice - Vouchers	14.871	4,969,106
Subtotal Section 8 Tenant Based Cluster Programs		4,969,106
 <u>Section 8 Project Based Programs:</u>		
Project Based New Construction	14.182	462,173
Subtotal Section 8 Project Based Programs		462,173
Total Section 8 Cluster and Project Based Programs		5,431,279
Total U.S. Department of HUD		5,431,279
 TOTAL ALL PROGRAMS		\$ 5,431,279

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

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of the Mansfield Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued our report thereon dated September 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

September 18, 2002

James G. Zupka
Certified Public Accountant

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

Board of Directors
Mansfield Metropolitan Housing Authority
Mansfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Mansfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2002. Mansfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Mansfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Mansfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Mansfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

September 18, 2002

James G. Zupka
Certified Public Accountant

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2002

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

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

MANSFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
(CONTINUED)
JUNE 30, 2002

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

None.

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

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 31, 2002**