

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2013





# Dave Yost • Auditor of State

Board of Commissioners  
Darke Metropolitan Housing Authority  
1488 Switzer Road  
Greenville, Ohio 45331

We have reviewed the *Independent Auditors' Report* of the Darke Metropolitan Housing Authority, Darke County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2012 through September 30, 2013. 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 Darke Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 16, 2014

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DARKE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Financial statements:	
Statement of Net Position	12
Statement of Revenue, Expenses and Change in Net Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15-21
Supplemental Data:	
Financial Data Schedule Submitted to REAC	22-24
Schedule of Expenditures of Federal Awards	25
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	26-27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	28-29
Schedule of Findings and Questioned Costs	30
Schedule of Prior Audit Findings	31

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Darke Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Darke Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

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 the Darke Metropolitan Housing Authority as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Darke Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule (FDS), and Schedule of Expenditure of Federal Awards are not a required part of the basic financial statements.


The accompanying Schedule of Expenditure of Federal Awards 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 financial data schedule (FDS) is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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, the Schedule of Expenditure of Federal Awards and the financial data schedule ("FDS") are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated March 24, 2014, on my consideration of the 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 Entity's internal control over financial reporting and compliance.



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Salvatore Consiglio, CPA, Inc.  
North Royalton, Ohio  
March 24, 2014

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

**Introduction**

This Management's Discussion and Analysis (MD&A) of the Darke County Metropolitan Housing Authority (Authority) provides an introduction and overview to the financial statements of the Darke County Metropolitan Housing Authority for the fiscal year ended September 30, 2013. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2013, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Darke County Metropolitan Housing Authority. The information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has one program, the Housing Choice Voucher Program. The Housing Choice Voucher Program (HCV) provides rental assistance to help low income families afford decent, safe, and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment (HAP) to a landlord on behalf of the tenant. There are currently 299 vouchers funded. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is based on a HUD established rate earned per voucher leased.

**Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised in three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows or resources, liabilities, and deferred inflows of resources with the differences between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended September 30, 2013, to determine the net change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended September 30, 2013.

**Financial Highlights**

The Darke County Metropolitan Housing Authority's net position decreased from \$233,314 to \$174,057, a decrease of \$59,257 or 25%. Total assets also decreased by \$80,201 or 29%.

Total revenue decreased from \$1,201,042 to \$1,112,249, a decrease of \$88,793 or 7%.

Total expenses decreased by \$11,817, from \$1,183,323 to \$1,171,506 for the current year. This represents a decrease of 1%.

**Housing Authority Activities & Highlights**

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended September 30, 2013, and 2012.

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

*Summary Statement of Net Position  
Years Ended September 30, 2013 and  
2012*

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 132,778	\$ 207,291	\$ (74,513)	-36%
Noncurrent Assets	\$ 65,106	\$ 70,794	\$ (5,688)	-8%
Total Assets	\$ 197,884	\$ 278,085	\$ (80,201)	-29%
Current Liabilities	\$ 23,827	\$ 44,771	\$ (20,944)	-47%
Total Liabilities	\$ 23,827	\$ 44,771	\$ (20,944)	-47%
Unrestricted	\$ 63,682	\$ 58,817	\$ 4,865	8%
Restricted	\$ 45,269	\$ 103,703	\$ (58,434)	-56%
Net Investment in Capital Assets	\$ 65,106	\$ 70,794	\$ (5,688)	-8%
Total Net Position	\$ 174,057	\$ 233,314	\$ (59,257)	-25%

### Current Assets

The Authority's current asset balances decreased by \$74,513. This was primarily due to HAP expenditures of \$1,028,212 exceeding HAP revenues of \$968,977. Restricted cash and investments decreased from \$103,703 as of September 30, 2012 to \$45,269 on September 30, 2013, a decrease of \$58,434.

### Noncurrent Assets

The Authority's noncurrent asset balance decreased primarily due to the accumulation of depreciation. Please note the capital asset portion presented in a later section.

### Current Liabilities

Current liabilities decreased by \$20,944 primarily due to a decrease in the amounts owed to vendors & contractors as of September 30, 2013.

### Net Position

The net position of the Authority decreased by \$59,257 compared to the previous fiscal year. This was due to HAP expenditures exceeding HAP revenues.

The Authority's unrestricted component of net position changed from \$58,817 to \$63,682 an increase of \$4,865 or 8% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

The Authority's restricted component of net position changed from \$103,703 to \$45,269, a decrease of \$58,434 or 56% for the current year. This was due to HAP expenditures exceeding HAP revenues in the current year. The restricted component of the net position is restricted for the purpose of HAP expenses.

*Summary Statement of Revenues & Expenses and Changes in Net Position*

*Years Ended September 30, 2013 and 2012*

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Change \$</u>	<u>Change %</u>
HUD Operating Grants	\$ 1,102,978	\$ 1,176,966	\$ (73,988)	-6%
Interest Income	\$ 63	\$ 117	\$ (54)	-46%
Other Revenue	\$ 7,044	\$ 23,177	\$ (16,133)	-70%
Fraud Recovery	\$ 2,164	\$ 782	\$ 1,382	177%
Total Revenue	\$ 1,112,249	\$ 1,201,042	\$ (88,793)	-7%
Administration	\$ 132,647	\$ 142,656	\$ (10,009)	-7%
Ordinary Maintenance	\$ 2,149	\$ -	\$ 2,149	NA
General Expense	\$ 2,042	\$ 1,223	\$ 819	67%
Housing Assistance Payments	\$ 1,028,980	\$ 1,033,214	\$ (4,234)	0%
Depreciation	\$ 5,688	\$ 6,230	\$ (542)	-9%
Total Expenses	\$ 1,171,506	\$ 1,183,323	\$ (11,817)	-1%
Increase (Decrease) in Net Position	\$ (59,257)	\$ 17,719	\$ (76,976)	-434%
Net Position, Beginning of Year	\$ 233,314	\$ 215,595	\$ 17,719	8%
Net Position, End of Year	\$ 174,057	\$ 233,314	\$ (59,257)	-25%

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

Results of Operations

Revenues of the Authority are principally generated from Federal funding. The Authority's revenue decreased by \$88,793 compared to the previous fiscal year. Significant variances include the following:

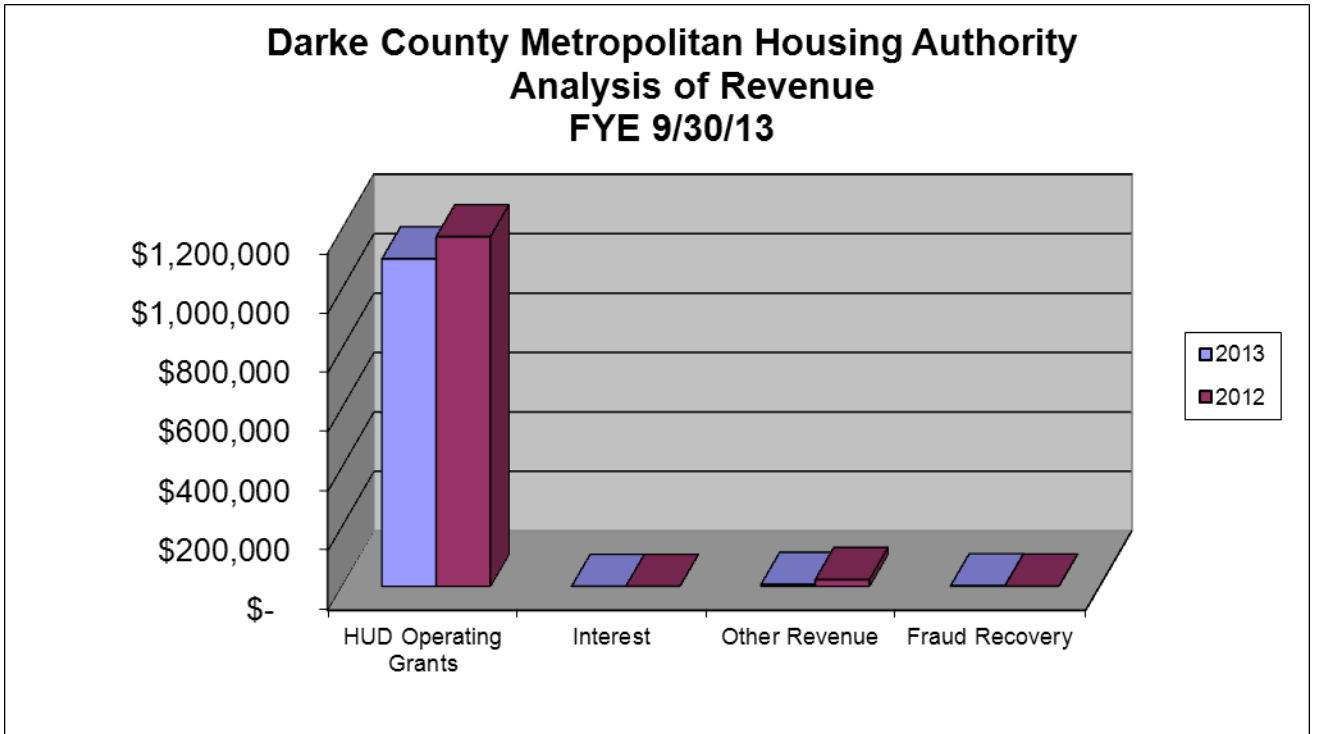
- HUD operating grants decreased by \$73,988. This was primarily due to a decrease in HAP funding of \$54,508 for the HCV program. Also, operating grant revenue for the HCV program decreased by \$19,480.
- Other revenue decreased by \$16,133 due to the sale of a vehicle in the amount of \$11,000 and the voiding of HAP checks in the previous year.
- Fraud recovery increased by \$1,382 due to a rise in the number of cases realized in the current fiscal year that owe or are paying fraud.

Total expenses decreased by \$11,817. Significant variances include the following:

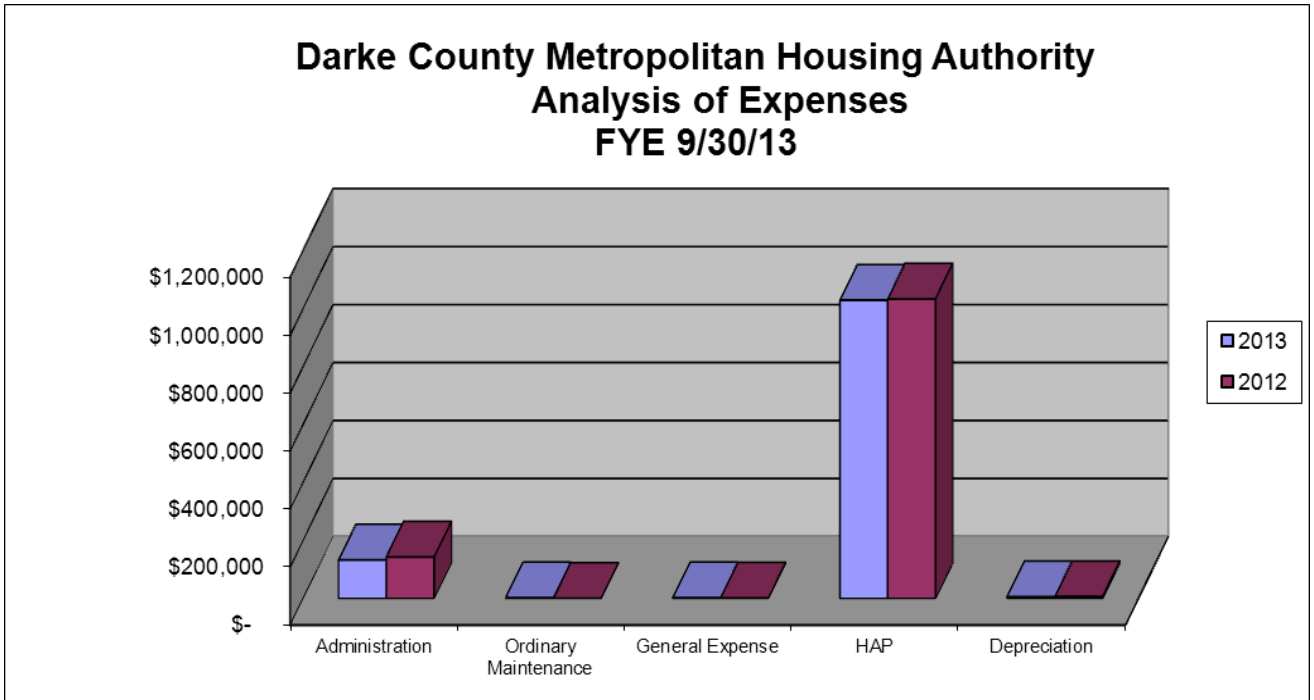
- Administration decreased by \$10,009 due to a reduction in management fees expense.
- General expenses increased by \$819. This was due to an increase in the amount of bad debt associated with accounts receivable - fraud.
- Ordinary maintenance increased by \$2,149 due to vehicle gasoline and vehicle maintenance.
- Housing assistance payments decreased by \$4,234 due to a reduction in the number of vouchers leased. The Authority leased 3,473 vouchers in the previous year as compared to 3,425 in the current year.

*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:



*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*



**Capital Assets**

As of September 30, 2013, the Darke County Metropolitan Housing Authority's net investment in capital assets was \$65,106. This investment includes land, buildings, construction in progress, and equipment, net of accumulated depreciation.

<b>Category</b>	<b>FYE 2013</b>	<b>FYE 2012</b>	<b>Change \$</b>	<b>Change %</b>
Land	\$ 4,725	\$ 4,725	\$ -	0%
Buildings	\$ 52,746	\$ 52,746	\$ -	0%
Equipment	\$ 77,174	\$ 77,174	\$ -	0%
Accumulated Depreciation	\$ (69,539)	\$ (63,851)	\$ (5,688)	9%
<b>Total Net Fixed Assets</b>	<b>\$ 65,106</b>	<b>\$ 70,794</b>	<b>\$ (5,688)</b>	<b>-8%</b>

**Debt Outstanding**

As of year-end, the Authority has no outstanding debt.



*Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013  
Unaudited*

Subsequent Event

The amount of funding for the 2013 calendar year for the Housing Choice Voucher Program has been finalized by HUD. These include the proration of administrative fees being funded at 69% and HAP funding at 94%. These funding levels will result in lower revenues resulting in a decreased level of services that can be supported in the upcoming fiscal year.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Darke County Metropolitan Housing Authority  
Stephen Pipenger, Chief Finance Officer  
1469 Sweizer Street  
Greenville, OH 45331

**DARKE COUNTY METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2013**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$85,892
Restricted cash	45,269
Receivables, net	1,617
<b>Total current assets</b>	<b><u>132,778</u></b>

**Noncurrent assets**

Capital assets:

Land	4,725
Building and equipment	129,920
Less accumulated depreciation	(69,539)
<b>Total noncurrent assets</b>	<b><u>65,106</u></b>

<b>Total assets</b>	<b><u><u>\$197,884</u></u></b>
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**LIABILITIES**

**Current liabilities**

Accounts payable	\$21,358
Unearned Revenues	2,469
<b>Total current liabilities</b>	<b><u>23,827</u></b>
<b>Total liabilities</b>	<b><u>23,827</u></b>

**NET POSITION**

Net Invested in capital assets	65,106
Restricted net position	45,269
Unrestricted net position	63,682
<b>Total net position</b>	<b><u>174,057</u></b>
<b>Total liabilities and net position</b>	<b><u><u>\$197,884</u></u></b>

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

**DARKE COUNTY METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

***OPERATING REVENUES***

Government operating grants	\$1,102,978
Other revenue	9,208
<b>Total operating revenues</b>	<b><u>1,112,186</u></b>

***OPERATING EXPENSES***

Administrative	132,647
General	2,042
Ordinary Maintenance	2,149
Housing assistance payment	1,028,980
Depreciation	5,688
<b>Total operating expenses</b>	<b><u>1,171,506</u></b>
<b>Operating income (loss)</b>	<b><u>(59,320)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	63
<b>Total nonoperating revenues (expenses)</b>	<b><u>63</u></b>
Change in net position	(59,257)
Total net position - beginning	233,314
<b>Total net position - ending</b>	<b><u><u>\$174,057</u></u></b>

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

**Darke Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type - Enterprise Fund  
 For the Year Ended September 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor	\$1,104,211
Other income received	9,208
Cash paid Operating Activities	(159,015)
Cash Paid for Housing Assistance	<u>(1,029,971)</u>

**Net cash provided by operating activities** (75,567)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	<u>63</u>
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**Net cash provided (used) by investing activities** 63

Net Increase (Decrease) in Cash	(75,504)
Cash and cash equivalents - Beginning of Year	<u>206,665</u>

**Cash and cash equivalents - End of Year** \$131,161

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$59,320)
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Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:

Depreciation adjustment	5,688
(Increase) Decrease in Accounts Receivable	(991)
Increase (Decrease) in Accounts Payable	(22,177)
Increase (Decrease) in Unearned Revenues	<u>1,233</u>

**Net cash provided by operating activities** (\$75,567)

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

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Organization and Reporting Entity**

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

**Basis of Presentation**

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

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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

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

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Measurement Focus and Basis of Accounting**

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

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

**Estimates**

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

**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.

**Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	39 year
Furniture, equipment and machinery	3-5 years

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Interest earned in fiscal year ending September 30, 2013 was \$63.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

**Cash**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawal 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.

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal yearend September 30, 2013, the carrying amount of the Authority's deposits totaled \$131,161 and its bank balance was \$150,852. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2013, no money was exposed to custodial risk as discussed below, while the \$150,852 bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

**Restricted Cash**

The restricted cash balance of \$45,269 as of September 30, 2013 represents cash balance to be used for housing assistance payments.

**NOTE 3 – CONTRACT SERVICES**

The authority contracts with Community Action Partnership (CAP) to provide financial services for the housing authority. The authority does not have any employees; instead services are subcontracted from CAP. CAP designates certain employees to maintain the Authority's records. CAP is a nonprofit entity providing resources for the purpose of assisting low income individuals through a variety of programs supported by federal and state government grants.



**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of the changes in capital assets:

	<b>Balance 09/30/12</b>	<b>Additions</b>	<b>Rounding / Deletions</b>	<b>Balance 09/30/13</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$4,725	\$0	\$0	\$4,725
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,725</b>	<b>0</b>	<b>0</b>	<b>4,725</b>
<b>Capital Assets Being Depreciated:</b>				
Building	52,746	0	0	52,746
Vehicle	43,355	0	0	43,355
Office Equipment	33,819	0	0	33,819
<b>Total Capital Assets Being Depreciated</b>	<b>129,920</b>	<b>0</b>	<b>0</b>	<b>129,920</b>
<b>Accumulated Depreciation:</b>				
Building	25,697	1,352	0	27,049
Vehicle	4,336	4,336	0	8,672
Office Equipment	33,818	0	0	33,818
<b>Total Accumulated Depreciation</b>	<b>63,851</b>	<b>5,688</b>	<b>0</b>	<b>69,539</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>66,069</b>	<b>(5,688)</b>	<b>0</b>	<b>60,381</b>
<b>Total Capital Assets, Net</b>	<b>\$70,794</b>	<b>(\$5,688)</b>	<b>\$0</b>	<b>\$65,106</b>

**NOTE 5 – RISK MANAGEMENT**

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. During the fiscal year 2013, the Authority contracted with Cincinnati Insurance Company for vehicle insurance, commercial property and general liability, employee dishonesty and directors and officer's liability.

Vehicle insurance carries a \$250 per vehicle comprehensive deductible. Property and general insurance carries a \$250 deductible.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 6: CONTINGENCIES**

**Grants**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2013.

**Litigations and Claims**

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2013 the PHA was not aware of any such matters.

**NOTE 7 – NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

**NOTE 8 – Change in Accounting Principles**

For 2013, the Authority adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 62, incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 identifies net positions, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance.

**DARKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9: 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 March 24, 2013, the date on which the financial statements were available to be issued.

Darke Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
September 30, 2013

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$52,611	\$52,611
113 Cash - Other Restricted	\$45,269	\$45,269
100 Total Cash	\$97,880	\$97,880
121 Accounts Receivable - PHA Projects	\$936	\$936
128 Fraud Recovery	\$6,811	\$6,811
128.1 Allowance for Doubtful Accounts - Fraud	(\$6,130)	(\$6,130)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,617	\$1,617
131 Investments - Unrestricted	\$33,281	\$33,281
150 Total Current Assets	\$132,778	\$132,778
161 Land	\$4,725	\$4,725
162 Buildings	\$52,746	\$52,746
164 Furniture, Equipment & Machinery - Administration	\$77,174	\$77,174
166 Accumulated Depreciation	(\$69,539)	(\$69,539)
160 Total Capital Assets, Net of Accumulated Depreciation	\$65,106	\$65,106
180 Total Non-Current Assets	\$65,106	\$65,106
190 Total Assets	\$197,884	\$197,884
312 Accounts Payable <= 90 Days	\$21,272	\$21,272
342 Deferred Revenues	\$2,469	\$2,469
310 Total Current Liabilities	\$23,827	\$23,827
350 Total Non-Current Liabilities	\$0	\$0
300 Total Liabilities	\$23,827	\$23,827
508.1 Invested In Capital Assets, Net of Related Debt	\$65,106	\$65,106
511.1 Restricted Net Assets	\$45,269	\$45,269
512.1 Unrestricted Net Assets	\$63,682	\$63,682
513 Total Equity/Net Assets	\$174,057	\$174,057
600 Total Liabilities and Equity/Net Assets	\$197,884	\$197,884

Darke Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
September 30, 2013

	14.871 Housing Choice Vouchers	Total
70600 HUD PHA Operating Grants	\$1,102,978	\$1,102,978
71100 Investment Income - Unrestricted	\$63	\$63
71400 Fraud Recovery	\$2,164	\$2,164
71500 Other Revenue	\$7,044	\$7,044
70000 Total Revenue	\$1,112,249	\$1,112,249
91200 Auditing Fees	\$6,575	\$6,575
91300 Management Fee	\$81,701	\$81,701
91400 Advertising and Marketing	\$283	\$283
91600 Office Expenses	\$9,843	\$9,843
91800 Travel	\$4	\$4
91900 Other	\$34,241	\$34,241
91000 Total Operating - Administrative	\$132,647	\$132,647
94200 Ordinary Maintenance and Operations - Materials and Other	\$2,043	\$2,043
94300 Ordinary Maintenance and Operations Contracts	\$106	\$106
94000 Total Maintenance	\$2,149	\$2,149
96120 Liability Insurance	\$922	\$922
96140 All Other Insurance	\$592	\$592
96100 Total insurance Premiums	\$1,514	\$1,514
96200 Other General Expenses	\$36	\$36
96600 Bad debt - Other	\$492	\$492
96000 Total Other General Expenses	\$528	\$528
96900 Total Operating Expenses	\$136,838	\$136,838
97000 Excess of Operating Revenue over Operating Expenses	\$975,411	\$975,411
97300 Housing Assistance Payments	\$1,028,212	\$1,028,212
97350 HAP Portability-In	\$768	\$768
97400 Depreciation Expense	\$5,688	\$5,688
90000 Total Expenses	\$1,171,506	\$1,171,506

Darke Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
September 30, 2013

	14.871 Housing Choice Vouchers	Total
10100 Total Other financing Sources (Uses)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$59,257)	(\$59,257)
11030 Beginning Equity	\$233,314	\$233,314
11170 Administrative Fee Equity	\$128,788	\$128,788
11180 Housing Assistance Payments Equity	\$45,269	\$45,269
11190 Unit Months Available	3,599	3,599
11210 Number of Unit Months Leased	3,425	3,425

Darke Metropolitan Housing Authority  
Schedule of Expenditures of Federal Award  
For the Year Ended September 30, 2013

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Vouchers	14.871	<u>\$1,102,978</u>
<b>TOTAL AWARDS</b>		<b><u><u>\$1,102,978</u></u></b>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Darke Metropolitan Housing Authority

I have audited, in accordance with the 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, the financial statements of the business-type activities of the Darke Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Darke Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Darke Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Darke Metropolitan Housing Authority, Ohio's, internal control. Accordingly, I do not express an opinion on the effectiveness of Darke Metropolitan Housing Authority, Ohio's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Salvatore Consiglio, CPA, Inc.  
North Royalton, Ohio  
March 24, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Darke Metropolitan Housing Authority

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

I have audited Darke Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Darke Metropolitan Housing Authority's major federal programs for the year ended September 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Darke Metropolitan Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In my opinion, Darke Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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

Management of the Darke Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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Salvatore Consiglio, CPA, Inc.  
North Royalton, Ohio  
March 24, 2014

Darke Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 September 30, 2013

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

Type of Financial Statement Opinion	Unmodified
Were there any material weakness reported at the financial statement level (GAGAS)?	No
Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness reported for any major federal programs?	No
Were there any other significant internal control deficiency reported for the major federal programs?	No
Type of report issued on compliance for major programs	Unmodified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

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

There are no Findings or questioned costs for the year ended September 30, 2013.

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

There are no Findings or questioned costs for the year ended September 30, 2013.

Darke Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
September 30, 2013

The audit report for the fiscal year ending September 30, 2012 contained no audit findings.

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# Dave Yost • Auditor of State

**DARKE METROPOLITAN HOUSING AUTHORITY**

**DARKE 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  
MAY 8, 2014**