

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2015



Dave Yost • Auditor of State

Board of Commissioners
Darke Metropolitan Housing Authority
1469 Sweitzer Street
Greenville, Ohio 45331

We have reviewed the *Independent Auditor's Report* of the Darke Metropolitan Housing Authority, Darke County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2014 through September 30, 2015. 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

May 24, 2016

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DARKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

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, 2015, 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, 2015, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the year ended September 30, 2015, the Authority adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. I did not modify my opinion regarding this matter.

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

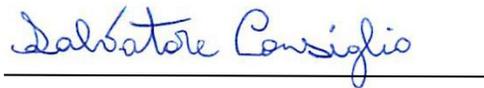
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Darke Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule (FDS), and Schedule of Expenditure of Federal Awards are not a required 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 31, 2016, 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.



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 31, 2016

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
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, 2015. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2015, 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 two programs. They include the Housing Choice Voucher Program (HCV), and Business Activities.

- The Housing Choice Voucher Program 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.
- The Business Activity Program consists of four rental properties received from Darke County Board of Developmental Disabilities and three received from Community Action Partnership of Greater Dayton Area. These rental properties enable persons with developmental disabilities to be integrated into the community.

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, Expenses, 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:

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*

- 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.
- 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, 2015, 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, 2015.

Financial Highlights

The Authority's net position decreased from \$340,408 to \$306,478, a decrease of \$33,930 or 10%. Total assets also decreased by \$62,457 or 6%.

Total revenue decreased from \$1,597,002 to \$1,164,311, a decrease of \$432,691 or 27%.

Total expenses decreased by \$232,410, from \$1,430,651 to \$1,198,241 for the current year. This represents a decrease of 16%.

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, 2014, and 2015.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*

*Summary Statement of Net Position
As of September 30, 2014 and 2015*

<u>Category</u>	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 200,425	\$ 223,497	\$ (23,072)	-10%
Noncurrent Assets	\$ 853,662	\$ 893,047	\$ (39,385)	-4%
Total Assets	\$ 1,054,087	\$ 1,116,544	\$ (62,457)	-15%
Current Liabilities	\$ 81,904	\$ 74,967	\$ 6,937	9%
Non-current Liabilities	\$ 665,705	\$ 701,169	\$ (35,464)	-5%
Total Liabilities	\$ 747,609	\$ 776,136	\$ (28,527)	4%
Unrestricted	\$ 146,503	\$ 122,059	\$ 24,444	20%
Restricted	\$ 7,482	\$ 61,935	\$ (54,453)	-88%
Net Investment in Capital Assets	\$ 152,493	\$ 156,414	\$ (3,921)	-3%
Total Net Position	\$ 306,478	\$ 340,408	\$ (33,930)	-70%

Current Assets

The Authority's current asset balances decreased by \$23,072. This was primarily due to HAP expenditures of \$982,950 exceeding HAP revenues of \$928,497 resulting in a reduction of restricted cash and investments from \$61,935 as of September 30, 2014 to \$7,482 on September 30, 2015, a decrease of \$54,453. In contrast, unrestricted cash and investments increase from \$152,457 as of September 30, 2014 to \$183,696 as of September 30, 2015. This was due to an excess of operating revenues over operating expenses.

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 increased by \$6,937 primarily due to an increase in the amounts owed to vendors & contractors as of September 30, 2015.

Non-Current Liabilities

Non-current liabilities decreased by \$35,464 due to the reduction in debt obligations associated with the Business Activities Program.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*

Net Position

The net position of the Authority decreased by \$33,930 compared to the previous fiscal year. This was primarily due to excess HAP expenditures exceeding HAP revenues.

The Authority's unrestricted component of net position changed from \$122,059 to \$146,503, an increase of \$24,444 or 20% 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. Individual program balances that comprise the unrestricted component of net position are as follows:

Housing Choice Voucher Program	\$ 78,237
Business Activities	<u>68,266</u>
Total Unrestricted Net Assets	<u>\$ 146,503</u>

The Authority's restricted component of net position changed from \$61,935 to \$7,482, a decrease of \$54,453 or 88% 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, 2014 and 2015*

<u>Category</u>	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Rental Revenue	\$ 43,948	\$ 31,250	\$ 12,698	41%
HUD Operating Grants	\$ 1,066,601	\$ 1,108,129	\$ (41,528)	-4%
Other Government Grants	\$ -	\$ 241,716	\$ (241,716)	-100%
Interest Income	\$ 72	\$ 91	\$ (19)	-21%
Other Revenue	\$ 41,808	\$ 214,708	\$ (172,900)	-81%
Fraud Recovery	\$ 11,882	\$ 1,108	\$ 10,774	972%
Total Revenue	\$ 1,164,311	\$ 1,597,002	\$ (432,691)	-27%
Administration	\$ 140,380	\$ 405,422	\$ (265,042)	-65%
Ordinary Maintenance	\$ 23,180	\$ 22,627	\$ 553	2%
General Expense	\$ 11,696	\$ 4,496	\$ 7,200	160%
Housing Assistance Payments	\$ 980,398	\$ 955,971	\$ 24,427	3%
Depreciation	\$ 42,587	\$ 42,135	\$ 452	1%
Total Expenses	\$ 1,198,241	\$ 1,430,651	\$ (232,410)	-16%
Increase (Decrease) in Net Position	\$ (33,930)	\$ 166,351	\$ (200,281)	-120%
Net Position, Beginning of Year	\$ 340,408	\$ 174,057	\$ 166,351	96%
Net Position, End of Year	\$ 306,478	\$ 340,408	\$ (33,930)	-10%

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*

Results of Operations

Revenues of the Authority are principally generated from Federal funding. The Authority's revenue decreased by \$432,691 compared to the previous fiscal year. Significant variances include the following:

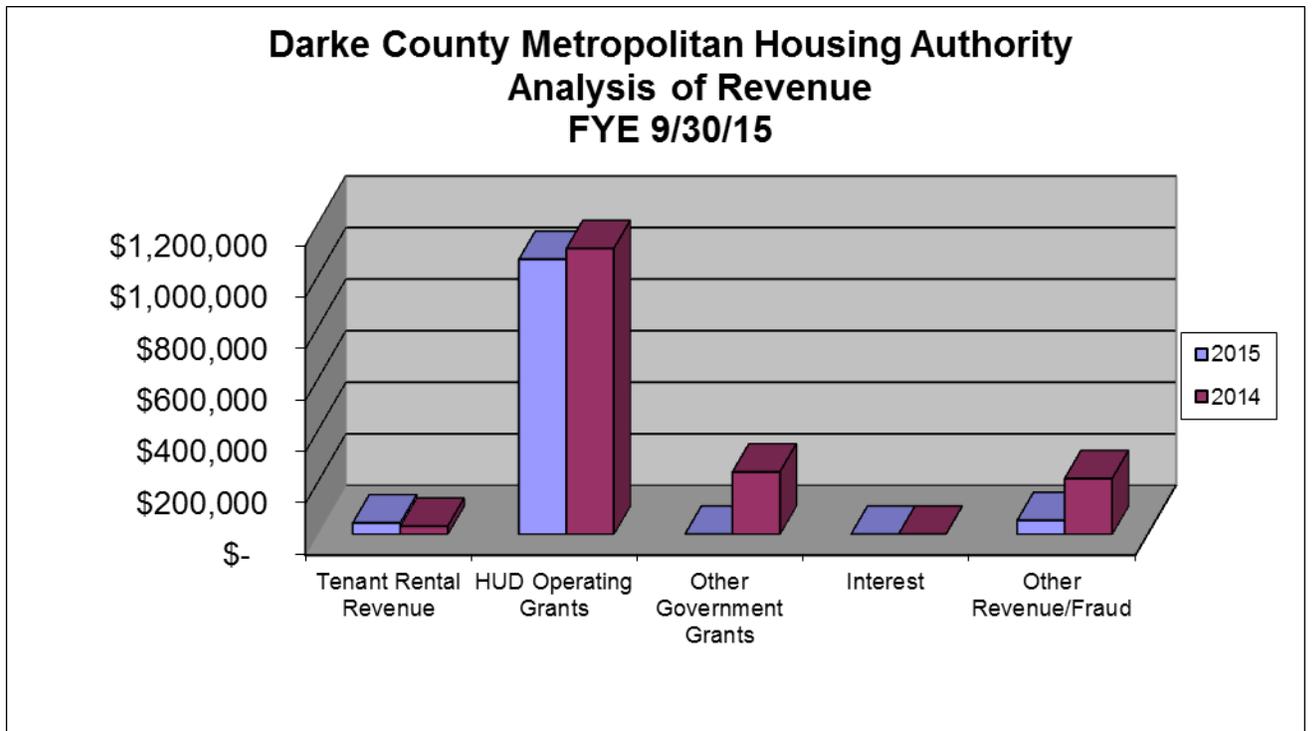
- Tenant revenue increased by \$12,698. This is due to the Authority renting properties associated with Business Activities for a full 12 month period.
- HUD operating grants decreased by \$41,528 due to a reduction in funding received for HAP expenditures.
- Other government grants decreased by \$241,716 due to a grant received in the prior year to demolish dilapidated properties.
- Other revenue decreased by \$172,900 due to the recording of contributed capital received in the prior year for the properties associated with the Business Activities.
- Fraud recovery increased by \$10,774 due to an increase in the number of fraud cases realized in the current fiscal year.

Total expenses decreased by \$232,410. Significant variances include the following:

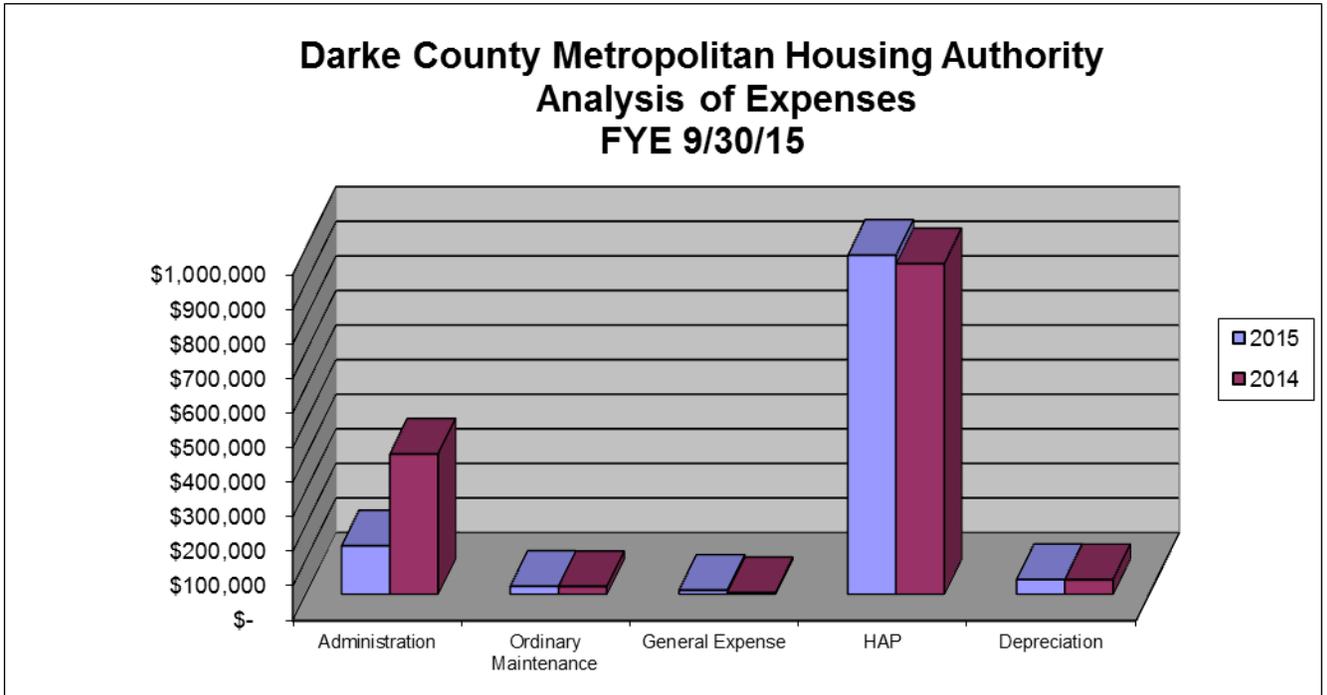
- Administration decreased by \$265,042 due to demolition expenditures in the prior year.
- General expenses increase by \$7,200. This was due to an increase in the amount of bad debt associated with accounts receivable – fraud on the HCV Program and bad debt – tenant rents on the Business Activities.
- Housing assistance payments increased by \$24,427 due to an increase in the number of vouchers leased. The Authority leased 3,201 voucher unit months in the previous year as compared to 3,330 in the current year.

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, 2015
Unaudited*



*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*



Capital Assets

As of September 30, 2015, the Darke County Metropolitan Housing Authority's net investment in capital assets was \$152,493. This investment includes land, buildings, construction in progress, and equipment, net of accumulated depreciation and debt obligations.

<u>Category</u>	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 150,163	\$ 150,163	\$ -	0%
Buildings	\$ 892,428	\$ 892,426	\$ 2	0%
Equipment	\$ 62,313	\$ 59,113	\$ 3,200	5%
Accumulated Depreciation	\$ (251,242)	\$ (208,655)	\$ (42,587)	20%
Total Net Fixed Assets	\$ 853,662	\$ 893,047	\$ (39,385)	-4%

Equipment increased by \$3,200 due to the purchase of office equipment for the HVC Program.

Long Term Debt

At September 30, 2015, the authority maintained a balance of \$701,169 in outstanding notes payable as compared to \$736,633 in 2014. During the 2015 fiscal year, the Authority did not incur any additional debt.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
Unaudited*

Subsequent Event

Due to the 2015 Congressional Appropriations, the amount of funding for the 2015 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 82% and HAP funding at 100%.

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 Sweitzer Street
Greenville, OH 45331

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY

Statement of Net Position

Proprietary Funds

September 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$183,696
Restricted cash	7,482
Receivables, net	9,247
Total current assets	<u>200,425</u>

Noncurrent assets

Capital assets:

Land	150,163
Building and equipment	954,741
Less accumulated depreciation	(251,242)
Total noncurrent assets	<u>853,662</u>

Total assets	<u><u>\$1,054,087</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$46,440
Current portion of long-term debt	35,464
Total current liabilities	<u>81,904</u>

Noncurrent liabilities

Long-term debt, net of current	665,705
Total noncurrent liabilities	<u>665,705</u>
Total liabilities	<u>747,609</u>

NET POSITION

Net Invested in capital assets	152,493
Restricted net position	7,482
Unrestricted net position	146,503
Total net position	<u>306,478</u>
Total liabilities and net position	<u><u>\$1,054,087</u></u>

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, 2015

OPERATING REVENUES

Tenant revenue	\$43,948
Government operating grants	1,066,601
Other revenue	53,690
Total operating revenues	<u>1,164,239</u>

OPERATING EXPENSES

Administrative	140,380
General	11,696
Ordinary Maintenance	23,180
Housing assistance payment	980,398
Depreciation	42,587
Total operating expenses	<u>1,198,241</u>
Operating income (loss)	<u>(34,002)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	72
Total nonoperating revenues (expenses)	<u>72</u>
Change in net position	(33,930)
Total net position - beginning	340,408
Total net position - ending	<u><u>\$306,478</u></u>

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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenant payments	\$43,948
Cash received from grantors	\$1,066,601
Other income received	53,690
Cash paid operating activities	(203,925)
Cash paid for housing assistance	(980,398)

Net cash provided by operating activities (20,084)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	72
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Net cash provided (used) by investing activities 72

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Property and equipment purchased	(3,202)
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Net cash provided (used) by capital and related activities (3,202)

Net Increase (Decrease) in Cash	(23,214)
Cash and cash equivalents - Beginning of Year	214,392

Cash and cash equivalents - End of Year \$191,178

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$34,002)
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Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:

Depreciation adjustment	42,587
Debt forgiveness adjustment	(35,464)
(Increase) Decrease in Accounts Receivable	(142)
Increase (Decrease) in Accounts Payable	6,937

Net cash provided by operating activities (\$20,084)

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, 2015**

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 accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14 (as amended by GASB Statement No. 61), 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.

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.

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

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 years
Furniture, equipment and machinery	3-5 years
Leasehold improvement	15 years

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Interest earned in fiscal year ending September 30, 2015 was \$72.

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.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS

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.

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, 2015, the carrying amount of the Authority's deposits totaled \$191,178 and its bank balance was \$193,996. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2015, no money was exposed to custodial risk as discussed below, while the \$193,996 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 \$7,482 as of September 30, 2015 represents cash balance to be used for housing assistance payments.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – RELATED PARTY TRANSACTIONS

The authority contracts with Community Action Partnership of Greater Dayton Area (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.

During the current fiscal year, the Authority and CAP entered into a Master Housing Contract with the Darke County Board of Developmental Disabilities (Board) in order to improve the availability of housing for individuals with disabilities in Darke County. The Community Action Partnership of Greater Dayton Area is identified as a subrecipients of the Authority on the master housing contract. CAP responsibilities is to provide fiscal services for the properties that the Authority received from the Darke County Board of Developmental Disabilities.

Darke Metropolitan Housing Authority has several notes outstanding with Community Action Partnership of Greater Dayton Area due to some of the properties received from the Board. The details of these loans are listed in footnote 5, below.

During the fiscal year, the Authority paid the CAP Agency \$101,441 for management and fiscal services.

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DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 – CAPITAL ASSETS

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

	09/30/14	Adjust	Additions / Purchases	Deletions	09/30/15
Capital Assets Not Depreciated					
Land	\$150,163	\$0	\$0	\$0	\$150,163
Total Capital Assets Not Depreciated	150,163	0	0	0	150,163
Capital Assets Depreciated					
Building	892,426	2	0	0	892,428
Furniture, Equipment - Admin	59,113	(2)	3,202	0	62,313
Total Capital Assets Depreciated	951,539	(0)	3,202	0	954,741
Accumulated Depreciation					
Building	(175,555)	0	(33,465)	0	(209,020)
Furniture, Equipment - Admin	(33,100)	0	(9,122)	0	(42,222)
Total Accumulated Depreciation	(208,655)	0	(42,587)	0	(251,242)
Total Capital Assets Depreciated, Net	742,884	(0)	(39,385)	0	703,499
Total Capital Assets	\$893,047	(\$0)	(\$39,385)	\$0	\$853,662

NOTE 5: LONG-TERM DEBT

Long-term debt for the Darke Metropolitan Housing Authority's consists of the following:

- On August 7, 2014, the Authority entered into a promissory note with Darke County Board of Commissioners in the sum of \$133,308.00. The note is zero interest and the funds was used to purchase and renovate the property located at 205 Glenwood Drive, Greenville, Ohio. The note is forgiven on March 24, 2040 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2015 is \$133,308.00.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5: LONG-TERM DEBT

- On August 7, 2014, the Authority entered into a promissory note with Community Action Partnership of Greater Dayton Area in the sum of \$164,068. The note is zero interest and the funds was used to purchase and renovate the property located at 627 Birt Street, Greenville, Ohio. The note is forgiven on July 6, 2026 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2015 is \$164,068.

- On September 26, 2014, the Authority entered into a promissory note with Community Action Partnership of Greater Dayton Area in the sum of \$155,785. The note is zero interest and the funds was used to purchase and renovate the property located at 1039 Central Avenue, Greenville, Ohio. The note is forgiven on January 15, 2026 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2015 is \$155,785.

- On December 19, 2013, the Authority entered into a Master Housing Contract with the Darke County Board of Developmental Disabilities in order to improve the availability of housing for individuals with disabilities in Darke County. This contract was extended by signing a new agreement on November 10, 2014. The Ohio Revised Code 5126.05 permits county boards to enter into agreements with nonprofit corporations to provide residential services. On January 1, 2014, the Deed to the properties listed below was transfer to the Authority. In return, the Authority agreed to be bound by the terms and conditions of the Project Agreement between the Darke County Board of Developmental Disabilities and the Ohio Department of Developmental Disabilities for the distribution of Capital Assistance Funds. As of September 30, 2015, the following are the remaining obligation balance to the following properties:

PROPERTY	OBLIGATION BALANCE
314 Delaware, Greenville, Ohio	\$37,616
109 Dwyer Avenue, Greenville, Ohio	\$56,105
1312 Hillside Drive, Greenville, Ohio	\$70,547
1124 Donald Drive, Greenville, Ohio	\$83,139

The following is a summary of changes in long-term liabilities for the year ended September 30, 2015:

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5: LONG-TERM DEBT

DESCRIPTION	BALANCE 10/01/2014	ISSUED	RETIRED	BALANCE 09/30/2015	DUE WITHIN ONE YEAR
314 Delaware	\$46,131	\$0	\$8,515	\$37,616	\$8,515
109 Dwyer Ave	65,105	0	8,398	56,707	8,398
1312 Hillside Drive	79,764	0	9,217	70,547	9,217
1124 Donald Drive	92,472	0	9,333	83,139	9,333
205 Glenwood Drive	133,308	0	0	133,308	0
627 Birt Street	164,068	0	0	164,068	0
1039 Central Ave	155,785	0	0	155,785	0
	<u>\$736,633</u>	<u>\$0</u>	<u>\$35,464</u>	<u>\$701,169</u>	<u>\$35,464</u>

Below is the amortization of the promissory note schedule:

Years	Principal	Interest
2016	\$35,464	\$0
2017	35,464	0
2018	35,464	0
2019	59,187	0
2020	72,311	0
2021-2025	329,971	0
2026-2030	0	0
2031-2035	0	0
2036-2040	133,308	0
Total	<u>\$701,169</u>	<u>\$0</u>

NOTE 6 – 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 2014, 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, 2015**

NOTE 7: 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, 2015.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2015 the PHA was not aware of any such matters.

NOTE 8 – 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 9: CHANGE IN ACCOUNTING PRINCIPAL

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement did not have any effect on net position because the Authority has no employees. The Authority contracts with Community Action Partnership of Greater Dayton Area to manage its operation.

NOTE 10: 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 31, 2016, the date on which the financial statements were available to be issued.

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2015

	14.871 Housing Choice Vouchers	Business Activity	Total
111 Cash - Unrestricted	\$116,630	\$67,066	\$183,696
113 Cash - Other Restricted	\$7,482	\$0	\$7,482
114 Cash - Tenant Security Deposits	\$0	\$0	\$0
100 Total Cash	\$124,112	\$67,066	\$191,178
122 Accounts Receivable - HUD Other Projects	\$6,820	\$0	\$6,820
126 Accounts Receivable - Tenants	\$0	\$1,200	\$1,200
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0	\$0
128 Fraud Recovery	\$12,273	\$0	\$12,273
128.1 Allowance for Doubtful Accounts - Fraud	(\$11,046)	\$0	(\$11,046)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,047	\$1,200	\$9,247
144 Inter Program Due From	\$0	\$0	\$0
150 Total Current Assets	\$132,159	\$68,266	\$200,425
161 Land	\$4,725	\$145,438	\$150,163
162 Buildings	\$52,747	\$839,681	\$892,428
164 Furniture, Equipment & Machinery - Administration	\$62,313		\$62,313
166 Accumulated Depreciation	(\$71,977)	(\$179,265)	(\$251,242)
160 Total Capital Assets, Net of Accumulated Depreciation	\$47,808	\$805,854	\$853,662
200 Deferred Outflow of Resources	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$179,967	\$874,120	\$1,054,087
312 Accounts Payable <= 90 Days	\$46,440	\$0	\$46,440
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$35,464	\$35,464
347 Inter Program - Due To	\$0	\$0	\$0
310 Total Current Liabilities	\$46,440	\$35,464	\$81,904
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$665,705	\$665,705
350 Total Non-Current Liabilities	\$0	\$665,705	\$665,705
300 Total Liabilities	\$46,440	\$701,169	\$747,609
400 Deferred Inflow of Resources	\$0	\$0	\$0
508.4 Net Investment in Capital Assets	\$47,808	\$104,685	\$152,493
511.4 Restricted Net Position	\$7,482	\$0	\$7,482

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2015

	14.871 Housing Choice Vouchers	Business Activity	Total
512.4 Unrestricted Net Position	\$78,237	\$68,266	\$146,503
513 Total Equity - Net Assets / Position	\$133,527	\$172,951	\$306,478
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$179,967	\$874,120	\$1,054,087
70300 Net Tenant Rental Revenue	\$0	\$43,948	\$43,948
70500 Total Tenant Revenue	\$0	\$43,948	\$43,948
70600 HUD PHA Operating Grants	\$1,066,601	\$0	\$1,066,601
71100 Investment Income - Unrestricted	\$66	\$6	\$72
71400 Fraud Recovery	\$11,882	\$0	\$11,882
71500 Other Revenue	\$6,344	\$35,464	\$41,808
70000 Total Revenue	\$1,084,893	\$79,418	\$1,164,311
91200 Auditing Fees	\$6,531	\$0	\$6,531
91300 Management Fee	\$101,441	\$0	\$101,441
91400 Advertising and Marketing	\$103	\$0	\$103
91600 Office Expenses	\$10,901	\$0	\$10,901
91800 Travel	\$4,992	\$0	\$4,992
91900 Other	\$16,386	\$26	\$16,412
91000 Total Operating - Administrative	\$140,354	\$26	\$140,380
94200 Ordinary Maintenance and Operations - Materials and Other	\$1,181	\$0	\$1,181
94300 Ordinary Maintenance and Operations Contracts	\$147	\$21,852	\$21,999
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0
94000 Total Maintenance	\$1,328	\$21,852	\$23,180
96110 Property Insurance	\$0	\$0	\$0
96120 Liability Insurance	\$543	\$0	\$543
96140 All Other Insurance	\$1,007	\$0	\$1,007
96100 Total insurance Premiums	\$1,550	\$0	\$1,550
96300 Payments in Lieu of Taxes	\$0	\$2,253	\$2,253
96400 Bad debt - Tenant Rents	\$0	\$2,790	\$2,790
96600 Bad debt - Other	\$5,103	\$0	\$5,103
96000 Total Other General Expenses	\$5,103	\$5,043	\$10,146
96900 Total Operating Expenses	\$148,335	\$26,921	\$175,256

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2015

	14.871 Housing Choice Vouchers	Business Activity	Total
97000 Excess of Operating Revenue over Operating Expenses	\$936,558	\$52,497	\$989,055
97300 Housing Assistance Payments	\$980,398	\$0	\$980,398
97400 Depreciation Expense	\$10,475	\$32,112	\$42,587
90000 Total Expenses	\$1,139,208	\$59,033	\$1,198,241
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$54,315)	\$20,385	(\$33,930)
11030 Beginning Equity	\$187,842	\$152,566	\$340,408
11020 Required Annual Debt Principal Payments	\$0	\$35,464	\$35,464
11170 Administrative Fee Equity	\$126,045	\$0	\$126,045
11180 Housing Assistance Payments Equity	\$7,482	\$0	\$7,482
11190 Unit Months Available	3,355	48	3,439
11210 Number of Unit Months Leased	3,300	48	3,384

Darke Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended September 30, 2015

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Vouchers	14.871	<u>\$1,066,601</u>
TOTAL AWARDS		<u><u>\$1,066,601</u></u>



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

**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, 2015, 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 31, 2016, wherein we noted the Authority adopted Governmental Accounting Standard Board Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 31, 2016



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

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, 2015. 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, 2015.

Other Matter

The results of my auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2015-001. My opinion on each major federal program is not modified with respect to this matter.

Darke Metropolitan Housing Authority's response to the noncompliance findings identified in my audit is described in the accompanying in the schedule of findings and questioned costs. Darke Metropolitan Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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.

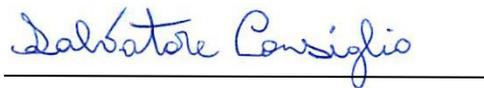
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be

material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 that I consider to be significant deficiencies.

Darke Metropolitan Housing Authority's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Darke Metropolitan Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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.

A handwritten signature in blue ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a solid horizontal line.

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 31, 2016

Darke Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2015

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?	Yes
Type of report issued on compliance for major programs	Unmodified
Are there any reportable findings under § .510?	Yes
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, 2015.

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
September 30, 2015

(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2015-001 – Significant Deficiency – Housing Choice Voucher Program – Other Matters

CFDA Title and Number: 14.871 – Housing Choice Voucher Program
Federal Award Year: 2014-2015
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Agency: No – Direct Award

Statement of Condition/Criteria

During my audit procedures over tenant files, I noted that the Authority was issuing a utility allowance based on size of the unit rented by the family. Section 242 of the 2014 Appropriation Act limits the utility allowance payments for tenant based on the lower of the family unit size for which the voucher is issued or the size of the unit rented by the family.

Cause

The Authority staff was not aware of the change in the regulation requirement.

Effect

The housing assistance payment reported to HUD is over stated. The actual amount of overstatement could not be calculated at the time this report was issued.

Recommendation

The Authority needs to review all tenant files to identify the total number of errors and the dollar amount of the over payment issued in housing assistance.

Client Response – Corrective Action

Staff will review all tenant files and an adjustment will be recorded to reduce the Housing Assistance Payment Expense in the following fiscal year financial statements.

Darke Metropolitan Housing Authority
Schedule of Prior Audit Findings
September 30, 2015

The audit report for the fiscal year ending September 30, 2014 contained no audit findings.



Dave Yost • Auditor of State

DARKE COUNTY 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
JUNE 7, 2016**