

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2011



Dave Yost • Auditor of State

Board of Commissioners
Darke Metropolitan Housing Authority
1469 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, 2010 through September 30, 2011. 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 4, 2012

This page intentionally left blank.

DARKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Financial statements:	
Statement of Net Assets	10
Statement of Revenue, Expenses and Change in Net Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-18
Supplemental Data:	
Financial Data Schedule Submitted to REAC	19-21
Schedule of Expenditures of Federal Awards	22
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23-24
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	25-26
Schedule of Findings and Questioned Costs	27
Schedule of Prior Audit Findings	28

This page intentionally left blank.



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

Independent Auditors' 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, 2011, which collectively comprise the Authority financial statements, as listed in the table of contents. These financial statements are the responsibility of the Darke Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Darke Metropolitan Housing Authority, Ohio, as of September 30, 2011, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 29, 2012, on my consideration of Darke Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the financial statements that collectively comprise the Darke Metropolitan Housing Authority 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 combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.
February 29, 2012

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

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, 2011. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2011, 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. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has one program, the Housing Choice Voucher Program. 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 to a landlord on behalf of the tenant. There are currently 299 units available. 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 unit leased.

Overview of the Financial Statements

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

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

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

Unaudited

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

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended September 30, 2011 to determine the change in net assets 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, 2011.

Financial Highlights

- The Darke County Metropolitan Housing Authority's total net assets increased from \$210,881 to \$215,595, an increase of \$4,714 or 2%. The total assets also increased by \$10,026 or 4%.
- The unrestricted net asset balance is \$75,033 at September 30, 2011. This represents an increase of \$15,812 or 27% from the previous year.
- Total Revenues decreased from \$1,213,992 to \$1,213,427, a decrease of \$565.
- Total expenses increased by \$19,943 from \$1,188,770 to \$1,208,713 for the current year.

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

Unaudited

Housing Authority Activities & Highlights

The Housing 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 asset and liability comparisons for the year ended September 30, 2010 and September 30, 2011.

***Summary Statement of Net Assets
September 30, 2010 & 2011***

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 227,438	\$ 215,517	\$ 11,921	6%
Fixed Assets (Net of Depreciation)	\$ 33,668	\$ 35,563	\$ (1,895)	-5%
Total Assets	\$ 261,106	\$ 251,080	\$ 10,026	4%
Current Liabilities	\$ 45,511	\$ 40,199	\$ 5,312	13%
Total Liabilities	\$ 45,511	\$ 40,199	\$ 5,312	13%
Unrestricted Net Assets	\$ 75,033	\$ 59,221	\$ 15,812	27%
Restricted Net Assets	\$ 106,894	\$ 116,097	\$ (9,203)	-8%
Investment in Net Fixed Assets	\$ 33,668	\$ 35,563	\$ (1,895)	-5%
Total Net Assets	\$ 215,595	\$ 210,881	\$ 4,714	2%

Cash & Investments

Unrestricted cash and investments increased from \$96,896 to \$119,867, an increase of \$22,971 from 2010 to 2011. This was due to excess operating revenues over operating expenses. Restricted cash decrease by \$9,203 from \$116,097 at September 30, 2010 to \$106,894 at September 30, 2011. This was due to HAP expenditures exceeding HAP revenue by \$10,653 in the current year.

Current Liabilities

Current liabilities increased by \$5,312 or 13% from \$40,199 to \$45,511. This is due to a deficit revenue balance of \$4,219 associated with the calculation of administrative fees earned throughout the year.

Net Assets

The Authority's total net asset balance increased by \$4,714 from the previous year.

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

Unaudited

Overview of the Financial Statements-Cont.

The Authority's unrestricted net assets increased from \$59,221 to \$75,033, an increase of \$15,812, or 27% for the current year. This was due to excess operating revenues over operating expenses.

The Authority's restricted net assets decreased from \$116,097 to \$106,894, a decrease of \$9,203, or 8% for the current year. This was due to HAP expenditures exceeding HAP revenue by \$10,653 in the current year.

**Summary Statement of Revenues & Expenses and Changes in Net Assets
Years Ended September 30, 2010 and 2011**

Category	FYE 2011	FYE 2010	Change \$	Change %
Operating Grants	\$ 1,199,230	\$ 1,201,366	\$ (2,136)	0%
Interest Income	\$ 126	\$ 289	\$ (163)	-56%
Other Revenue	\$ 10,755	\$ 8,061	\$ 2,694	33%
Fraud Recovery	\$ 3,316	\$ 4,276	\$ (960)	-22%
Total Revenue	\$ 1,213,427	\$ 1,213,992	\$ (565)	0%
Administration	\$ 152,098	\$ 158,269	\$ (6,171)	-4%
General Expense	\$ 1,247	\$ 862	\$ 385	45%
Housing Assistance Payments	\$ 1,053,473	\$ 1,027,745	\$ 25,728	3%
Depreciation	\$ 1,895	\$ 1,894	\$ 1	0%
Total Expenses	\$ 1,208,713	\$ 1,188,770	\$ 19,943	2%
Excess of Revenue over Expenses	\$ 4,714	\$ 25,222	\$ (20,508)	-81%
Net Assets, Beginning of Year	\$ 210,881	\$ 185,659	\$ 25,222	14%
Net Assets, End of Year	\$ 215,595	\$ 210,881	\$ 4,714	2%

Results of Operations

Revenues of the Authority are generated principally by HUD grants in the form of Administrative Fees and Housing Assistance Payments. The Authority's total revenue balance decreased by \$565 from the previous fiscal year. This is primarily due to a reduction in operating grant revenue of \$2,136. In addition, the PHA had an increase in other revenue due to the leasing of portability units.

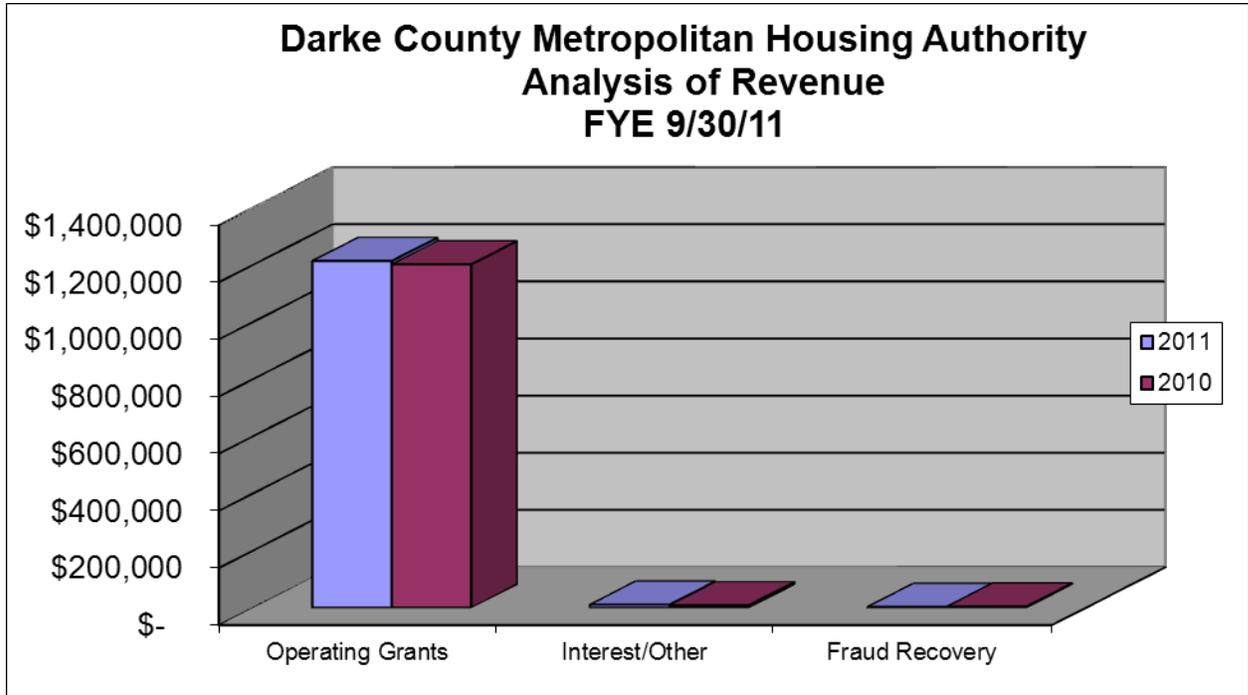
***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

Unaudited

Total expenses increased by \$19,943 from the previous year. Significant changes in certain expense categories are as follows:

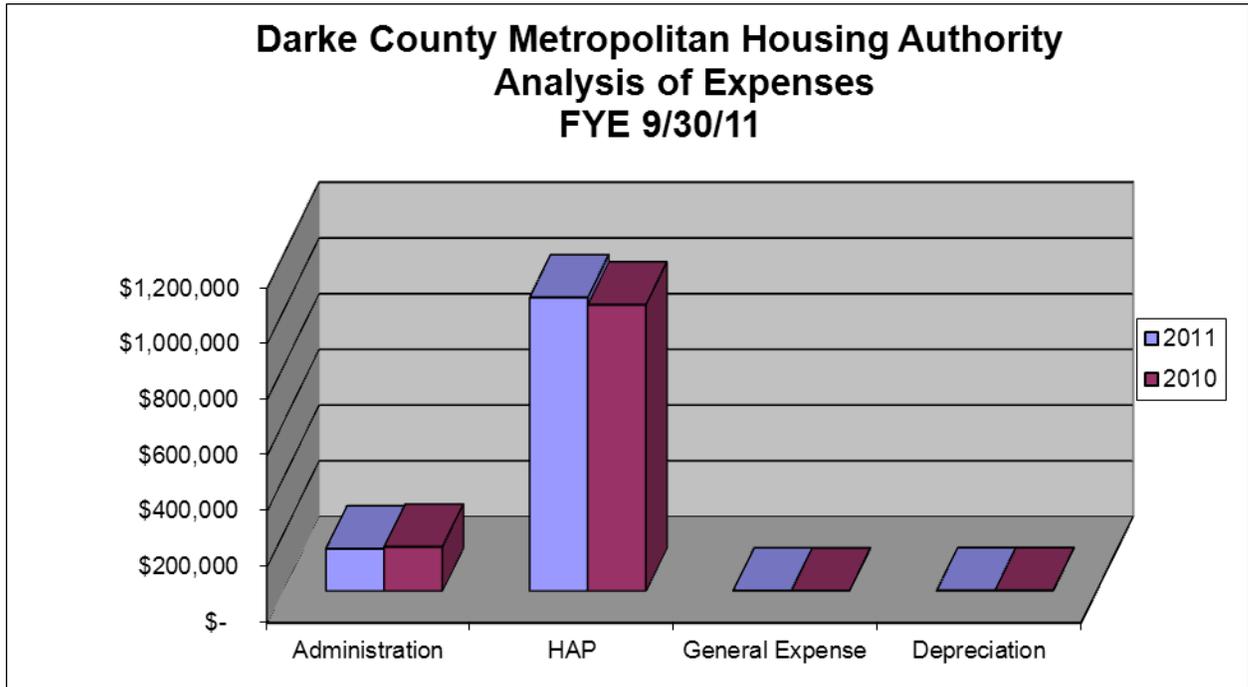
- Administration expenses decreased by \$6,171. This was due to a decrease in management fees of \$7,286.
- General expenses increased by \$385 due to the recording of bad debt associated with A/R-Fraud balances.
- Housing assistance payments increased by \$25,728 due to an increase in the average housing assistance payment. The average payment increased from \$287.11 in the 2010 year to \$295.28 in the current year.

We have provided the following presentations 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, 2011***

Unaudited



Capital Assets

As of September 30, 2011, the Darke County Metropolitan Housing Authority's investment in capital assets was \$33,668. This investment includes land, building, and equipment.

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 4,725	\$ 4,725	\$ -	0%
Buildings	\$ 52,746	\$ 52,746	\$ -	0%
Equipment	\$ 76,648	\$ 76,648	\$ -	0%
Accumulated Depreciation	\$ (100,451)	\$ (98,556)	\$ (1,895)	2%
Total Net Fixed Assets	\$ 33,668	\$ 35,563	\$ (1,895)	-5%

Debt Outstanding

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

Subsequent Event

The Authority has no pending lawsuits or grievances.

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2011***

Unaudited

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

**Statement of Net Assets
Proprietary Funds
September 30, 2011**

ASSETS

Current assets

Cash and cash equivalents	\$119,867
Restricted cash	106,894
Receivables, net	677
Total current assets	<u>227,438</u>

Noncurrent assets

Capital assets:	
Land	4,725
Building and equipment	129,394
Less accumulated depreciation	(100,451)
Total noncurrent assets	<u>33,668</u>
Total assets	<u><u>\$261,106</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$40,359
Deferred Revenues	4,219
Accrued Liabilities - other	933
Total current liabilities	<u>45,511</u>
Total liabilities	<u><u>\$45,511</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$33,668
Restricted net assets	106,894
Unrestricted net assets	75,033
Total net assets	<u><u>\$215,595</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 Assets
Proprietary Funds
For the Year Ended September 30, 2011

OPERATING REVENUES

Government operating grants	\$ 1,199,230
Other revenue	14,071
Total operating revenues	<u>1,213,301</u>

OPERATING EXPENSES

Administrative	152,098
Insurance	681
General	566
Housing assistance payment	1,053,473
Depreciation	1,895
Total operating expenses	<u>1,208,713</u>
Operating income (loss)	<u>4,588</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	126
Total nonoperating revenues (expenses)	<u>126</u>
Change in net assets	4,714
Total net assets - beginning	210,881
Total net assets - ending	<u><u>\$215,595</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, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor	\$ 1,205,359
Other income received	14,071
Cash paid Operating Activities	(152,315)
Cash Paid for Housing Assistance	<u>(1,053,473)</u>

Net cash provided by oprating activities **13,642**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>126</u>
-----------------	------------

Net cash provided (used) by investing activities **126**

Net Increase (Decrease) in Cash	13,768
Cash and cash equivalents - Beginning of Year	<u>212,993</u>

Cash and cash equivalents - End of Year **\$226,761**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	\$4,588
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation adjustment	1,895
(Increase) Decrease in accounts receivable	1,847
Increase (Decrease) in accounts payable	<u>5,312</u>

Net cash provided by operating activities **\$13,642**

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, 2011**

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 criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Presentation

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

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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

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.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise fund reporting focuses on the determination of the change of net assets, financial position and cash flows.

An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

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

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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, 2011 was \$126.

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, 2011**

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, 2011, the carrying amount of the Authority's deposits totaled \$226,761 and its bank balance was \$233,320. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2011, no money was exposed to custodial risk as discussed below, while \$233,320 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 \$106,894 as of September 30, 2011 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, 2011**

NOTE 4 – CAPITAL ASSETS

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

	Balance 09/30/10	Additions	Rounding / Deletions	Balance 09/30/11
Capital Assets Not Being Depreciated:				
Land	\$4,725	\$0	\$0	\$4,725
Total Capital Assets Not Being Depreciated	4,725	0	0	4,725
Capital Assets Being Depreciated:				
Building	52,746	0	0	52,746
Vehicle	42,830	0	0	42,830
Office Equipment	33,818	0	0	33,818
Total Capital Assets Being Depreciated	129,394	0	0	129,394
Accumulated Depreciation:				
Building	22,992	1,353	0	24,345
Vehicle	42,830	0	0	42,830
Office Equipment	32,734	542	0	33,276
Total Accumulated Depreciation	98,556	1,895	0	100,451
Total Capital Assets Being Depreciated, Net	30,838	(1,895)	0	28,943
Total Capital Assets, Net	\$35,563	(\$1,895)	\$0	\$33,668

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 2011, the Authority contracted with Cincinnati Insurance Company for vehicle insurance, commercial property and general liability, employee dishonesty and directors and officer's liability.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5 – RISK MANAGEMENT (continued)

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.

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, 2011.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2011 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.

Darke Metropolitan Housing Authority FDS Schedule Submitted to REAC Proprietary Fund Type - Enterprise Fund September 30, 2011		
	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	86,610.00	86,610.00
113 Cash - Other Restricted	106,894.00	106,894.00
100 Total Cash	193,504.00	193,504.00
128 Fraud Recovery	6,768.00	6,768.00
128.1 Allowance for Doubtful Accounts - Fraud	(6,091.00)	(6,091.00)
120 Total Receivables, Net of Allowances for Doubtful Accounts	677.00	677.00
131 Investments - Unrestricted	33,257.00	33,257.00
150 Total Current Assets	227,438.00	227,438.00
161 Land	4,725.00	4,725.00
162 Buildings	52,746.00	52,746.00
164 Furniture, Equipment & Machinery - Administration	76,648.00	76,648.00
166 Accumulated Depreciation	(100,451.00)	(100,451.00)
160 Total Capital Assets, Net of Accumulated Depreciation	33,668.00	33,668.00
180 Total Non-Current Assets	33,668.00	33,668.00
190 Total Assets	261,106.00	261,106.00
312 Accounts Payable <= 90 Days	40,359.00	40,359.00
342 Deferred Revenues	4,219.00	4,219.00
346 Accrued Liabilities - Other	933.00	933.00
310 Total Current Liabilities	45,511.00	45,511.00
300 Total Liabilities	45,511.00	45,511.00
508.1 Invested In Capital Assets, Net of Related Debt	33,668.00	33,668.00
511.1 Restricted Net Assets	106,894.00	106,894.00
512.1 Unrestricted Net Assets	75,033.00	75,033.00
513 Total Equity/Net Assets	215,595.00	215,595.00
600 Total Liabilities and Equity/Net Assets	261,106.00	261,106.00
70600 HUD PHA Operating Grants	1,199,230	1,199,230

Darke Metropolitan Housing Authority FDS Schedule Submitted to REAC Proprietary Fund Type - Enterprise Fund September 30, 2011		
	14.871 Housing Choice Vouchers	Total
71100 Investment Income - Unrestricted	51	51
71400 Fraud Recovery	3,316	3,316
71500 Other Revenue	10,755	10,755
72000 Investment Income - Restricted	75	75
70000 Total Revenue	1,213,427	1,213,427
91200 Auditing Fees	5,736	5,736
91300 Management Fee	117,226	117,226
91400 Advertising and Marketing	398	398
91600 Office Expenses	8,353	8,353
91800 Travel	6,276	6,276
91900 Other	14,109	14,109
91000 Total Operating - Administrative	152,098	152,098
96120 Liability Insurance	174	174
96140 All Other Insurance	507	507
96100 Total insurance Premiums	681	681
96600 Bad debt - Other	566	566
96000 Total Other General Expenses	566	566
96900 Total Operating Expenses	153,345	153,345
97000 Excess of Operating Revenue over Operating Expenses	1,060,082	1,060,082
97300 Housing Assistance Payments	1,048,849	1,048,849
97350 HAP Portability-In	4,624	4,624
97400 Depreciation Expense	1,895	1,895
90000 Total Expenses	1,208,713	1,208,713
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	4,714	4,714
11030 Beginning Equity	210,881	210,881
11170 Administrative Fee Equity	108,701	108,701

Darke Metropolitan Housing Authority
 FDS Schedule Submitted to REAC
 Proprietary Fund Type - Enterprise Fund
 September 30, 2011

	14.871 Housing Choice Vouchers	Total
11180 Housing Assistance Payments Equity	106,894	106,894
11190 Unit Months Available	3,588	3,588
11210 Number of Unit Months Leased	3,552	3,552

Darke Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended September 30, 2011

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>\$1,199,230</u>
TOTAL AWARDS		<u><u>\$1,199,230</u></u>



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

**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 the financial statements of the business-type activities of Darke Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2011, which collectively comprise the Darke Metropolitan Housing Authority, Ohio, financial statements and have issued my report thereon dated February 29, 2012. 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Darke Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Darke Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I have reported to management of Darke Metropolitan Housing Authority in a separate letter dated February 29, 2012.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Salvatore Consiglio, CPA, Inc.
February 29, 2012



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

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

Board of Commissioners
Darke Metropolitan Housing Authority

Compliance

I have audited the compliance of the Darke Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2011. Darke Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Darke Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Darke Metropolitan Housing Authority, Ohio's compliance based on my audit.

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 Darke Metropolitan Housing Authority, Ohio'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. My audit does not provide a legal determination on Darke Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Darke Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Darke Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Darke Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, 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 entity'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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Salvatore Consiglio, CPA, Inc.
February 29, 2012

Darke Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiency reported for any major federal programs as material weakness?	No
Were there any other significant deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
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
--

There are no Findings or questioned costs for the year ended September 30, 2011.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended September 30, 2011.

Darke Metropolitan Housing Authority
Schedule of Prior Audit Findings
September 30, 2011

The audit report for the fiscal year ending September 30, 2010 contained no audit findings.



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 17, 2012**