

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Directors
Darke Metropolitan Housing Authority
1469 Sweizer Street
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, 2006 through September 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 21, 2008

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DARKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Independent Auditors' Report

Board of Directors
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, 2007, 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, 2007, 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 27, 2008, 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 schedules listed in the table of contents are presented for purposes of additional analysis and are 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 27, 2008

***Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2007***

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, 2007. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2007, 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 preset by HUD on an annual basis.

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

Management's Discussion and Analysis-Cont.

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 are 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, 2007 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, 2007.

Financial Highlights

- The Darke County Metropolitan Housing Authority's total net assets increased from \$195,456 to \$278,224, an increase of \$82,768 or 42%. The total assets increased by \$88,837 or 38%.
- The unrestricted net asset balance is listed as \$22,008 at September 30, 2007. This represents a decrease of \$116,429 or 84% from the previous year. This decrease is due to transfer to restricted net asset of \$207,212 to properly show the HAP reserve net assets as restricted. This change was required by HUD.
- Total Revenues increased from \$1,150,092 to \$1,196,607, an increase of \$46,515 or 4%.
- Total expenses increased by \$33,777 from \$1,080,062 to \$1,113,839 for the current year. This represents an increase of 3%.

Management's Discussion and Analysis-Cont.

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, 2007 and September 30, 2006.

Summary Statement of Net Assets

September 30, 2007 & 2006

<u>Category</u>	<u>FYE 2007</u>	<u>Restated FYE 2006</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 271,859	\$175,007	\$ 96,852	55%
Fixed Assets (Net of Depreciation)	\$ 49,004	\$ 57,019	\$ (8,015)	-14%
Total Assets	\$320,863	\$232,026	\$ 88,837	38%
Current Liabilities	\$ 42,639	\$ 36,570	\$ 6,069	17%
Total Liabilities	\$ 42,639	\$ 36,570	\$ 6,069	17%
Unrestricted Net Assets	\$ 22,008	\$ 49,761	\$ (27,753)	-56%
Restricted Net Asset	\$207,212	\$ 88,676	\$ 118,536	134%
Investment in Net Fixed Assets	\$ 49,004	\$ 57,019	\$ (8,015)	-14%
Total Net Assets	\$278,224	\$195,456	\$ 82,768	42%

Cash & Investments

Cash and investments increased from \$173,889 to \$271,086, an increase of \$97,197 from September 30, 2006 to September 30, 2007. The majority of the increase is due to amount of excess HAP funding provided by HUD that was reported as operating grants.

Net Assets

The Authority's total net asset balance increased by \$82,768 from the previous year.

The Authority's unrestricted net assets decreased from \$49,761 to \$22,008, a decrease of \$27,753, or 56% for the current year. The decrease is due to the increased administrative costs and the purchase of equipment through operations.

Current year financial statements reported restricted net assets of \$207,212. This amount represents excess funds received from HUD for providing housing assistance to clients. The prior year balance of \$88,676 was reported as restricted net assets in prior year financial statements. HUD required that this balance be reported as restricted net assets since this money can only be used for housing assistance. The financial statements were revised to reflect such.

Management's Discussion and Analysis-Cont.

Overview of the Financial Statements-Cont.

Summary Statement of Revenues & Expenses and Changes in Net Assets
Years Ended September 30, 2007 and 2006

<u>Category</u>	<u>FYE 2007</u>	<u>FYE 2006</u>	<u>Change \$</u>	<u>Change %</u>
Operating Grants	\$ 1,181,418	\$ 1,143,524	\$ 37,894	3%
Interest Income	\$ 1,986	\$ 1,259	\$ 727	58%
Other Revenue	\$ 5,979	\$ -	\$ 5,979	N/A
Fraud Recovery	\$ 7,224	\$ 5,309	\$ 1,915	36%
Total Revenue	\$ 1,196,607	\$ 1,150,092	\$ 46,515	4%
			\$ -	
Administration	\$ 165,836	\$ 146,366	\$ 19,470	13%
Ordinary Maintenance	\$ 1,847	\$ -	\$ 1,847	N/A
General Expense	\$ 5,476	\$ 1,590	\$ 3,886	244%
Housing Assistance Payments	\$ 927,672	\$ 920,223	\$ 7,449	1%
Depreciation	\$ 13,008	\$ 11,883	\$ 1,125	9%
			\$ -	
Total Expenses	\$ 1,113,839	\$ 1,080,062	\$ 33,777	3%
Excess of Revenue over Expenses	\$ 82,768	\$ 70,030	\$ 12,738	18%
Net Assets, Beginning of Year	\$ 195,456	\$ 125,426	\$ 70,030	56%
Net Assets, End of Year	\$ 278,224	\$ 195,456	\$ 82,768	42%

Results of Operations

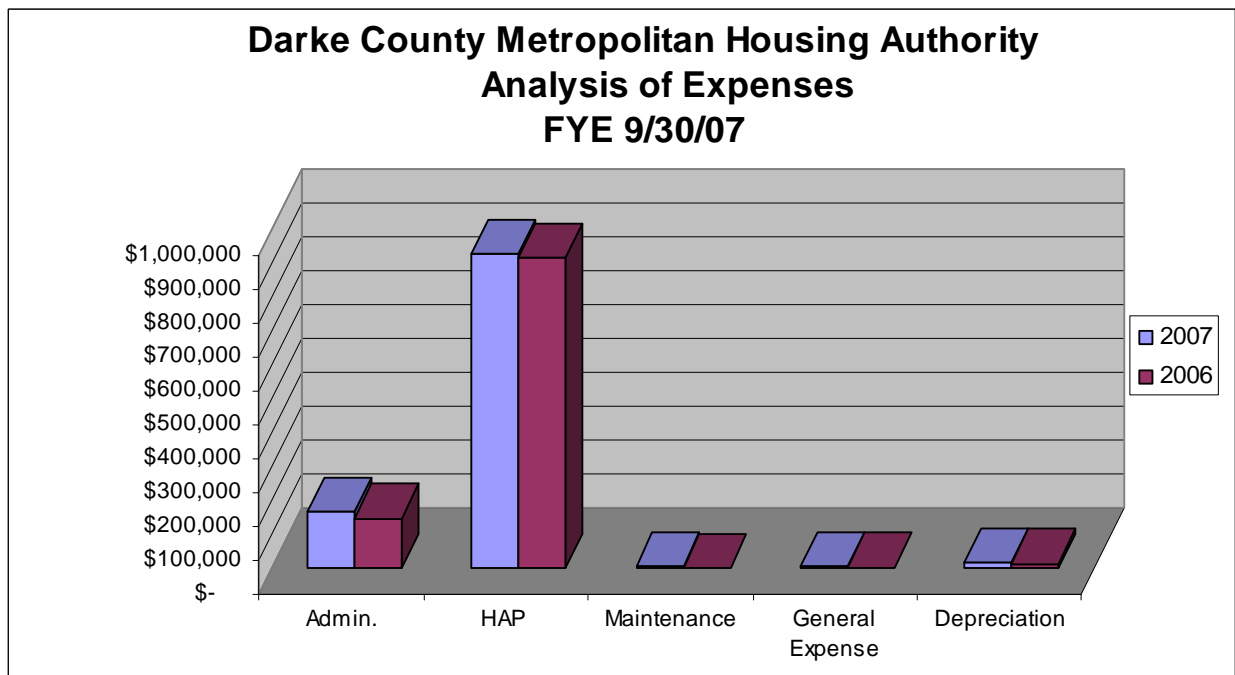
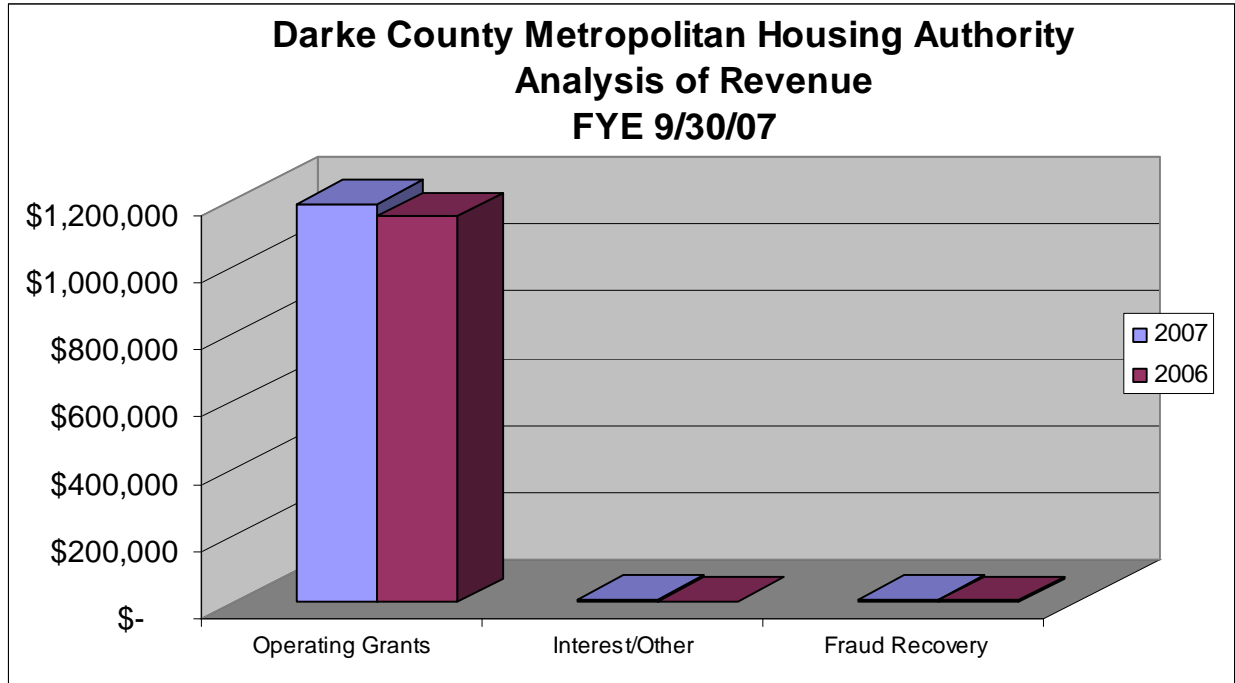
Revenues of the Authority are generated principally by HUD grants in the form of Housing Assistance Payments. The Authority's revenue increased by \$46,515 during the current fiscal year. The increase in revenue was due primarily to increased HUD operating grants. HUD operating grants totaled \$1,181,418 for the current fiscal year. Other Income consists of rent received from property owned by the Housing Authority.

Total expenses increased by \$33,777 from the previous year. Significant changes in certain expense categories are as follows:

Housing assistance payments increased by \$7,449 due to higher average payments. The average payment increased from \$260 to \$265 per unit. Administrative costs increased by \$19,470 due primarily due to management fee and the purchase and installation of a new software system used to maintain client files and produce HAP payments.

Management's Discussion and Analysis-Cont.

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



Management's Discussion and Analysis-Cont.

Capital Assets

As of September 30, 2007, the Darke County Metropolitan Housing Authority's investment in capital assets was \$49,004. This investment includes land, building, and equipment.

<u>Category</u>	<u>FYE 2007</u>	<u>FYE 2006</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 4,725	\$ 4,725	\$ -	0%
Buildings	\$ 52,746	\$ 52,746	\$ -	0%
Equipment	\$ 75,023	\$ 70,030	\$ 4,993	7%
Accumulated Depreciation	\$ (83,490)	\$ (70,482)	\$ (13,008)	18%
Total Net Fixed Assets	\$ 49,004	\$ 57,019	\$ (8,015)	-14%

The Authority acquired a new computer and printer during the September 30, 2007 fiscal year.

Subsequent Event

The Housing Authority has no pending Lawsuits or grievances.

Debt Outstanding

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

Request for Information

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

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

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

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
September 30, 2007

ASSETS

Current assets

Cash and cash equivalents	\$63,874
Restricted cash	\$207,212
Receivables, net	773
Total current assets	<u>271,859</u>

Noncurrent assets

Capital assets:	
Land	4,725
Building and equipment	127,769
Less accumulated depreciation	<u>(83,490)</u>
Total noncurrent assets	<u>49,004</u>
Total assets	<u><u>\$320,863</u></u>

LIABILITIES

Current liabilities

Accounts payable	<u>\$42,639</u>
Total current liabilities	<u>42,639</u>
Total liabilities	<u><u>\$42,639</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$49,004
Restricted net assets	207,212
Unrestricted net assets	<u>22,008</u>
Total net assets	<u><u>\$278,224</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, 2007

OPERATING REVENUES

Government operating grants	\$1,181,418
Other revenue	13,203
Total operating revenues	<u>1,194,621</u>

OPERATING EXPENSES

Administrative	167,683
General	5,476
Housing assistance payment	927,672
Depreciation	13,008
Total operating expenses	<u>1,113,839</u>
Operating income (loss)	<u>80,782</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	1,986
Total nonoperating revenues (expenses)	<u>1,986</u>
Change in net assets	82,768
Total net assets - beginning	195,456
Total net assets - ending	<u><u>\$278,224</u></u>

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

**Combined Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended September 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantor	\$1,181,418
Other income received	12,489
Cash paid Operating Activities	(166,041)
Cash Paid for Housing Assistance	<u>(927,672)</u>
Net cash provided by oprating activities	<u>100,194</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>1,996</u>
Net cash provided (used) by investing activities	<u>1,996</u>
 CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Property and equipment purchased	<u>(4,993)</u>
Net cash provided (used) by capital and related activities	<u>(4,993)</u>
Net Increase (Decrease) in Cash	97,197
Cash and cash equivalentents - Beginning of Year	<u>173,889</u>
Cash and cash equivalentents - End of Year	<u><u>\$271,086</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$80,782
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation adjustment	13,008
(Increase(Decrease in accounts receivable	335
Increase (Decrease) in accounts payable	7,241
Increase (Decrease) in intergorvenment payable	<u>(1,172)</u>
Net cash provided by operating activities	<u><u>\$100,194</u></u>

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, 2007**

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, 2007**

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, 2007**

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, 2007 was \$1,986.

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, 2007**

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 year end September 30, 2007, the carrying amount of the Authority's deposits totaled \$271,086 and its bank balance was \$274,697. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2007, \$141,704 was exposed to custodial risk as discussed below, while \$132,993 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 \$207,212 as of September 30, 2007 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, 2007**

NOTE 4 – CAPITAL ASSETS

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

	Balance 09/30/06	Additions	Deletions	Balance 09/30/07
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	27,200	4,993	0	32,193
Total Capital Assets Being Depreciated	122,776	4,993	0	127,769
Accumulated Depreciation:				
Building	17,582	1,352	0	18,934
Vehicle	27,126	8,566	0	35,692
Office Equipment	25,774	3,090	0	28,864
Total Accumulated Depreciation	70,482	13,008	0	83,490
Total Capital Assets Being Depreciated, Net	52,294	(8,015)	0	44,279
Total Capital Assets, Net	\$57,019	(\$8,015)	\$0	\$49,004

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 2007, 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, 2007**

NOTE 5 – RISK MANAGEMENT

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 – 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, 2007

Line Item No.	Account Description	Housing Choice Vouchers
111	Cash - Unrestricted	\$63,874
113	Cash - Other Restricted	\$207,212
100	Total Cash	\$271,086
128	Fraud Recovery	\$9,032
128.1	Allowance for Doubtful Accounts - Fraud	(\$8,318)
129	Accrued Interest Receivable	\$59
120	Total Receivables, net of allowances for doubtful accounts	\$773
150	Total Current Assets	\$271,859
161	Land	\$4,725
162	Buildings	\$52,746
164	Furniture, Equipment & Machinery - Administration	\$75,023
166	Accumulated Depreciation	(\$83,490)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$49,004
180	Total Non-Current Assets	\$49,004
190	Total Assets	\$320,863
312	Accounts Payable <= 90 Days	\$42,639
310	Total Current Liabilities	\$42,639
300	Total Liabilities	\$42,639
508.1	Invested in Capital Assets, Net of Related Debt	\$49,004
511.1	Restricted Net Assets	\$207,212
512.1	Unrestricted Net Assets	\$22,008
513	Total Equity/Net Assets	\$278,224
600	Total Liabilities and Equity/Net Assets	\$320,863

Darke Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2007

Line Item No.	Account Description	Housing Choice Vouchers
706	HUD PHA Operating Grants	\$1,181,418
711	Investment Income - Unrestricted	\$1,986
714	Fraud Recovery	\$7,224
715	Other Revenue	\$5,979
700	Total Revenue	\$1,196,607
912	Auditing Fees	\$1,326
913	Outside Management Fees	\$166,357
961	Insurance Premiums	\$1,151
966	Bad Debt - Other	\$4,325
969	Total Operating Expenses	\$173,159
970	Excess Operating Revenue over Operating Expenses	\$1,023,448
973	Housing Assistance Payments	\$927,672
974	Depreciation Expense	\$13,008
900	Total Expenses	\$1,113,839
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$82,768
1103	Beginning Equity	\$195,456
	Ending Equity	\$278,224
1120	Unit Months Available	3,588
1121	Number of Unit Months Leased	3,496
1117	Administrative Fee Equity	\$71,012
1118	Housing Assistance Payments Equity	\$207,212

Darke Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended September 30, 2007

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>\$1,181,418</u>
TOTAL AWARDS		<u><u>\$1,181,418</u></u>



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**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 Directors
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, 2007, which collectively comprise the Darke Metropolitan Housing Authority, Ohio, financial statements and have issued my report thereon dated February 27, 2008. 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 no 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

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.

This report is intended for the information of the Board of Directors, 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 27, 2008



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

Board of Directors
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, 2007. 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, 2007.

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 control deficiency in an Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Directors, 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 27, 2008

Darke Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions 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 material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for 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
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There are no Findings or questioned costs for the year ended September 30, 2007.

3. FINDINGS RELATED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended September 30, 2007.

Darke Metropolitan Housing Authority
Schedule of Prior Audit Findings
September 30, 2007

The audit report for the fiscal year ending September 30, 2006 contained no audit findings.



Mary Taylor, CPA
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 1, 2008**