

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2010





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Darke County Metropolitan Housing Authority, Darke County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2009 through September 30, 2010. 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 County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 8, 2011

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DARKE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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## 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, 2010, 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, 2010, 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 9, 2011, 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.

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Salvatore Consiglio, CPA, Inc.

February 9, 2011

# ***Darke County Metropolitan Housing Authority Management's Discussion and Analysis For the Year Ended September 30, 2010***

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, 2010. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2010, 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



***Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2010***

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, 2010 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, 2010.

**Financial Highlights**

- The Darke County Metropolitan Housing Authority's total net assets increased from \$ \$185,659 to \$210,881, an increase of \$25,222 or 14%. The total assets also increased by \$14,957 or 6%.
- The unrestricted net asset balance is listed as \$59,221 at September 30, 2010. This represents an increase of \$16,084 or 37% from the previous year.
- Total Revenues increased from \$1,150,020 to \$1,213,992, an increase of \$63,972 or 6%.
- Total expenses increased by \$2,236 from \$1,186,534 to \$1,188,770 for the current year.

***Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2010***

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, 2009 and September 30, 2010.

**Summary Statement of Net Assets**

**September 30, 2009 & 2010**

Category	FYE 2010	FYE 2009	Change \$	Change %
Current Assets	\$ 215,517	\$ 200,291	\$ 15,226	8%
Fixed Assets (Net of Depreciation)	\$ 35,563	\$ 35,832	\$ (269)	-1%
Total Assets	\$ 251,080	\$ 236,123	\$ 14,957	6%
Current Liabilities	\$ 40,199	\$ 50,464	\$ (10,265)	-20%
Total Liabilities	\$ 40,199	\$ 50,464	\$ (10,265)	-20%
Unrestricted Net Assets	\$ 59,221	\$ 43,137	\$ 16,084	37%
Restricted Net Assets	\$ 116,097	\$ 106,690	\$ 9,407	9%
Investment in Net Fixed Assets	\$ 35,563	\$ 35,832	\$ (269)	-1%
Total Net Assets	\$ 210,881	\$ 185,659	\$ 25,222	14%

***Cash & Investments***

Unrestricted cash and investments increased from \$88,869 to \$96,896, an increase of \$8,027 from 2009 to 2010. This is due to excess operating revenues over operating expenses. Restricted cash increased by \$9,407 due to excess HAP funding over HAP revenues.

***Current Liabilities***

Current liabilities decreased by \$10,265 or 20% from \$50,464 to \$40,199. This is due primarily to a reduction in accounts payable at year end in the amount of \$11,385.

***Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2010***

Unaudited

**Overview of the Financial Statements-Cont.**

***Net Assets***

The Authority's total net asset balance increased by \$25,222 from the previous year.

The Authority's unrestricted net assets increased from \$43,137 to \$59,221, an increase of \$16,084, or 37% for the current year.

The Authority's restricted net assets increased from \$106,690 to \$116,097, an increase of \$9,407, or 9% for the current year. This was a result of the Authority receiving \$1,032,652 in HAP funding but only utilizing \$1,025,540 of the funding.

**Summary Statement of Revenues & Expenses and Changes in Net Assets  
Years Ended September 30, 2009 and 2010**

Category	FYE 2010	FYE 2009	Change \$	Change %
Operating Grants	\$ 1,201,366	\$ 1,142,324	\$ 59,042	5%
Interest Income	\$ 289	\$ 324	\$ (35)	-11%
Other Revenue	\$ 8,061	\$ 6,056	\$ 2,005	33%
Fraud Recovery	\$ 4,276	\$ 1,316	\$ 2,960	225%
Total Revenue	\$ 1,213,992	\$ 1,150,020	\$ 63,972	6%
			\$ -	
Administration	\$ 158,269	\$ 167,575	\$ (9,306)	-6%
Ordinary Maintenance	\$ -	\$ 2,393	\$ (2,393)	-100%
General Expense	\$ 862	\$ 846	\$ 16	2%
Housing Assistance Payments	\$ 1,027,745	\$ 1,012,703	\$ 15,042	1%
Depreciation	\$ 1,894	\$ 3,017	\$ (1,123)	-37%
			\$ -	
Total Expenses	\$ 1,188,770	\$ 1,186,534	\$ 2,236	0%
Excess of Revenue over Expenses	\$ 25,222	\$ (36,514)	\$ 61,736	-169%
Net Assets, Beginning of Year	\$ 185,659	\$ 222,173	\$ (36,514)	-16%
Net Assets, End of Year	\$ 210,881	\$ 185,659	\$ 25,222	14%

***Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2009***

Unaudited

***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 increased by \$63,972 from the previous fiscal year. Significant changes in certain revenue categories are as follows:

- Operating grants increased by \$59,042. This was due to the Authority receiving an additional \$51,484 in HAP funding for the current year. The Authority received the additional funding based on the prior year's HAP expenses. The Authority also received an additional \$7,558 in administrative funding due to an increase in units leased for the current year.
- Interest income decreased by \$35 or 11%. This was due to a reduction in interest rates.
- Other Income increased by \$2,005 due to the leasing of portability units.
- Fraud recovery increased by \$2,960 due to increased activity in A/R-Fraud.

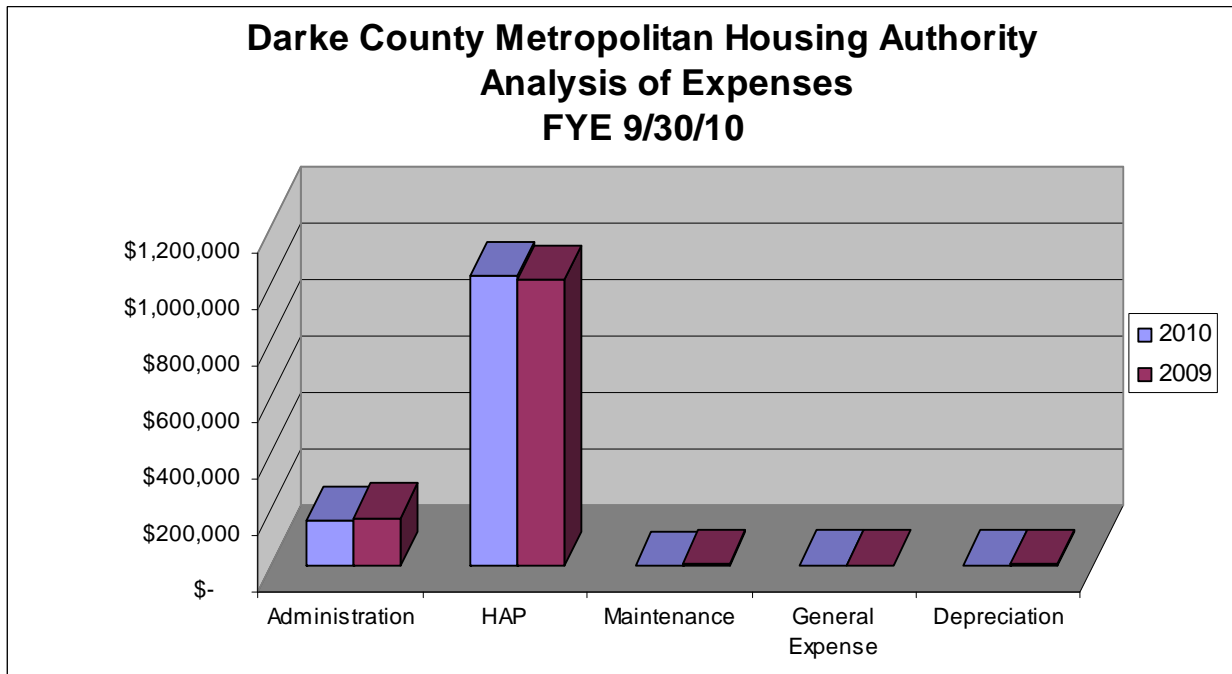
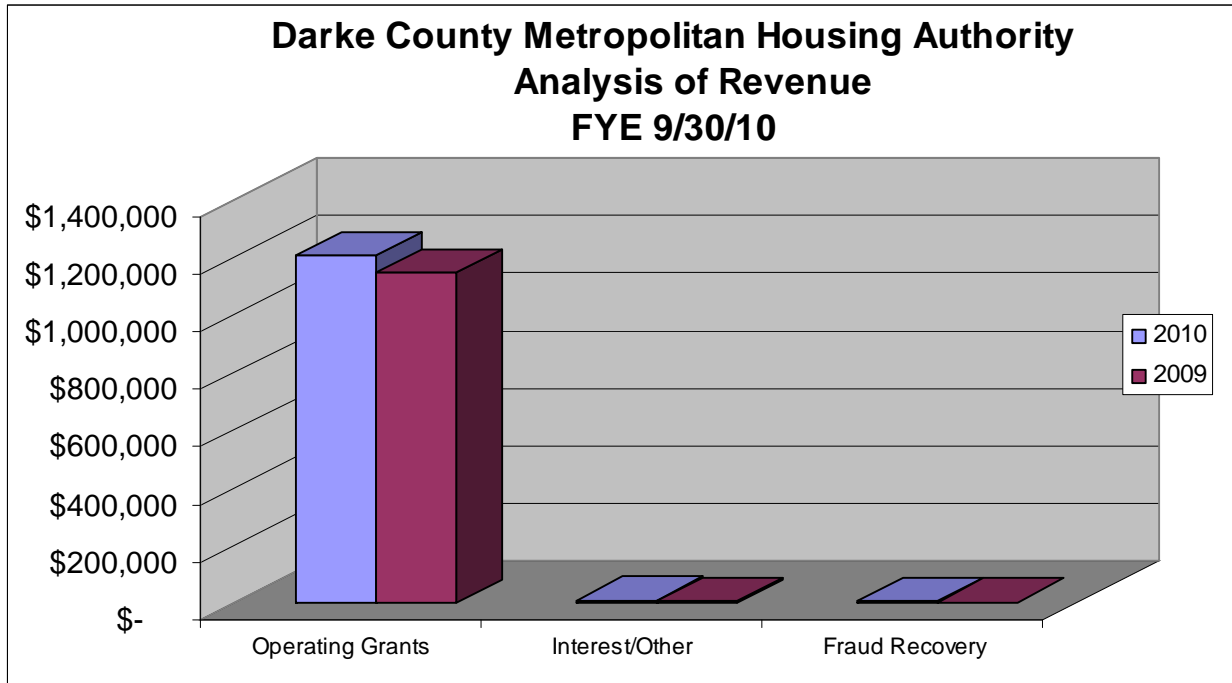
Total expenses increased by \$2,236 from the previous year. Significant changes in certain expense categories are as follows:

- Administration expenses decreased by \$9,306. This was due to a decrease in management fees by \$6,709 and travel expenses by \$3,825.
- Housing assistance payments increased by \$12,837 due to the increase in units leased. The Authority leased 3,572 for the current year ending September 30, 2010 as compared to 3,524 units leased in the previous fiscal year.
- HAP port-in payments increased by \$2,205. This was due to the Authority accepting a voucher from another PHA.

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, 2010***

Unaudited



***Darke County Metropolitan Housing Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2010***

Unaudited

***Capital Assets***

As of September 30, 2010, the Darke County Metropolitan Housing Authority's investment in capital assets was \$35,563. This investment includes land, building, and equipment.

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 4,725	\$ 4,725	\$ -	0%
Buildings	\$ 52,746	\$ 52,746	\$ -	0%
Equipment	\$ 76,648	\$ 75,023	\$ 1,625	2%
Accumulated Depreciation	\$ (98,556)	\$ (96,662)	\$ (1,894)	2%
<b>Total Net Fixed Assets</b>	<b>\$ 35,563</b>	<b>\$ 35,832</b>	<b>\$ (269)</b>	<b>-1%</b>

The increase of \$1,625 in equipment was due to the purchase of three computers.

***Debt Outstanding***

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

***Subsequent Event***

None, at this time.

***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, 2010**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$	96,896
Restricted cash		116,097
Receivables, net		2,524
<b>Total current assets</b>		<b><u>215,517</u></b>

**Noncurrent assets**

Capital assets:		
Land		4,725
Building and equipment		129,394
Less accumulated depreciation		(98,556)
<b>Total noncurrent assets</b>		<b><u>35,563</u></b>
<b>Total assets</b>		<b><u><u>\$251,080</u></u></b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$	40,199
<b>Total current liabilities</b>		<b><u>40,199</u></b>
<b>Total liabilities</b>		<b><u><u>\$40,199</u></u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$	35,563
Restricted net assets		116,097
Unrestricted net assets		59,221
<b>Total net assets</b>		<b><u><u>\$210,881</u></u></b>

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

**DARKE COUNTY METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

***OPERATING REVENUES***

Government operating grants	\$ 1,201,366
Other revenue	12,337
<b>Total operating revenues</b>	<b><u>1,213,703</u></b>

***OPERATING EXPENSES***

Administrative	158,269
General	862
Housing assistance payment	1,025,540
HAP Portability-In	2,205
Depreciation	1,894
<b>Total operating expenses</b>	<b><u>1,188,770</u></b>
<b>Operating income (loss)</b>	<b><u>24,933</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	289
<b>Total nonoperating revenues (expenses)</b>	<b><u>289</u></b>
Change in net assets	25,222
Total net assets - beginning	185,659
<b>Total net assets - ending</b>	<b><u>\$210,881</u></b>

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



**Darke Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type - Enterprise Fund  
 For the Year Ended September 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor	\$ 1,201,366
Other income received	12,337
Cash paid Operating Activities	(167,188)
Cash Paid for Housing Assistance	<u>(1,027,745)</u>

**Net cash provided by oprating activities** **18,770**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	<u>289</u>
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**Net cash provided (used) by investing activities** **289**

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Property and equipment purchased	<u>(1,625)</u>
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**Net cash provided (used) by capital and related activities** **(1,625)**

Net Increase (Decrease) in Cash 17,434

Cash and cash equivalents - Beginning of Year 195,559

**Cash and cash equivalents - End of Year** **\$212,993**

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

Net Operating Income (Loss) \$24,933

Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:

Depreciation adjustment 1,894

(Increase) Decrease in accounts receivable 2,208

Increase (Decrease) in accounts payable (10,265)

**Net cash provided by operating activities** **\$18,770**

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, 2010**

**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, 2010**

**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, 2010**

**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, 2010 was \$289.

**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, 2010**

**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, 2010, the carrying amount of the Authority's deposits totaled \$212,993 and its bank balance was \$219,748. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2010, no money was exposed to custodial risk as discussed below, while \$219,748 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 \$116,097 as of September 30, 2010 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, 2010**

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance 09/30/09</b>	<b>Additions</b>	<b>Rounding / Deletions</b>	<b>Balance 09/30/10</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$4,725	\$0	\$0	\$4,725
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,725</b>	<b>0</b>	<b>0</b>	<b>4,725</b>
<b>Capital Assets Being Depreciated:</b>				
Building	52,746	0	0	52,746
Vehicle	42,830	0	0	42,830
Office Equipment	32,193	1,625	0	33,818
<b>Total Capital Assets Being Depreciated</b>	<b>127,769</b>	<b>1,625</b>	<b>0</b>	<b>129,394</b>
<b>Accumulated Depreciation:</b>				
Building	21,640	1,352	0	22,992
Vehicle	42,830	0	0	42,830
Office Equipment	32,192	542	0	32,734
<b>Total Accumulated Depreciation</b>	<b>96,662</b>	<b>1,894</b>	<b>0</b>	<b>98,556</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>31,107</b>	<b>(269)</b>	<b>0</b>	<b>30,838</b>
<b>Total Capital Assets, Net</b>	<b>\$35,832</b>	<b>(\$269)</b>	<b>\$0</b>	<b>\$35,563</b>

**NOTE 5 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2010, 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, 2010**

**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, 2010.

**Litigations and Claims**

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2010 the PHA was not aware of any such matters.

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

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

**NOTE 8: CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2010, the Authority implemented GASB Statement No. 51, Accounting and Reporting for Intangible Assets, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.

The implementation of GASB Statements No. 51, No. 54, No. 55, No. 56, and No. 58 did not affect the presentation of the financial statements of the Authority.

Darke Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
September 30, 2010

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$ 63,664	\$ 63,664
113 Cash - Other Restricted	\$ 116,097	\$ 116,097
100 Total Cash	\$ 179,761	\$ 179,761
122 Accounts Receivable - HUD Other Projects	\$ 1,910	\$ 1,910
128 Fraud Recovery	\$ 6,139	\$ 6,139
128.1 Allowance for Doubtful Accounts - Fraud	\$ (5,525)	\$ (5,525)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 2,524	\$ 2,524
131 Investments - Unrestricted	\$ 33,232	\$ 33,232
150 Total Current Assets	\$ 215,517	\$ 215,517
161 Land	\$ 4,725	\$ 4,725
162 Buildings	\$ 52,746	\$ 52,746
164 Furniture, Equipment & Machinery - Administration	\$ 76,648	\$ 76,648
166 Accumulated Depreciation	\$ (98,556)	\$ (98,556)
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 35,563	\$ 35,563
180 Total Non-Current Assets	\$ 35,563	\$ 35,563
190 Total Assets	\$ 251,080	\$ 251,080
312 Accounts Payable <= 90 Days	\$ 40,199	\$ 40,199
310 Total Current Liabilities	\$ 40,199	\$ 40,199
300 Total Liabilities	\$ 40,199	\$ 40,199
508.1 Invested In Capital Assets, Net of Related Debt	\$ 35,563	\$ 35,563
511.1 Restricted Net Assets	\$ 116,097	\$ 116,097
512.1 Unrestricted Net Assets	\$ 59,221	\$ 59,221
512.2 Unreserved, Undesignated Fund Balance		
513 Total Equity/Net Assets	\$ 210,881	\$ 210,881
600 Total Liabilities and Equity/Net Assets	\$ 251,080	\$ 251,080
70600 HUD PHA Operating Grants	\$ 1,201,366	\$ 1,201,366
71100 Investment Income - Unrestricted	\$ 132	\$ 132



Darke Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
September 30, 2010

	14.871 Housing Choice Vouchers	Total
71400 Fraud Recovery	\$ 4,276	\$ 4,276
71500 Other Revenue	\$ 8,061	\$ 8,061
72000 Investment Income - Restricted	\$ 157	\$ 157
70000 Total Revenue	\$ 1,213,992	\$ 1,213,992
91200 Auditing Fees	\$ 6,296	\$ 6,296
91300 Management Fee	\$ 124,512	\$ 124,512
91400 Advertising and Marketing	\$ 77	\$ 77
91600 Office Expenses	\$ 12,313	\$ 12,313
91800 Travel	\$ 6,154	\$ 6,154
91900 Other	\$ 8,917	\$ 8,917
91000 Total Operating - Administrative	\$ 158,269	\$ 158,269
96120 Liability Insurance	\$ 199	\$ 199
96140 All Other Insurance	\$ 663	\$ 663
96100 Total Insurance Premiums	\$ 862	\$ 862
96900 Total Operating Expenses	\$ 159,131	\$ 159,131
97000 Excess of Operating Revenue over Operating Expenses	\$ 1,054,861	\$ 1,054,861
97300 Housing Assistance Payments	\$ 1,025,540	\$ 1,025,540
97350 HAP Portability-In	\$ 2,205	\$ 2,205
97400 Depreciation Expense	\$ 1,894	\$ 1,894
90000 Total Expenses	\$ 1,188,770	\$ 1,188,770
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 25,222	\$ 25,222
11030 Beginning Equity	\$ 185,659	\$ 185,659
11170 Administrative Fee Equity	\$ 94,784	\$ 94,784
11180 Housing Assistance Payments Equity	\$ 116,097	\$ 116,097
11190 Unit Months Available	\$ 3,588	\$ 3,588
11210 Number of Unit Months Leased	\$ 3,572	\$ 3,572

Darke Metropolitan Housing Authority  
Schedule of Expenditures of Federal Award  
For the Year Ended September 30, 2010

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Vouchers	14.871	<u>\$1,201,366</u>
<b>TOTAL AWARDS</b>		<b><u><u>\$1,201,366</u></u></b>



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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 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, 2010, which collectively comprise the Darke Metropolitan Housing Authority, Ohio, financial statements and have issued my report thereon dated February 9, 2011. 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.

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.

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Salvatore Consiglio, CPA, Inc.

February 9, 2011



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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 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, 2010. 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, 2010.

**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.

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Salvatore Consiglio, CPA, Inc.

February 9, 2011

Darke Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 September 30, 2010

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended September 30, 2010.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended September 30, 2010.

Darke Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
September 30, 2010

The audit report for the fiscal year ending September 30, 2009 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 5, 2011**