

Darke Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2016



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Darke Metropolitan Housing Authority, Darke County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2015 through September 30, 2016. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 10, 2017

This page intentionally left blank.

DARKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Financial statements:	
Statement of Net Position	12
Statement of Revenue, Expenses and Change in Net position	13
Statement of Cash Flows	14
Notes to the Financial statements	15-24
Supplemental Data:	
Financial Data Schedule	25-27
Schedule of Expenditures of Federal Awards	28
Notes to the Schedule of Expenditure of Federal Awards	29
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31
Report on Compliance For Each Major Program and on Internal Control over Compliance in Accordance Required by the Uniform Guidance	32-33
Schedule of Findings	34-35
Schedule of Prior Audit Findings	36

This page intentionally left blank.



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Darke Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Darke Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Darke Metropolitan Housing Authority as of September 30, 2016, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

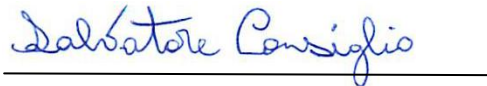
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Darke Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule (FDS) is not a required part of the basic financial statements. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements.

The financial data schedule (FDS) is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditure of Federal Awards

and the financial data schedule ("FDS") are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 27, 2017, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 27, 2017

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
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, 2016. The Darke County Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2016, to assist the reader in focusing on significant financial issues.

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

The Authority has two individual programs. They include the Housing Choice Voucher Program (HCV), and the Business Activities 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 (HAP) to a landlord on behalf of the tenant. There are currently 299 vouchers funded. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is based on a HUD established rate earned per voucher leased.
- The Business Activity Program consists of eight rental properties received from Darke County Board of Developmental Disabilities and donations. These rental properties enable persons with developmental disabilities to be integrated into the community. In addition, the BA consist of a property owned by the PHA that is rented as a commercial property.

Overview of the Financial Statements

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

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

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

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

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended September 30, 2016, to determine the net change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended September 30, 2016.

Financial Highlights

The Authority's net position increased from \$306,478 to \$308,201, an increase of \$1,723 or .56%. Total assets also increased by \$63,810 or 6%.

Total revenue increased from \$1,164,311 to \$1,327,956, an increase of \$163,645 or 14%.

Total expenses increased by \$127,992, from \$1,198,241 to \$1,326,233 for the current year. This represents an increase of 11%.

Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended September 30, 2016, and 2015.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

Summary Statement of Net Position

Years Ended September 30, 2016 and 2015

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 216,504	\$ 200,425	\$ 16,079	8%
Noncurrent Assets	\$ 901,393	\$ 853,662	\$ 47,731	6%
Total Assets	\$ 1,117,897	\$ 1,054,087	\$ 63,810	6%
Current Liabilities	\$ 98,072	\$ 81,904	\$ 16,168	20%
Non-current Liabilities	\$ 711,624	\$ 665,705	\$ 45,919	7%
Total Liabilities	\$ 809,696	\$ 747,609	\$ 16,168	8%
Unrestricted	\$ 159,907	\$ 146,503	\$ 13,404	9%
Restricted	\$ -	\$ 7,482	\$ (7,482)	-100%
Net Investment in Capital Assets	\$ 148,294	\$ 152,493	\$ (4,199)	-3%
Total Net Position	\$ 308,201	\$ 306,478	\$ 1,723	1%

Current Assets

The Authority's current asset balances increased by \$16,079. This is primarily due to an increase in Accounts receivable – HUD in the amount of \$61,228. Accounts receivable – HUD increased due to funds receivable associated with HAP funding. In contrast, cash and investment balances decreased by \$37,926. This decrease was due to HAP expenditures exceeding HAP revenues.

Noncurrent Assets

The Authority's noncurrent asset balance increased due to the purchase of a property by the Business Activities Program. Please note the capital asset portion presented in a later section.

Current Liabilities

Current liabilities increased by \$16,168 primarily due to an increase in the amounts owed to vendors & contractors as of September 30, 2016.

Non-Current Liabilities

Non-current liabilities increased by \$45,919 due to the additional debt incurred for the purchase of the new property plus capital repairs on an existing home less the reduction in debt obligations associated with the Business Activities Program.

Net Position

The net position of the Authority increased by \$1,723 compared to the previous fiscal year. This was primarily due to the addition of a new property to the Business Activities Program.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

The Authority's unrestricted component of net position changed from \$146,503 to \$159,907, an increase of \$13,404 or 9% for the current year. This increase was due to operating revenues over operating expenses associated with the Business Activities Program. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines. Individual program balances that comprise the unrestricted component of net position are as follows:

Housing Choice Voucher Program	\$ 67,415
Business Activities	<u>92,492</u>
Total Unrestricted Net Assets	\$ <u>159,907</u>

The Authority's restricted component of net position changed from \$7,482 to \$0. This was due to HAP expenditures exceeding HAP revenues in the current year. The restricted component of the net position is restricted for the purpose of HAP expenses.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

Summary Statement of Revenues & Expenses and Changes in Net Position

Years Ended September 30, 2016 and 2015

Category	FYE 2016	FYE 2015	Change \$	Change %
Tenant Rental Revenue	\$ 48,797	\$ 43,948	\$ 4,849	11%
Government Operating Grants	\$ 1,220,840	\$ 1,066,601	\$ 154,239	14%
Capital Grants	\$ -	\$ -	\$ -	0%
Interest Income	\$ 53	\$ 72	\$ (19)	-26%
Other Revenue	\$ 54,542	\$ 41,808	\$ 12,734	30%
Fraud Recovery	\$ 3,724	\$ 11,882	\$ (8,158)	-69%
Total Revenue	\$ 1,327,956	\$ 1,164,311	\$ 163,645	14%
Administration	\$ 170,093	\$ 140,380	\$ 29,713	21%
Utilities	\$ 14	\$ -	\$ 14	100%
Ordinary Maintenance	\$ 33,914	\$ 23,180	\$ 10,734	46%
General Expense	\$ 1,582	\$ 11,696	\$ (10,114)	-86%
Housing Assistance Payments	\$ 1,076,262	\$ 980,398	\$ 95,864	10%
Depreciation	\$ 44,368	\$ 42,587	\$ 1,781	4%
Total Expenses	\$ 1,326,233	\$ 1,198,241	\$ 127,992	11%
Increase (Decrease) in Net Position	\$ 1,723	\$ (33,930)	\$ 35,653	-105%
Net Position, Beginning of Year	\$ 306,478	\$ 340,408	\$ (33,930)	-10%
Net Position, End of Year	\$ 308,201	\$ 306,478	\$ 1,723	-131%

Results of Operations

Revenues of the Authority are principally generated from Federal funding. The Authority's revenue increased by \$163,645 compared to the previous fiscal year. Significant variances include the following:

- Tenant revenue increased by \$4,849. This is due to the addition of another rental property for the Business Activities Program.
- Government operating grants increased by \$154,239 due to an increase in funding received for HAP expenditures. HAP funding increased due to an increase in the number of unit months leased in the current year.

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

- Other revenue increased by \$12,734 due to the debt forgiveness for the year in the Business Activities Program.
- Fraud recovery decreased by \$8,158 due to a reduction in the amount of fraud collected in the current year.

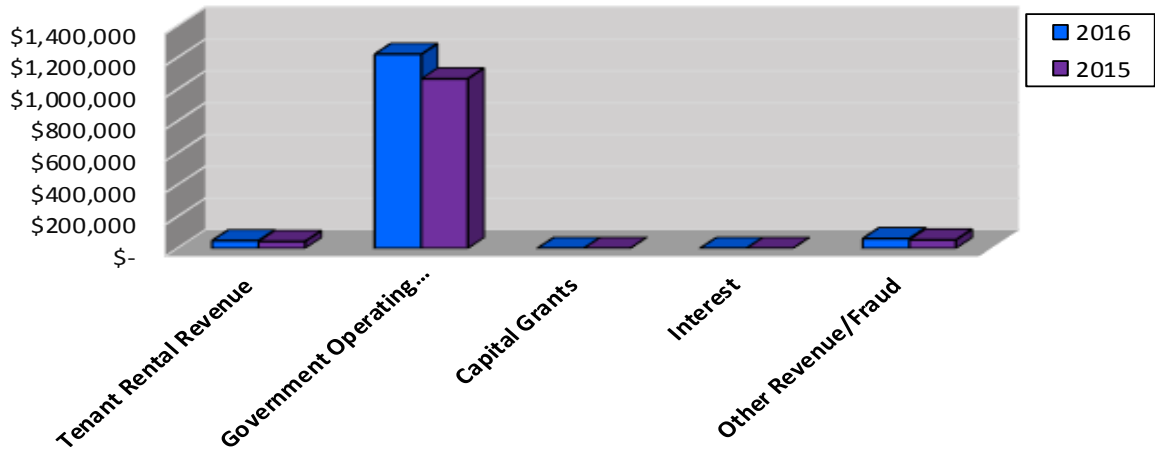
Total expenses increased \$127,992. Significant variances include the following:

- Administration increased by \$29,713. This was primarily due to an increase in management fees paid to a third party in the amount of \$20,554. Other increases include office expenses in the amount of \$2,001 and other admin expense in the amount of \$9,339; offset by a decrease in travel in the amount of \$2,457.
- Ordinary maintenance increased by \$10,734. This was primarily due to the repair of a unit on the Business Activities Program due to damage caused by moisture. Other increases include the repairs to HVAC systems.
- General expenses decreased by \$10,114 due to a reduction in the amount of bad debt associated with fraud receivable on the Housing Choice Voucher Program and bad debt associated with tenants on the Business Activities Program.
- Housing assistance payments increased by \$95,864 due to an increase in the number of vouchers leased. The Authority leased 3,300 voucher unit months in the previous year as compared to 3,591 in the current year.

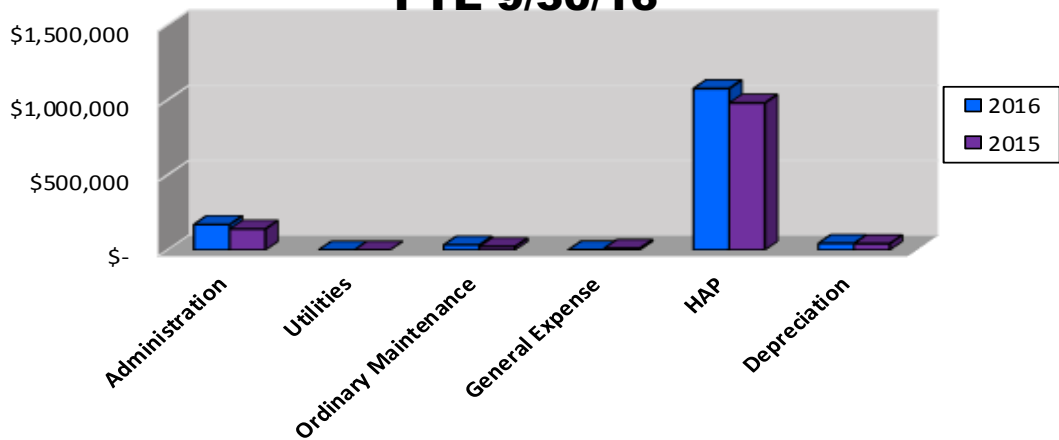
The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:

*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

**Darke County Metropolitan Housing
Authority
Analysis of Revenue
FYE 09/30/16**



**Darke County Metropolitan Housing
Authority Analysis of Expenses
FYE 9/30/16**



*Darke County Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2016
Unaudited*

Capital Assets

As of September 30, 2016, the Darke County Metropolitan Housing Authority's net investment in capital assets was \$148,294. This investment includes land, buildings, and equipment, net of accumulated depreciation and debt obligations.

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 162,913	\$ 150,163	\$ 12,750	8%
Buildings	\$ 971,777	\$ 892,428	\$ 79,349	9%
Equipment	\$ 62,313	\$ 62,313	\$ -	17%
Accumulated Depreciation	\$ (295,610)	\$ (251,242)	\$ (44,368)	26%
Total Net Fixed Assets	\$ 901,393	\$ 853,662	\$ 47,731	6%

Land and building increased due to the donation of a new rental property associated with the Business Activities Program. Buildings also increased due to a roof replacement project.

Debt

At September 30, 2016, the authority maintained a balance of \$753,099, in outstanding notes payable as compared to \$701,169, in 2015. The following is the summary of changes in debt balance:

Beginning Balance - September 30, 2015	\$ 701,169
Current Year New Debt Issued	90,165
Current Year Debt Retired	(38,235)
Ending Balance - September 30, 2016	<u>\$ 753,099</u>

Subsequent Event

Due to the 2016 Congressional Appropriations, the 2016 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at an estimated 84% and HAP funding at 100%.

Request for Information

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

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

Darke County Metropolitan Housing Authority
Deborah Donnelly, Chief Finance Officer
1469 Sweizer Street
Greenville, OH 45331

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
Proprietary Funds
September 30, 2016

ASSETS

Current assets

Cash and cash equivalents	\$119,961
Investments, unrestricted	33,291
Restricted cash	0
Receivables, net	63,252
Total current assets	<u>216,504</u>

Noncurrent assets

Capital assets:	
Land	162,913
Building and equipment	1,034,090
Less accumulated depreciation	(295,610)
Total noncurrent assets	<u>901,393</u>
Total assets	<u><u>\$1,117,897</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$56,597
Current portion of long-term debt	41,475
Total current liabilities	<u>98,072</u>

Noncurrent liabilities

Long-term debt, net of current	711,624
Total noncurrent liabilities	<u>711,624</u>
Total liabilities	<u>809,696</u>

NET POSITION

Net Invested in capital assets	148,294
Restricted net position	0
Unrestricted net position	159,907
Total net position	<u>308,201</u>
Total liabilities and net position	<u><u>\$1,117,897</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 Net Position
Proprietary Funds
For the Year Ended September 30, 2016

OPERATING REVENUES

Tenant revenue	\$48,797
Government operating grants	1,220,840
Other revenue	58,266
Total operating revenues	<u>1,327,903</u>

OPERATING EXPENSES

Administrative	170,093
Utilities	14
General	1,582
Ordinary Maintenance	33,914
Housing assistance payment	1,076,262
Depreciation	44,368
Total operating expenses	<u>1,326,233</u>
Operating income (loss)	<u>1,670</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	53
Total nonoperating revenues (expenses)	<u>53</u>
Change in net position	1,723
Total net position - beginning	306,478
Total net position - ending	<u><u>\$308,201</u></u>

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

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenant payments	\$48,797
Cash received from grantors	1,220,840
Other income received	58,266
Cash paid operating activities	(292,036)
Cash paid for housing assistance	<u>(1,076,262)</u>
Net cash provided by operating activities	<u>(36,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>53</u>
Net cash provided (used) by investing activities	<u>53</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Proceeds from Debt	90,165
Property and equipment purchased	<u>(92,099)</u>
Net cash provided (used) by capital and related activities	<u>(1,934)</u>
Net Increase (Decrease) in Cash	(37,926)
Cash and cash equivalents - Beginning of Year	<u>191,178</u>
Cash and cash equivalents - End of Year	<u><u>\$153,252</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$1,670
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation adjustment	44,368
Debt forgiveness adjustment	(38,235)
(Increase) Decrease in Accounts Receivable	(54,005)
Increase (Decrease) in Accounts Payable	<u>10,157</u>
Net cash provided by operating activities	<u><u>(\$36,045)</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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Darke Metropolitan Housing Authority was created under the Ohio Revised Code Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14 (as amended by GASB Statement No. 61), the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Income Taxes

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

Capital Assets

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

Buildings	39 years
Furniture, equipment and machinery	3-5 years
Leasehold improvement	15 years

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Interest earned in fiscal year ending September 30, 2016 was \$53.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal yearend September 30, 2016, the carrying amount of the Authority's deposits totaled \$153,252 and its bank balance was \$194,544. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2016, no money was exposed to custodial risk as discussed below, while the \$194,544 bank balance was covered by the Federal Depository Insurance Corporation.

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

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

Restricted Cash

The Housing Authority did not have any restricted cash balance as of September 30, 2016. The authority disbursed more money than the HUD advance amount for the year to cover the housing assistance payments made. The authority reflected a receivable from HUD of \$60,927 to cover this amount of over disbursements.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 – RELATED PARTY TRANSACTIONS

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

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

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

During the fiscal year, the Authority paid the CAP Agency \$121,995 for management and fiscal services.

***** This space was intentionally left blank *****

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CAPITAL ASSETS

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

	Balance 09/30/15	Additions	Rounding / Deletions	Balance 09/30/16
Capital Assets Not Being Depreciated:				
Land	\$150,163	\$12,750	\$0	\$162,913
Total Capital Assets Not Being Depreciated	150,163	12,750	0	162,913
Capital Assets Being Depreciated:				
Building	892,428	79,349	0	971,777
Furniture, Equipment - Admin	62,313	0	0	62,313
Total Capital Assets Being Depreciated	954,741	79,349	0	1,034,090
Accumulated Depreciation:				
Building	(209,020)	(34,630)	0	(243,650)
Office Equipment	(42,222)	(9,738)	0	(51,960)
Total Accumulated Depreciation	(251,242)	(44,368)	0	(295,610)
Total Capital Assets Being Depreciated, Net	703,499	123,717	0	738,480
Total Capital Assets, Net	\$853,662	\$136,467	\$0	\$901,393

NOTE 5: LONG-TERM DEBT

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

- On August 7, 2014, the Authority entered into a promissory note with Darke County Board of Commissioners in the sum of \$133,308.00. The note is zero interest and the funds were used to purchase and renovate the property located at 205 Glenwood Drive, Greenville, Ohio. The note is forgiven on March 24, 2040 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2016 is \$133,308.00.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5: LONG-TERM DEBT (continued)

- On August 7, 2014, the Authority entered into a promissory note with Community Action Partnership of Greater Dayton Area in the sum of \$164,068. The note is zero interest and the funds were used to purchase and renovate the property located at 627 Birt Street, Greenville, Ohio. The note is forgiven on July 6, 2026 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2016 is \$164,068.
- On September 26, 2014, the Authority entered into a promissory note with Community Action Partnership of Greater Dayton Area in the sum of \$155,785. The note is zero interest and the funds were used to purchase and renovate the property located at 1039 Central Avenue, Greenville, Ohio. The note is forgiven on January 15, 2026 as long as the property is used for the stated purpose in the Funding Agreement. The note shall become due on the sale or transfer of the property securing the note and upon other specific events as detailed in the agreement. The outstanding balance as of September 30, 2016 is \$155,784.
- On December 19, 2013, the Authority entered into a Master Housing Contract with the Darke County Board of Developmental Disabilities in order to improve the availability of housing for individuals with disabilities in Darke County. This contract was extended by signing a new agreement on November 10, 2014. The Ohio Revised Code 5126.05 permits county boards to enter into agreements with nonprofit corporations to provide residential services. On January 1, 2014, the Deed to the properties listed below was transfer to the Authority. In return, the Authority agreed to be bound by the terms and conditions of the Project Agreement between the Darke County Board of Developmental Disabilities and the Ohio Department of Developmental Disabilities for the distribution of Capital Assistance Funds. As of September 30, 2016, the following are the remaining obligation balance to the following properties:

PROPERTY	OBLIGATION BALANCE
314 Delaware, Greenville, Ohio	\$29,101
109 Dwyer Avenue, Greenville, Ohio	\$48,309
1312 Hillside Drive, Greenville, Ohio	\$61,330
1124 Donald Drive, Greenville, Ohio	\$73,805

- On March 21, 2016, the Authority entered into an agreement with Darke County Board of Developmental Disabilities (DD Board) to finance the purchase of a property located at 1237 Sugar Maple in the amount of \$76,815. The note amount will not be repaid as long as the Authority continues to comply with the Master Agreement in place. This entire balance is forgiven over one hundred eighty

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5: LONG-TERM DEBT (continued)

(180) months period. The outstanding balance as of September 30, 2016 is \$74,681.

- Note payable to Darke County Board of Developmental Disabilities to replace the roof at the property located 1312 Hillside Drive. Total borrowing on November 3, 2015 was \$7,100 with a term of 180 months at 0% interest rate. The outstanding balance as of September 30, 2016 is \$6,706.
- Note payable to Darke County Board of Developmental Disabilities to replace the ventilation system at the property located 1312 Hillside Drive. Total borrowing on February 1, 2016 was \$6,250 with a term of 180 months at 0% interest rate. The outstanding balance as of September 30, 2016 is \$6,007.

The following is a summary of changes in long-term liabilities for the year ended September 30, 2016:

DESCRIPTION	BALANCE 10/01/2015	ISSUED	RETIRED	BALANCE 09/30/2016	DUE WITHIN ONE YEAR
314 Delaware	\$37,616	\$0	\$8,515	\$29,101	\$8,515
109 Dwyer Ave	56,707	0	8,398	48,309	8,398
1312 Hillside Drive	70,547	0	9,217	61,330	9,217
1124 Donald Drive	83,139	0	9,334	73,805	9,333
205 Glenwood Drive	133,308	0	0	133,308	0
627 Birt Street	164,068	0	0	164,068	0
1039 Central Ave	155,784	0	0	155,784	0
1237 Sugar Maple	0	76,815	2,134	74,681	5,121
1312 Hillside Dr - Roof	0	7,100	394	6,706	473
1312 Hillside Dr - HVAC	0	6,250	243	6,007	417
	<u>\$701,169</u>	<u>\$90,165</u>	<u>\$38,235</u>	<u>\$753,099</u>	<u>\$41,475</u>

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5: LONG-TERM DEBT (continued)

Below is the amortization of the promissory note schedule:

Years	Principal	Interest
2017	\$41,475	\$0
2018	41,475	0
2019	36,703	0
2020	34,317	0
2021	33,718	0
2022-2024	74,848	0
2025-2029	357,254	0
2030-2034	0	0
2035-2039	0	0
2040	133,309	0
Total	<u>\$753,099</u>	<u>\$0</u>

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2014, the Authority contracted with Cincinnati Insurance Company for vehicle insurance, commercial property and general liability, employee dishonesty and directors and officer’s liability.

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

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

NOTE 7: CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2016.

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7: CONTINGENCIES (continued)

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2016 the PHA was not aware of any such matters.

NOTE 8 – NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

NOTE 9: SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through March 27, 2017, the date on which the financial statements were available to be issued.

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2016

	14.871 Housing Choice Vouchers	Business Activity	Total
111 Cash - Unrestricted	\$28,917	\$91,044	\$119,961
100 Total Cash	\$28,917	\$91,044	\$119,961
122 Accounts Receivable - HUD Other Projects	\$60,927	0	\$60,927
126 Accounts Receivable - Tenants	0	\$1,448	\$1,448
128 Fraud Recovery	\$8,776	0	\$8,776
128.1 Allowance for Doubtful Accounts - Fraud	(\$7,899)	0	(\$7,899)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$61,804	\$1,448	\$63,252
131 Investments - Unrestricted	\$33,291	0	\$33,291
144 Inter Program Due From	0	\$0	\$0
150 Total Current Assets	\$124,012	\$92,492	\$216,504
161 Land	\$4,725	\$158,188	\$162,913
162 Buildings	\$52,747	\$919,030	\$971,777
164 Furniture, Equipment & Machinery - Administration	\$62,313	0	\$62,313
166 Accumulated Depreciation	(\$83,067)	(\$212,543)	(\$295,610)
160 Total Capital Assets, Net of Accumulated Depreciation	\$36,718	\$864,675	\$901,393
180 Total Non-Current Assets	\$36,718	\$864,675	\$901,393
290 Total Assets and Deferred Outflow of Resources	\$160,730	\$957,167	\$1,117,897
312 Accounts Payable <= 90 Days	\$56,597	0	\$56,597
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	0	\$41,475	\$41,475
347 Inter Program - Due To	\$0	0	\$0
310 Total Current Liabilities	\$56,597	\$41,475	\$98,072
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	0	\$711,624	\$711,624
350 Total Non-Current Liabilities	\$0	\$711,624	\$711,624
300 Total Liabilities	\$56,597	\$753,099	\$809,696
508.4 Net Investment in Capital Assets	\$36,718	\$111,576	\$148,294
511.4 Restricted Net Position	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$67,415	\$92,492	\$159,907

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2016

	14.871 Housing Choice Vouchers	Business Activity	Total
513 Total Equity - Net Assets / Position	\$104,133	\$204,068	\$308,201
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$160,730	\$957,167	\$1,117,897
70300 Net Tenant Rental Revenue	0	\$48,797	\$48,797
70500 Total Tenant Revenue	\$0	\$48,797	\$48,797
70600 HUD PHA Operating Grants	\$1,220,840	0	\$1,220,840
71100 Investment Income - Unrestricted	\$46	\$7	\$53
71400 Fraud Recovery	\$3,724	0	\$3,724
71500 Other Revenue	\$5,881	\$48,661	\$54,542
70000 Total Revenue	\$1,230,491	\$97,465	\$1,327,956
91200 Auditing Fees	\$6,701	0	\$6,701
91300 Management Fee	\$121,995	0	\$121,995
91600 Office Expenses	\$12,902	0	\$12,902
91700 Legal Expense	\$209	0	\$209
91800 Travel	\$2,535	0	\$2,535
91900 Other	\$25,643	\$108	\$25,751
91000 Total Operating - Administrative	\$169,985	\$108	\$170,093
93100 Water	0	\$9	\$9
93600 Sewer	0	\$5	\$5
93000 Total Utilities	\$0	\$14	\$14
94200 Ordinary Maintenance and Operations - Materials and Other	\$801	\$1,487	\$2,288
94300 Ordinary Maintenance and Operations Contracts	\$165	\$31,461	\$31,626
94000 Total Maintenance	\$966	\$32,948	\$33,914
96120 Liability Insurance	\$605	0	\$605
96140 All Other Insurance	\$977	0	\$977
96100 Total insurance Premiums	\$1,582	\$0	\$1,582
96000 Total Other General Expenses	\$0	\$0	\$0
96900 Total Operating Expenses	\$172,533	\$33,070	\$205,603

DARKE COUNTY METROPOLITAN HOUSING AUTHORITY (OH045)

Greenville, OH

Financial Data Schedule

September 30, 2016

	14.871 Housing Choice Vouchers	Business Activity	Total
97000 Excess of Operating Revenue over Operating Expenses	\$1,057,958	\$64,395	\$1,122,353
97300 Housing Assistance Payments	\$1,076,262	0	\$1,076,262
97400 Depreciation Expense	\$11,090	\$33,278	\$44,368
90000 Total Expenses	\$1,259,885	\$66,348	\$1,326,233
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$29,394)	\$31,117	\$1,723
11020 Required Annual Debt Principal Payments	\$0	\$41,475	\$41,475
11030 Beginning Equity	\$133,527	\$172,951	\$306,478
11170 Administrative Fee Equity	\$104,133	0	\$104,133
11180 Housing Assistance Payments Equity	\$0	0	\$0
11190 Unit Months Available	3,768	88	3,856
11210 Number of Unit Months Leased	3,503	88	3,591

Darke Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended September 30, 2016

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Voucher Program	14.871	<u>\$1,220,840</u>
Total Expenditure of Federal Award		<u>\$1,220,840</u>

**DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the fiscal year ending September 30, 2016.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended September 30, 2016.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended September 30, 2016.



14129 State Road
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Darke Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Darke Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated March 27, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. I did identify certain deficiency in internal control, described in the accompanying schedule of findings that I consider to be material weakness. I consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

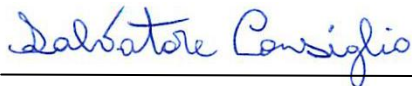
As part of obtaining reasonable assurance about whether Darke Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Authority Response to Finding

The Authority response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Authority response and, accordingly, I express no opinion on it.

Purpose of this Report

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



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 27, 2017



14129 State Road
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Darke Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

I have audited Darke Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Darke Metropolitan Housing Authority's major federal program for the year ended September 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the Darke Metropolitan Housing Authority's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Darke Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2016.

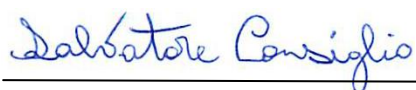
Report on Internal Control over Compliance

Management of the Darke Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
March 27, 2017

Darke Metropolitan Housing Authority
 Schedule of Findings
 2 CFR § 200.515
 September 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unmodified
Were there any material weakness reported at the financial statement level (GAGAS)?	Yes
Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness reported for any major federal programs?	No
Were there any other significant internal control deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	No
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All Others
Low Risk Auditee under 2 CFR § 200.520?	Yes

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

Finding No. 2016-001 – Material Weakness – Financial Statements Adjustments

Statement of Condition/Criteria

Sound financial reporting is the responsibility of the Authority and is essential to ensure the information issued to the public is complete and accurate. The Authority should have in place a system of controls to review the financial statements prior to issuance, to ascertain that the financial statements are complete and fairly presented.

Darke Metropolitan Housing Authority
Schedule of Findings
2 CFR § 200.515
September 30, 2016

(Continued)

Cause

Staff did not fully understand the funding agreement received from Ohio Department of Developmental Disabilities for the purchase of new home and for the capital repairs to existing home.

Effect

Audit procedures over the financial statements required the following adjustments to ensure that the financial statements are not misstated:

1. Adjustment to properly state Debt Liability amount for debt incurred for the acquisition of property and also to rehabilitate of an existing homes.
2. Adjustment to correct the revenue for error in reporting the debt incurred for the purchase of new home.
3. Adjustment to properly state the Unrestricted Net Position and Restricted Net Position to reflect the adjustment to resolve prior year audit finding.

The above adjustments were made and properly reflected in the financial statements.

Recommendation

The Authority needs to obtain and review the project funding agreement to ascertain that the financial statements properly present the funding received during the year.

Client Response – Corrective Action

Staff has a better understanding how the funding from Ohio Department of Developmental Disabilities is received and will assure that future money is properly reported in the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2016.

Darke Metropolitan Housing Authority
 Summary Schedule of Prior Audit Findings
 2 CFR 200.511(b)
 September 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Section 242 of the 2014 Appropriation Act limits the utility allowance payments for tenant based on the lower of the family unit size for which the voucher is issued or the size of the unit rented by the family.</p> <p>The Authority was issuing utility allowance based on the bedroom size rented by the family.</p>	Fully corrected	Adjustment was made on the financial statement to reimburse the Restricted Net Position for the total amount of the error noted.



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 23, 2017**