

**DARKE METROPOLITAN HOUSING AUTHORITY
GREENVILLE, OHIO**

**FOR THE YEAR
SEPTEMBER 30, 2003**

GENERAL PURPOSE FINANCIAL STATEMENTS



**Auditor of State
Betty Montgomery**

Board of Directors
Darke Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Darke Metropolitan Housing Authority, Darke County, prepared by Vanderhorst & Manning CPAs, LLC for the audit period October 1, 2002 through September 30, 2003. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 2, 2004

DARKE METROPOLITAN HOUSING AUTHORITY
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VANDERHORST & MANNING CPAs, LLC
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DAYTON, OHIO 45413

INDEPENDENT AUDITORS' REPORT

Board of Directors
Darke Metropolitan Housing Authority
Greenville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Darke Metropolitan Housing Authority, as of September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Darke Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Darke Metropolitan Housing Authority as of September 30, 2003, and the results of its operations and its cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued a report dated January 22, 2004, with our consideration of Darke Metropolitan Housing Authority's internal control over financial reporting our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the financial statements of Darke Metropolitan Housing Authority. The Accompanying Schedule of Federal Awards Expenditures 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 ("FDS") schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

January 22, 2004

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DARKE METROPOLITAN HOUSING AUTHORITY
COMBINED BALANCE SHEET
PROPRIETARY FUND TYPE
ENTERPRISE FUND
SEPTEMBER 30, 2003

ASSETS

Cash and Cash Equivalents	\$ 113,986
Accounts Receivable - HUD	17,015
Accrued Interest Receivable	9
Fixed Assets - Net of Accumulated Depreciation	<u>93,058</u>

TOTAL ASSETS \$ 224,068

LIABILITIES AND RETAINED EARNINGS

Accounts Payable	\$ 36,460
Accrued Interest Payable	8
Notes Payable	<u>7,119</u>
	\$ <u><u>43,587</u></u>

RETAINED EARNINGS

Retained Earnings	<u>180,481</u>
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TOTAL LIABILITIES AND RETAINED EARNINGS \$ 224,068

See accompanying notes to the general purpose financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUE	
Program Grants/Subsidies	\$ 1,116,558
Other Operating Income	1,488
Gain on Sale	<u>8,450</u>
TOTAL OPERATING REVENUE	\$ <u>1,126,496</u>
OPERATING EXPENSES	
Housing Assistance Payments	\$ 962,062
Auditing Fees	3,264
Outside Management Fees	117,845
Other Operating - Administrative	22,818
Insurance Premium	903
Depreciation Expense	<u>5,291</u>
TOTAL OPERATING EXPENSES	\$ <u>1,112,183</u>
NET OPERATING INCOME	\$ <u>14,313</u>
NON-OPERATING REVENUE	
Investment Income	\$ <u>2,241</u>
NET INCOME	\$ 16,554
RETAINED EARNINGS, BEGINNING	<u>163,927</u>
RETAINED EARNINGS, ENDING	<u><u>\$ 180,481</u></u>

See accompanying notes to the general purpose financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from HUD	\$ 1,116,558
Cash Received from Tenants	1,488
Cash Payments for Housing Assistance Payments	(962,062)
Cash Payments for Other Operating Expenses	<u>(154,338)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Note Payable	\$ (5,204)
Purchase of Fixed Assets	(42,830)
Proceeds sale of Fixed Asset	<u>13,175</u>
NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (34,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 2,241</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (30,972)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>144,958</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 113,986</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ 14,313
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities	
Depreciation	5,291
Gain on Sale	(8,450)
(Increase) Decrease in:	
Accounts Receivable - HUD	7,502
Accounts Receivable	2,073
Accrued Interest Receivable	(9)
Increase (Decrease) in:	
Accrued Interest Payable	8
Accounts Payable	<u>(19,082)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,646</u></u>

See accompanying notes to the general purpose financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Darke Metropolitan Housing Authority (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 more significant of the Authority’s accounting policies are described below.

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 general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financial 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 organizations’ 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.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund – This fund is used to account for the operations that re financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

Investments are restricted by provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2003 totaled \$2,241. The interest income earned on the general fund investments is required to be returned to HUD and this amount was \$0 for the year ended September 30, 2003.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, the do not add to the value of the asset or materially extend the asset life, are not capitalized.

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.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

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.

Accounting and Reporting for Nonexchange Transactions

For the fiscal year ended September 30, 2003, the Authority has implemented GASB Statement 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement 36 "Recipient Reporting for Certain Shared Nonexchanged Revenues." At October 1, 2001, there were no effect on fund equity as a result of implementing GASB 33 and GASB 36.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 2 – CASH AND INVESTMENTS

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 withdrawable 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.

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.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

The following show the Authority's deposits (bank balance) in each category:

Category 1. \$119,041 was covered by federal depository insurance. The corresponding Authority's balances were \$113,986.

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

DARKE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

NOTE 2 – CASH AND INVESTMENTS, Continued

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. For purposes of GASB No. 3, the Authority has no investments at September 30, 2003.

NOTE 3 – NOTE PAYABLE

The note payable balance of \$7,119 at September 30, 2003, represents the debt associated with the purchase of a house utilized as an emergency shelter. Payment terms associated with this note call for 27 monthly payments of \$488 including interest at 6.5%. Interest expense for the year ended September 30, 2003 was \$652.

Note Payable activity of the Authority for the year ended September 30, 2003, was as follows:

	<u>Balance</u> <u>September 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2003</u>
Note Payable	\$12,323	\$0	\$(5,204)	\$7,119

A summary of the future maturities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	5,557	299	5,856
2005	<u>1,562</u>	<u>8</u>	<u>1,570</u>
Total	<u>\$ 7,119</u>	<u>\$ 307</u>	<u>\$ 7,426</u>

NOTE 4 – 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.

NOTE 5 – 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 cash basis of accounting.

DARKE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

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 2003, the Authority contracted with Cincinnati Insurance Company for vehicle insurance, commercial property and general liability, employee dishonesty and directors and officers 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 – FIXED ASSETS

The following is a summary:

Land	\$ 4,725
Buildings	52,747
Vehicle	42,830
Office Equipment	<u>27,199</u>
	\$127,501
Accumulated Depreciation	<u>(34,443)</u>
NET FIXED ASSETS	<u>\$ 93,058</u>

The following is a summary of changes:

	Balance <u>September 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>September 30, 2003</u>
Land	\$ 4,725	\$ 0	\$ 0	\$ 4,725
Buildings	52,747			52,747
Vehicle	18,900	42,830	18,900	42,830
Office Equipment	<u>27,199</u>	<u>0</u>	<u>0</u>	<u>27,199</u>
TOTAL FIXED ASSETS	<u>\$103,571</u>	<u>\$42,830</u>	<u>\$ 18,900</u>	<u>\$127,501</u>

Depreciation Expense for the year ended September 30, 2003 was \$5,291

NOTE 8 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2003, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and charges in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules is on pages 10 -12. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

DARKE METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 SEPTEMBER 30, 2003

FDS LINE ITEM NO.	Account Description	14.871 Housing Choice Vouchers
	ASSETS	
111	Cash - unrestricted	\$ 113,986
150	TOTAL CURRENT ASSETS	<u>113,986</u>
122	Accounts receivable - HUD	17,015
129	Accrued Interest Receivable	<u>9</u>
120	TOTAL RECEIVABLES - NET	<u>17,024</u>
161	Land	4,725
162	Buildings	52,746
164	Furniture and equipment - Administration	70,030
166	Accumulated depreciation	<u>(34,443)</u>
180	TOTAL NON-CURRENT ASSETS	<u>93,058</u>
190	TOTAL ASSETS	<u>\$ 224,068</u>
	LIABILITIES AND RETAINED EARNINGS	
312	Accounts payable <=90 days	\$ 36,460
325	Accrued Interest Payable	8
343	Short term of notes payable	<u>5,557</u>
310	TOTAL CURRENT LIABILITIES	42,025
351	Long term debt	<u>1,562</u>
300	TOTAL LIABILITIES	<u>43,587</u>
508	Retained earnings	<u>180,481</u>
513	TOTAL RETAINED EARNINGS	<u>180,481</u>
600	TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 224,068</u>

DARKE METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 SEPTEMBER 30, 2003

FDS LINE ITEM NO.	Account Description	14.871 Housing Choice Voucher
	REVENUE	
706	HUD PHA grants	\$ 1,116,558
711	Investment income	2,241
714	Fraud recovery	357
715	Other Revenue	1,131
716	Gain on Sale	<u>8,450</u>
700	TOTAL REVENUE	<u>1,128,737</u>
	EXPENSES	
912	Auditing fees	3,264
913	Management fees	116,225
916	Other operating expenses	24,438
961	Insurance premiums	<u>903</u>
969	TOTAL OPERATING EXPENSE	<u>144,830</u>
970	Excess operating revenue over expenses	983,907
	OTHER EXPENSES	
973	Housing assistance payments	962,062
974	Depreciation expense	<u>5,291</u>
900	TOTAL EXPENSES (Acct. 969, 973, 974)	<u>1,112,183</u>
1000	Excess revenue or (expenses) (Acct. 700 minus 900)	16,554
1003	Beginning retained earnings	<u>163,927</u>
	ENDING RETAINED EARNINGS	<u>\$ 180,481</u>

DARKE METROPOLITAN HOUSING AUTHORITY
 ADDITIONAL FDS SCHEDULE INFORMATION
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 SEPTEMBER 30, 2003

FDS LINE ITEM NO.	Account Description	14.871 Housing Choice Vouchers
1113	Maximum annual contribution (per ACC)	\$ 1,100,505
1115	Contingency reserve	<u>68,900</u>
1116	Total annual contributions available	\$ <u>1,169,405</u>
1120	Unit months available	<u>3,588</u>
1121	Number of unit months leased per report approved by HUD	<u>3,540</u>

DARKE METROPOLITAN HOUSING AUTHORITY
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 SCHEDULE OF FEDERAL AWARD EXPENDITURES
 YEAR ENDED SEPTEMBER 30, 2003

<u>FROM U.S. DEPARTMENT OF HUD</u> <u>DIRECT PROGRAMS</u>	FEDERAL CFDA <u>NUMBER</u>	FUNDS <u>EXPENDED</u>
Annual Contribution Contract C-5089V Housing Assistance Payment Program		
Housing Choice Voucher Program	14.871 \$	<u>1,116,558</u>
TOTAL HOUSING ASSISTANCE PAYMENT PROGRAM CLUSTER	\$	<u>1,116,558</u>

See independent auditors' report.

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45413

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Darke Metropolitan Housing Authority
Greenville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Darke Metropolitan Housing Authority as of and for the year ended September 30, 2003, and have issued our report thereon dated January 22, 2004. We conducted our 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.

Compliance

As part of obtaining reasonable assurance about whether Darke Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Darke Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

January 22, 2004

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45413

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

Board of Directors
Darke Metropolitan Housing Authority
Greenville, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Darke Metropolitan Housing Authority with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2003. Darke Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results 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's management. Our responsibility is to express an opinion on Darke Metropolitan Housing Authority's compliance based on our audit.

We conducted our 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; OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of audit includes examining, on a test basis, evidence about Darke Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Darke Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Darke Metropolitan Housing Authority 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, 2003.

Internal Control Over Compliance

The management of Darke Metropolitan Housing Authority 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 our audit, we considered Darke Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Directors
Darke Metropolitan Housing Authority
Greenville, Ohio

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Board of Directors, management, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

January 22, 2004

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505

Darke Metropolitan Housing Authority
September 30, 2003

1. SUMMARY OF AUDITORS' RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
Were there any material internal control weakness conditions reported for major federal programs?	NO
Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	NO
Major Programs (list):	CFDA#14.871 Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	YES

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued

Darke Metropolitan Housing Authority
September 30, 2003

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2003

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2003



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

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
APRIL 20, 2004**