

**DARKE METROPOLITAN HOUSING AUTHORITY
GREENVILLE, OHIO**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR
SEPTEMBER 30, 2004**



**Auditor of State
Betty Montgomery**

Board of Directors
Darke Metropolitan Housing Authority
1469 Sweitzer Street
Greenville, Ohio 45331-1093

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, 2003 through September 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 12, 2005

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DARKE METROPOLITAN HOUSING AUTHORITY
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VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
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 basic financial statements of Darke Metropolitan Housing Authority, as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Darke Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Darke Metropolitan Housing Authority as of September 30, 2004, and the changes in net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, to the basic financial statements, the Darke Metropolitan Housing Authority adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Government: Omnibus*, and GASB No. 38, *Certain Financial Statements Note Disclosures*, as of October 1, 2003. The implementation resulted in a change to the Authority's format and content of basic financial statements.

In accordance with *Government Auditing Standards* we have also issued a report dated February 25, 2005, on 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.

The Management's Discussion and Analysis, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic 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

February 25, 2005

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**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

It is a privilege to present for you the financial picture of Darke Metropolitan Housing Authority. The Darke Metropolitan Housing Authority’s (“the Authority”) management’s discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- Net assets were \$144,021 and \$180,481 for fiscal year ending September 30, 2004 and 2003, respectively. The Authority-wide statements reflect a decrease in total net assets of \$36,460 (or 16%), during 2004. This decrease is reflective of the year’s activities.
- The business-type activity revenue decreased by \$ 7,614 (or less than 1%) during 2004, and was \$1,118,882 and \$1,126,496 for 2004 and 2003, respectively.
- Cash and investment balance decreased by \$29,757 from previous year.
- The total expenses of all Authority programs increased by \$43,885 (or 4%). Total expenses were \$1,156,068 and \$1,112,183 for 2004 and 2003, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Authority-wide Financial Statements ~ pgs. 10 - 12 ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~ pgs. 13 - 18
Other Required Supplementary Information ~ Required Supplementary Information (other than MD&A) ~ pgs. 19 - 22

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

Business Type Funds:

Housing Choice Voucher Program – Under the Housing Choice voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The objective is to provide low-income families with decent, safe, sanitary and affordable rental housing. HUD provides funds for rental assistance payments. The Housing Authority is given an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis. The Housing Authority currently has 299 units available.

**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>2004</u>	<u>2003</u>	<u>Change %</u>
Current Assets	\$ 112,297	\$ 131,010	-14%
Net fixed Assets	80,980	93,058	-13%
TOTAL ASSETS	<u>\$ 193,277</u>	<u>\$ 224,068</u>	-14%
Current Liabilities	\$ 49,256	\$ 36,468	35%
Long-term Liabilities	-	7,119	-100%
TOTAL LIABILITIES	<u>\$ 49,256</u>	<u>\$ 43,587</u>	13%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 79,417	\$ 85,939	-8%
Unrestricted	64,604	94,542	-32%
TOTAL NET ASSETS	<u>\$ 144,021</u>	<u>\$ 180,481</u>	-20%

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Total assets decreased by \$30,791 (14%) for 2004. The explanation for the decrease is as follows:

- 1) Current assets decreased by \$18,713. This was the result a current year increase in receivable from HUD combined with a decrease in cash.
- 2) The decrease in fixed assets is due to depreciation expense.

Total liabilities increased by \$5,669 (13%) for 2004:

- 1) Current liability increased by \$12,788. This was the result of an increase at year-end outstanding bills.
- 2) Long-term liabilities decreased due to principal payments of \$5,556 during fiscal year September 30, 2004. This note will be paid-off during 2005.

**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

Statement of Revenue, Expenses and Change in Net Assets

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	2004	2003
REVENUES		
HUD Operating Subsidies	\$ 1,117,714	\$ 1,116,558
Other Operating Income	1,168	1,488
Gain on Sale	-	8,450
TOTAL REVENUE	1,118,882	1,126,496
EXPENSES		
Housing Assistance Payments	969,219	962,062
Auditing Fee	3,127	3,264
Outside Management Fee	138,916	117,845
Other Operating - Administrative	30,398	22,818
Insurance Premiums	2,330	903
Depreciation	12,078	5,291
TOTAL EXPENSES	1,156,068	1,112,183
NET INCREASE (DECREASE)	\$ (37,186)	\$ 14,313

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

Total revenue decreased by \$7,614 (less than 1%) in 2004. The revenue decreased because no fixed assets were sold during 2004. Otherwise, total revenue remained stable.

Total expenses increased by \$43,885 (4%) in 2004. The increase is due to the following:

- 1) Increase in outside management fee due to higher administrative salaries, benefits, travel and other administrative expenses for the year
- 2) Higher insurance premiums
- 3) Increase in depreciation expense of \$6,786.

**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$80,980 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease due to depreciation of \$12,078 during the year.

TABLE 3

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	2004	2003
Land	\$ 4,725	\$ 4,725
Buildings	52,746	52,746
Equipment	70,030	70,030
Total Fixed Assets	127,501	127,501
Accumulated Depreciation	(46,521)	(34,443)
Net Fixed Assets	\$ 80,980	\$ 93,058

The following reconciliation summarizes the change in Capital Assets.

TABLE 4

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$ 127,501
Additions	-
Depreciation	(46,521)
Ending Balance	\$ 80,980

**DARKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2004**

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs therefore affecting outside management fees and other administrative expenses

IN CONCLUSION

Darke Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

FINANCIAL CONTACT

Stephen V. Pipenger
Vice President and CFO
Community Action Partnership
(937-) 341-5000

If you have any questions regarding this report, you may contact Stephen V. Pipenger, Vice President and CFO of the Community Action Partnership of the Greater Dayton Area.

DARKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 84,229
Accounts Receivable - HUD	28,057
Accrued Interest Receivable	11
Total Current Assets	<u>\$ 112,297</u>

Non-Current Assets

Fixed Assets - Net of Accumulated Depreciation	<u>\$ 80,980</u>
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TOTAL ASSETS	<u><u>\$ 193,277</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 47,693
Notes Payable	1,563
Total Current Liabilities	<u>\$ 49,256</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	79,417
Unrestricted Net Assets	<u>64,604</u>
TOTAL NET ASSETS	<u><u>\$ 144,021</u></u>

See accompanying notes to the basic financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

OPERATING REVENUES	
Program Grants/Subsidies	\$ 1,117,714
Other Operating Income	<u>1,168</u>
TOTAL OPERATING REVENUE	\$ <u>1,118,882</u>
OPERATING EXPENSES	
Housing Assistance Payments	\$ 969,219
Auditing Fees	3,127
Outside Management Fees	138,916
Other Operating - Administrative	30,398
Insurance Premium	2,330
Depreciation Expense	<u>12,078</u>
TOTAL OPERATING EXPENSES	\$ <u>1,156,068</u>
OPERATING LOSS	\$ <u>(37,186)</u>
NON-OPERATING REVENUE	
Investment Income	\$ <u>726</u>
CHANGE IN NET ASSETS	\$ (36,460)
NET ASSETS, BEGINNING	<u>180,481</u>
NET ASSETS, ENDING	<u><u>144,021</u></u>

See accompanying notes to the basic financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from HUD	\$ 1,106,672
Cash Received from Tenants	1,166
Cash Payments for Housing Assistance Payments	(969,219)
Cash Payments for Other Operating Expenses	<u>(163,546)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (24,927)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Note Payable	<u>\$ (5,556)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (5,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 726</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (29,757)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>113,986</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 84,229</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Income	\$ (37,186)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities	
Depreciation	12,078
(Increase) Decrease in:	
Accounts Receivable - HUD	(11,042)
Accrued Interest Receivable	(2)
Increase (Decrease) in:	
Accrued Interest Payable	(8)
Accounts Payable	<u>11,233</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (24,927)</u></u>

See accompanying notes to the basic financial statements.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Presentation

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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.

Changes in Accounting Principles

Effective October 1, 2003, the Authority adopted the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Disclosures". GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for capital assets, and the preparation of the statements of cash flows on the direct method.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Interest earned in fiscal year ending September 30, 2004 was \$726.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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 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 carrying amount of the Authority's deposits was \$84,229 at September 30, 2004. The corresponding bank balances were \$161,721.

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

Category 1.	\$ 161,721	was covered by federal depository insurance.
Category 3.	\$ 0	was covered by collateral held by the pledging financial institution, but not in the name of the Authority.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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, 2004.

NOTE 3 – 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>(46,521)</u>
 NET FIXED ASSETS	 <u>\$ 80,980</u>

The following is a summary of changes:

	<u>Balance</u> <u>September 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2004</u>
Land	\$ 4,725	\$ 0	\$ 0	\$ 4,725
Buildings	52,747	0	0	52,747
Vehicle	42,830	0	0	42,830
Office Equipment	<u>27,199</u>	<u>0</u>	<u>0</u>	<u>27,199</u>
 TOTAL FIXED ASSETS	 <u>\$127,501</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$127,501</u>

Depreciation Expense for the year ended September 30, 2004 was \$12,078.

DARKE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2004

NOTE 4 – NOTE PAYBLE

The note payable balance of 1,563 at September 30, 2004, 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, 2004 was \$300.

Note Payable activity of the Authority for the year ended September 30, 2004, was as follows:

	<u>Balance</u> <u>September 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2004</u>
Note Payable	\$7,119	\$0	\$(5,556)	\$1,563

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.

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 2004, 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.

DARKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2004, 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 19 -21. 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.

NOTE 9 – CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATION, AND RETATEMENT OF PRIOR YEAR'S FUND EQUITY

Changes in Accounting Principles

For the period ending September 30, 2004, the Authority implemented GASB Statement No. 34. This had an effect on the classification of equity. See the following for the reclassification and restatement.

	Total	Undesignated Retained Earnings	Invested in Capital Assets Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	\$ 180,481	\$ 180,481	\$ 0	\$ 0
Reclassification – GASB 34		(180,481)	85,939	94,542
Net Assets, Beginning of Year, Restated	\$ 180,481	\$ 0	\$ 85,939	\$ 94,542

DARKE METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2004

<u>FDS LINE ITEM NO.</u>	<u>Account Description</u>	14.871 Housing Choice Vouchers
	ASSETS	
111	Cash - unrestricted	\$ 84,229
150	TOTAL CURRENT ASSETS	<u>84,229</u>
122	Accounts receivable - HUD	28,057
129	Accrued Interest Receivable	<u>11</u>
120	TOTAL RECEIVABLES - NET	<u>28,068</u>
161	Land	4,725
162	Buildings	52,746
164	Furniture and equipment - Administration	70,030
166	Accumulated depreciation	<u>(46,521)</u>
180	TOTAL NON-CURRENT ASSETS	<u>80,980</u>
190	TOTAL ASSETS	<u>\$ 193,277</u>
	LIABILITIES AND RETAINED EARNINGS	
312	Accounts payable <=90 days	\$ 47,693
343	Short term of notes payable	<u>1,563</u>
310	TOTAL CURRENT LIABILITIES	49,256
300	TOTAL LIABILITIES	<u>49,256</u>
512.1	Unrestricted Net Assets	64,604
508.1	Invested in Capital Assets, Net of Related Debt	<u>79,417</u>
513	TOTAL RETAINED EARNINGS	<u>144,021</u>
600	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 193,277</u>

DARKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2004

<u>FDS LINE ITEM NO.</u>	<u>Account Description</u>	<u>14.871 Housing Choice Voucher</u>
	REVENUE	
706	HUD PHA grants	\$ 1,117,714
711	Investment income	726
715	Other Revenue	<u>1,168</u>
700	TOTAL REVENUE	<u>1,119,608</u>
	EXPENSES	
912	Auditing fees	3,127
913	Management fees	138,916
916	Other operating expenses	30,398
961	Insurance premiums	<u>2,330</u>
969	TOTAL OPERATING EXPENSE	<u>174,771</u>
970	Excess operating revenue over expenses	944,837
	OTHER EXPENSES	
973	Housing assistance payments	969,219
974	Depreciation expense	<u>12,078</u>
900	TOTAL EXPENSES (Acct. 969, 973,974)	<u>1,156,068</u>
1000	Excess revenue or (expenses) (Acct. 700 minus 900)	(36,460)
1003	Beginning Equity	<u>180,481</u>
	ENDING NET ASSETS	<u>\$ 144,021</u>

DARKE METROPOLITAN HOUSING AUTHORITY
 ADDITIONAL FDS SCHEDULE INFORMATION
 FDS SCHEDULE SUBMITTED TO HUD
 SEPTEMBER 30, 2004

FDS LINE ITEM NO.	Account Description	14.871 Housing Choice Vouchers
1113	Maximum annual contribution (per ACC)	\$ 1,116,615
1115	Contingency reserve	<u>66,153</u>
1116	Total annual contributions available	\$ <u><u>1,182,768</u></u>
1120	Unit months available	<u><u>3,588</u></u>
1121	Number of unit months leased per report approved by HUD	<u><u>3,537</u></u>

DARKE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARD EXPENDITURES
 YEAR ENDED SEPTEMBER 30, 2004

<u>FROM U.S. DEPARTMENT OF HUD</u> <u>DIRECT PROGRAMS</u>	<u>FEDERAL</u> <u>CFDA</u> <u>NUMBER</u>	<u>FUNDS</u> <u>EXPENDED</u>
Annual Contribution Contract C-5089V Housing Assistance Payment Program		
Housing Choice Voucher Program	14.871 \$	<u>1,117,714</u>
TOTAL HOUSING ASSISTANCE PAYMENT PROGRAM CLUSTER	\$	<u>1,117,714</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 basic financial statements of Darke Metropolitan Housing Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated February 25, 2005. 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

February 25, 2005

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, 2004. 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, 2004.

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

February 25, 2005

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

Darke Metropolitan Housing Authority
 September 30, 2004

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: \$500,000 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, 2004

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2004

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2004



**Auditor of State
Betty Montgomery**

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DARKE METROPOLITAN HOUSING AUTHORITY

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**