DAYTON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have reviewed the independent auditor's report of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by Bastin & Company, LLC, for the audit period July 1, 2000 through June 30, 2001. 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 Dayton Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

April 3, 2002

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DAYTON METROPOLITAN HOUSING AUTHORITY
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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have audited the accompanying general-purpose financial statements of Dayton Metropolitan Housing Authority, as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the Dayton 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 Dayton Metropolitan Housing Authority, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund 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 March 14, 2002 on our consideration of Dayton Metropolitan Housing Authority's internal control over financial reporting and 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 a whole. The combining balance sheet, the combining statement of revenues and expenses and changes in equity and the schedule of actual modernization costs are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations,* and is also not a required part of the general-purpose financial statements of the Dayton Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Bastin & Company, LLC

Cincinnati, Ohio
March 14, 2002

DAYTON METROPOLITAN HOUSING AUTHORITY
COMBINED BALANCE SHEET
PROPRIETARY FUND TYPE - ENTERPRISE FUND
AS OF JUNE 30, 2001

Assets

Cash and cash equivalents	$ 1,376,226
Accounts receivable, net:	
Tenants, net of allowance for doubtful accounts of $64,000	94,606
HUD	3,164,186
Homebuyer	42,043
Other	572,047
Accrued interest receivable	1,743
Fraud recovery receivable	20,643
Interfund loans	1,024,763
Investments	6,784,069
Inventory, net	1,006,723
Prepaid items	234,567
Total current assets	14,321,616
Land, structures and equipment, net	68,719,852
Total assets	$83,041,468

Liabilities and Equity

Current portion of mortgages payable	$ 15,286
Current portion of capital lease obligation	67,225
Accounts payable:	
Trade	1,589,400
HUD	446,408
Other	560,051
Other current liabilities:	
Payment in lieu of taxes	85,738
Tenants security deposits	234,809
Interfund loans	1,024,763
Deferred revenue	1,240,991
Other	488,269
Total current liabilities	5,752,940
Mortgages payable, net of current portion	802,430
Deferred credits	808,400
Homebuyer's reserve	48,748
Section 8 reserves	101,716
Other	970,907
Total liabilities	8,484,141
Equity	74,556,327
Total liabilities and equity	$83,041,468

The accompanying notes are an integral part of these financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001

Operating revenue:	
HUD grants	$39,766,169
Rental	6,997,067
Other	1,469,193
Total operating revenue	48,232,429
Operating expenses:	
Administration	11,047,205
Tenant Services	2,541,829
Utilities	3,720,529
Ordinary maintenance and operation	8,096,835
Protective services	974,061
General expenses	942,417
Depreciation	5,178,105
Housing assistance payments	12,938,280
Total operating expenses	45,439,261
Net operating income	2,793,168
Non-operating revenue (expenses):	
Interest income	492,667
Interest expense	(35,227)
Fixed asset impairment	(48,172)
Loss on disposal of assets	(25,932)
Net income	3,176,504
Equity, beginning of year, as previously reported	70,467,410
Prior period adjustments	912,413
Equity, end of year	$74,556,327

The accompanying notes are an integral part of these financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001

Cash flows from operating activities:	
Operating income	$ 2,793,168
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,178,105
Change in assets and liabilities:	
Tenant receivables	42,616
HUD receivables	365,655
Homebuyers receivable	3,294
Other receivables	(264,429)
Fraud recovery receivable	(20,643)
Inventory	65,098
Prepaid items	(77,096)
Accounts payable-trade	(653,574)
Accounts payable-HUD	(96,669)
Accounts payable-Other	320,306
Other current liabilities	(124,086)
Homebuyers reserve	(25,466)
Section 8 reserve	15,092
Deferred credits	699,785
Other long-term liabilities	19,476
Net cash provided by operating activities	8,240,632
Cash flows from investing activities:	
Interest income	561,368
Interest expense	(35,227)
Purchases of investments	(5,956,812)
Sales of investments	9,776,232
Net cash provided by investing activities	4,345,561
Cash flows from capital and related financing activities:	
Acquisition of land, structures and equipment	(10,416,913)
Proceeds from disposal of land, structures and equipment	289,541
Proceeds from mortgages payable	317,017
Payments on mortgages payable	(26,335)
Payments on capital lease obligation	(64,105)
Net cash used in capital and related financing activities	(9,900,795)
Net increase in cash and cash equivalents	2,685,398
Cash and cash equivalents, beginning of year	4,481,252
Cash and cash equivalents, end of year	$ 7,166,650

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Description of the entity

The Dayton Metropolitan Housing Authority is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Low-Rent Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to contract with local housing authorities in financing the acquisition, construction and/or leasing of housing units, to make housing assistance payments, and to make annual contributions (subsidies) to the local housing authorities for the purposes of maintaining the low-rent character of the local housing program. Under an administrative form of contract, HUD has conveyed certain federally built housing units to the Authority for low-rent operations.

Description of programs

A summary of the programs administered by the Authority is provided below:

Low-Rent Housing Program - Under this program, the Authority owns and operates apartments and single-family housing units. Funding is provided through tenant rent payments and HUD subsidies.

Public and Indian Housing Drug Elimination Program (PHDEP) - The PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug-related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public and Indian housing.

Section 8 Rental Voucher Program - Under Section 8 of the Housing Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn contracts with private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

Public Housing Comprehensive Grant Program (CGP) - Substantially all additions to land, structures and equipment are accomplished through Comprehensive Grant Programs. Comprehensive Grant Programs replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through grants. The Authority enters into significant construction contract obligations in relation to this Modernization and Development activity on an ongoing basis.

Economic Development and Supportive Services Program (EDSS) - EDSS is an inner city revitalization program, designed to provide saturation level, employment related services to all working age residents of a single public housing development in each community selected as a demonstration site. This initiative was launched in the context of emerging changes in national and state policies that would simultaneously place strict time limits on welfare receipt and reduce federal subsidies for public housing. EDSS was designed with a research component to measure its impact on residents, families, public housing developments, and inner-city communities.

Revitalization of Severely Distressed Public Housing (HOPE VI) - The HOPE VI demolition program supports site acquisition, demolition, and relocation costs for the HOPE VI revitalization program. Under this program, residents of identified neighborhoods are re-located to other Authority and Section 8 housing units. Vacated housing units are then demolished in preparation for the development under the HOPE VI revitalization program. This program seeks to rebuild public housing neighborhoods through various financing and construction development agreements. Following the demolition of existing public housing units under the HOPE VI demolition grant, the revitalization program will seek to rebuild the neighborhood areas using a community anchor facility, new construction and existing street patterns. While a significant portion of the redevelopment effort will be accomplished with HOPE VI funds, the majority will be completed using a variety of public and private resources.

Public and Indian Housing Block Grants - Under this program, qualified low-income families can earn homeownership of their homes. A portion of each monthly rent payment is applied against the purchase of the home. A family achieves homeownership when accumulated equity equals a predetermined amount based on the unamortized purchase price of the dwelling. A family may also purchase the dwelling by obtaining financing for the amount the purchase price exceeds the family's equity in the home.

Resident Opportunity and Supportive Services (ROSS) - The ROSS grant program provides qualified public housing residents training in the skills necessary to achieve self-sufficiency. After completing the Family Self-sufficiency program, residents agree to seek and maintain suitable employment that matches their background, skills, and interests.

Public Housing Capital Fund Program (CFP) - The CFP replaces the Comprehensive Grant Program (CGP) and Comprehensive Improvement Assistance Program (CIAP). The CFP provides funds to public housing agencies to carry out capital and management improvement activities and ensures that such developments continue to be available to serve low-income families.

Home Ownership (HO) Program – This program provides low-income families an opportunity to purchase a new or refurbished home. The Authority purchases property from the City of Dayton at a discounted price. The existing home is refurbished or if property is vacant, a modular home is built on the lot. The Authority then obtains a commercially available low-interest mortgage on the property. The Authority also receives funds from local organizations to supplement the program. Qualified tenants initially lease the property for a specified period. Once the tenant meets pre-determined home ownership criteria, the tenant may apply to assume the existing mortgage on the property. Once approved, the property and mortgage are transferred to the new homeowner.

Summary of significant accounting policies

The general-purpose financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (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 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 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. Based on the criteria established by GASB Codification 2100, Management believes the financial statements included in this report represent all of activities and entities over which the Authority is financially accountable.

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

Enterprise Fund - This fund is used to account for the operations that are 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 - 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.

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.

Receivables/Bad Debts - Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year.

Inventory - Inventory consists of supplies and maintenance parts carried at the lower of cost and market using the average cost method and are expensed as they are consumed.

Investments - The Authority's investments are recorded at fair value. Fair value generally represents quoted market value prices for investments traded in the public marketplace. Investment income, including changes in the fair value of investments, is recorded as revenue in the operating statements.

Land, Structures and Equipment - Land, structures and equipment are recorded at historical cost. Donated land, structures and equipment are recorded at their fair value on the date donated. Depreciation is calculated on a straight-line method using half-year convention over the estimated useful lives. When depreciable property is disposed of or sold, the cost and related accumulated depreciation are removed from the accounts, with any gain or loss reflected in operations. The estimated useful lives are as follows:

Equipment and vehicles	3-7 years
Building and site improvements	15 years
Buildings	40 years

Compensated Absences - Compensated absences are accrued as they are earned by employees if two conditions are met: 1) the employees rights to receive compensation are attributable to services already rendered and 2) it is probable that the employer will compensate the employee for the benefits through paid time off or cash payment. Accrued compensated absences are included in other liabilities.

Debt Obligations - Debt obligations (and the related debt service requirements) of the Authority consist of mortgages and a note for the purchase of real property. HUD-guaranteed debt is treated as contributed capital as all debt service requirements are paid directly by HUD.

Revenue Recognition - Grant revenue is recognized when the earnings process is complete, an exchange has taken place, and any restrictions imposed by the terms of the grant have been met. Rent revenue is recognized over the period for which housing has been provided. Investment income is recognized and recorded when earned and is allocated to programs based upon monthly investment balances.

HUD Contributions - The Authority finances certain expenditures through the issuances of bonds and notes. HUD makes annual contributions and subsidies directly to the authorized fiscal agent of the bonds and notes to meet annual principal and interest requirements.

Risk Management – The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The Authority also maintains employee bonding and employee major medical coverage with private carriers. Employee dental coverage is provided through self-insurance.

Effective November 1, 1998, the Authority entered into a joint insurance pool, Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), with two other Ohio housing authorities. The pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery and public officials liability up to limits stated below. It is intended for the public purpose of enabling housing authorities to obtain insurance coverage, to provide methods for paying claims, and to provide for a formalized, jointly administered self- insurance fund for its members.

OHAPCI is a corporation governed by a board of trustees, consisting of a representative appointed by each of the member housing authorities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own books of account. Budgeting and financing of OHAPCI is subject to the approval of the board. Currently, the participating housing authorities are Dayton, Akron, and Cincinnati.

The following is a summary of insurance coverage at year-end:

Property and boiler and machinery	
General liability, law enforcement liability	$50,000,000 per location
Public officials liability, automobile liability	$ 5,000,000 per occurrence
Crime liability	Up to $ 1,000,000 per occurrence

During the year, settled claims for the Authority did not exceed the coverage provided by OHAPCI.

Use of Estimates - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents and Investments

The provisions of the Ohio Revised Code and the Authority's written investment policy govern the investment and deposit of Authority monies. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasure's investment pool (STAR Ohio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

Deposits - At year-end, the carrying amount of the Authority's deposits was $1,376,221 (including $5,005 of petty cash) and the bank balance was $1,826,603. Of the bank balance, $100,000 was covered by federal depository insurance and $1,726,603 was covered by collateral held by third party trustees pursuant to section 135.181 of the Ohio Revised Code, in collateral pools serving all public funds on deposit with specific depository institutions.

Investments - The Authority's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an investment fund operated by the Ohio State Treasurer and is unclassified since it is not evidenced by securities that exist in physical or book entry form.

Category 2	Carrying Amount	Fair Value
FHLB Discount Note	$ 993,645	$ 993,645
Uncategorized Investments		
Star Ohio	5,790,424	5,790,424
Total	$6,784,069	$6,784,069

3. Land, Structures and Equipment

The Authority capitalizes land, buildings and improvements, equipment and vehicles. A summary as of June 30, 2001 is as follows:

Land	$ 7,078,754
Buildings and improvements	100,354,140
Equipment and vehicles	4,935,198
Construction in Progress	8,421,030
Total	120,788,122
Accumulated Depreciation	(52,068,270)
Net book value	$ 68,719,852

There was no interest capitalized for the year ended June 30, 2001.

4. Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SF AS) No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the Authority has identified three housing locations for demolition. The impairment amount has taken into consideration any expected future cash flows of these assets. The total impairment loss recorded at June 30, 2001 for these locations was $48,172.

5. Capital Leases

During 2000, the Authority entered into a lease for telephone equipment. Scheduled future payments on capital lease obligations as of June 30, 2001 are as follows:

2002 - Net minimum lease payments	$69,660
Less amount representing imputed interest	(2,435)
Present value of net minimum lease payments	$67,225

6. Conduit Debt

In prior years, as part of its conversion to GAAP reporting, the Authority wrote-off debt amortization funds and accrued interest on bond and permanent note issues for loans guaranteed by a pledge of faith of the U .S. Government to finance the Comprehensive Grant Program. HUD pays for the principal and interest on these loans. The outstanding balance on conduit debt at June 30, 2001 is as follows:

Bonds payable with interest rates ranging from 5.25% to 7.00%	$13,104,884
Notes payable with interest rates ranging from 5.50% to 8.00%	31,723,857
	$44,828,741

7. Indebtedness

Under the New Visions program, the Authority has mortgages payable outstanding at June 30, 2001 in the amount of $817,053. The mortgages have an interest rate of 5% and are collateralized by real property. The mortgages are payable to a financial institution in monthly installments, with varying maturities through September 2031. Principal maturity of the indebtedness by fiscal year is as follows:

2002	$ 13,277
2003	13,972
2004	14,704
2005	15,474
2006	16,285
Thereafter	744,044
	$817,716

8. Payment in Lieu of Taxes

The Authority has executed a Cooperation Agreement with the County of Montgomery that provides for tax exemption of the housing projects but requires the Authority to make payment in lieu of taxes for municipal services received based upon a prescribed formula related to rental income. For the year ended June 30, 2001, the Authority made payments totaling $85,738 that is included in general expense.

9. Self-Insured Dental and Vision Plans

The Authority has a self-insured dental and vision plan that covers all employees electing to participate. A reconciliation of claims liabilities is shown below for the years ended June 30, 2000 and June 30, 2001:

	2000	2001
Unpaid claims and claim adjustment expenses at beginning of year	$135,720	$151,105
Incurred claims and claim adjustment expenses: Provision for insured events of the current year	136,420	159,768
Total incurred claims and claim adjustment expenses	272,140	310,873
Payments: Claims and claim adjustment expenses attributable to insured events	(121,035)	(284,927)
Total unpaid claims and claim adjustment expenses at end of year	$151,105	$ 25,946

The Authority makes payments to the Plan Trustee based on estimated amounts needed to pay prior and current year claims. The June 30, 2001 claims liability is based on the requirements of the Governmental Accounting Standards Board (GASB) Statement No.10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

10. Retirement Commitments

All employees of the Authority participate in the PERS of Ohio, a cost-sharing multiple-employer defined benefit pension plan. The PERS of Ohio provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The employer contribution rate for 2000 for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's required contributions to the PERS of Ohio for the years ended June 30, 2001, 2000, and 1999 were $1,009,684, $1,275,322, and $1,137,797 respectively, which were equal to the required contributions for each year.

11. Other Post-employment Benefits

The PERS of Ohio provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2001 was 4.3 percent of covered payroll, which amounted to $320,416.

The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the PERS of Ohio's latest actuarial review perfofll1ed as of December 31, 1999. An entry age nofll1al actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio's net assets available for OPEB at December 31, 1999 was $10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $12,473.6 million and $1,668.1 million, respectively.

12. Uncompleted Contracts

At June 30,2001, the Authority has contracts related to construction in progress under the Comprehensive Grant Program and extraordinary maintenance programs in the amount of $3,598,549.

13. Prior Period Adjustments

Due to various accounting errors, the Authority has made adjustments to correct for amounts previously reported as of June 30, 2000. Theses adjustments increased the amount reported as equity by $912,413 detailed as follows:

Equity, June 30, 2000, as previously reported	$70,467,410
Adjustments to account balances as of June 30, 2000:	
Fixed assets and accumulated depreciation	121,978
Receivables-tenants	37,041
Receivables-other	400,373
Cash	80,444
Deferred revenues	272,577
Total adjustments	912,413
Equity at June 30, 2000 as restated	$71,379,823

14. Segment Information

The Authority maintains multiple funds to account for the operations of its various programs. The following reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the Authority as of and for the year ended June 30, 2001:

	Low Rent	Drug Elimination	Section 8	CGP	Home Ownership	EDSS
Operating revenues	$16,201,556	$1,357,972	$13,992,754	$10,787,077	$37,603	$267,382
Depreciation expense	4,778,731	15,640	20,497	186,661	11,672	5,044
Other operating expenses	17,259,130	1,348,538	14,449,994	2,803,990	52,537	259,033
Operating income (loss)	(5,836,305)	(6,206)	(477,737)	7,796,426	(26,606)	3,305
Earnings on investments	390,442	-	29,539	-	3083	-
Other non-operating expenses	87,059	-	2,000	(150)	11,177	-
Net income (loss)	(5,532,922)	(6,206)	(450,198)	7,796,576	(34,700)	-
Net working capital	7,029,528	-	(159,468)	-	76,369	-
Total assets	60,864,752	77,646	2,359,588	11,904,313,	313,054	18,320
Total liabilities	3,021,130	48,710	2,559,313	970,112	57,088	1,708
Total equity	57,843,622	28,936	(199,725)	10,934,201	255,966	16,612

	Hope VI	ROSS	CFP	General Research	Business Activities	Other State and Local	Total
Operating revenues	$1,259,200	$67,715	$2,954,475	$375,762	$67,725	$863,208	$48,232,429
Depreciation expense	-	-	29,867	-	25,001	104,992	5,178,105
Other operating expenses	1,262,469	67,715	1,137,455	375,762	676,638	567,895	40,261,156
Operating income (loss)	(3,269)	-	1,787,153	-	(633,914)	190,321	2,793,168
Earnings on investments	-	-	-	-	7,316	62,287	492,667
Other non-operating expense	-	-	-	-	9,245	-	109,331
Net income (loss)	(3,269)	-	1,787,153	-	(635,843)	252,608	3,176,504
Net working capital	-	-	-	-	143,222	1,479,025	8,568,676
Total assets	247,504	13,569	2,277,275	-	1,715,069	3,250,378	83,041,468
Total liabilities	250,773	13,569	490,122	-	1,057,722	14,894	8,485,141
Total equity	(3,269)	-	1,787,153	-	657,347	3,235,484	74,556,327

15. Contingent Liabilities

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is involved in various litigation matters. Management has accrued for the potential liability related to one case outstanding at June 30, 2001. The maximum potential liability is estimated at $100,000. The ultimate disposition of other matters is uncertain; therefore, no adjustments have been made to the financial statements relative to those matters.

16. New Accounting Standards

The GASB has issued Statement No.33, *Accounting and Financial Reporting for Non-Exchange Transactions*, Statement No.34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; and Statement No.36 *Recipient Reporting for Certain Shared Non-Exchange Revenues*. These statements establish accounting standards for non-exchange transactions such as grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. GASB Statements No.33 and 36 were adopted for the Authority's fiscal year ending June 30, 2001 and had no effect on the Authority's prior Equity.

GASB Statement No.34 is effective for the fiscal year ending June 30, 2003. The Authority has not completed an analysis of the impact of GASB No. 34 Statements on its reported financial condition and results of operations.

Dayton Metropolitan Housing Authority
Combining Balance Sheet - (FDS Schedule Format)
as of June 30, 2001

	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
ASSETS													
Cash-unrestricted	$ 46,484	$ -	$ 45,915	$ -	$ 5	$ -	$ -	$ -	$ -	$ -	$ 10,165	$ 33,666	$ 136,235
Cash-other restricted	-	-	1,239,991	-	-	-	-	-	-	-	-	-	1,239,991
Total Cash	46,484	-	1,285,906	-	5	-	-	-	-	-	10,165	33,666	1,376,226
Accounts receivable-HUD other projects	1,248,892	48,710	882,786	253,259		1,708	247,504	4,265	477,062				3,164,186
Accounts receivable-other governments	-	-	-	-	-	-	-	-	-	-	-	17,794	17,794
Accounts receivable-miscellaneous	405,777	-	-	-	-	-	-	-	-	-	3,411	145,065	554,253
Accounts receivable-tenants-dwelling rent	158,606	-	-	-	42,043	-	-	-	-	-	-	-	200,649
Allowance for doubtful accounts-dwelling rent	(64,000)	-	-	-	-	-	-	-	-	-	-	-	(64,000)
Fraud recovery	-	-	20,643	-	-	-	-	-	-	-	-	-	20,643
Accrued interest receivable	1,743	-	-	-	-	-	-	-	-	-	-	-	1,743
Total receivables, net of allowances	1,751,018	48,710	903,429	253,259	42,043	1,708	247,504	4,265	477,062	-	3,411	162,859	3,895,268
Investments-unrestricted	5,554,682	-	-	-	-	-	-	-	-	-	-	1,095,903	6,650,585
Investments-restricted	-	-	103,215	-	30,269	-	-	-	-	-	-	-	133,484
Prepaid expenses and other assets	178,058	-	5,579	13,067	-	-	-	-	-	-	36,661	1,202	234,567
Inventories	1,009,308	-	-	-	8,098	-	-	-	-	-	-	-	1,017,406
Allowance for obsolete inventories	(10,683)	-	-	-	-	-	-	-	-	-	-	-	(10,683)
Interprogram-due from	550,884	-	-	131,254	4,294	-	-	9,304	-	-	128,738	200,289	1,024,763
Total current assets	9,079,751	48,710	2,298,129	397,580	84,709	1,708	247,504	13,569	477,062	-	178,975	1,493,919	14,321,616
Land	6,141,315	-	-	379,291	55,953	-	-	-	-	-	73,450	428,745	7,078,754
Buildings	91,980,709	-	-	4,278,372	526,093	-	-	-	242,412	-	1,324,601	2,000,954	100,353,141
Furniture, equipment and machinery-dwellings	94,331	-	-	-	-	10,189	-	-	-	-	-	-	104,520
Furniture, equipment and machinery-administration	3,783,275	51,872	314,615	293,763	15,497	13,529	-	-	121,615	-	1,228	235,284	4,830,678
Accumulated depreciation	(50,214,629)	(22,936)	(253,156)	(195,986)	(369,198)	(7,106)	-	-	(29,867)	-	(66,869)	(908,524)	(52,068,271)
Construction in progress	-	-	-	6,751,293	-	-	-	-	1,466,053	-	203,684	-	8,421,030
Total fixed assets, net of accumulated	51,785,001	28,936	61,459	11,506,733	228,345	16,612	-	-	1,800,213	-	1,536,094	1,756,459	68,719,852
Total assets	$ 60,864,752	$ 77,646	$ 2,359,588	$ 11,904,313	$ 313,054	$ 18,320	$ 247,504	$ 13,569	$ 2,277,275	$ -	$ 1,715,069	$ 3,250,378	$ 83,041,468

Dayton Metropolitan Housing Authority
Combining Balance Sheet - (FDS Schedule Format)
as of June 30, 2001

	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
LIABILITIES													
Accounts payable < 90 days	$ 925,310	$ 1,126	$ 148,877	$ 163,411	$ 2,244	$ -	$ 9,318	$ 76	$ 315,821	$ -	$ 8,323	$ 14,894	$ 1,589,400
Accrued wage/payroll taxes payable	395,177	-	-	-	-	-	-	-	-	-	-	-	395,177
Accrued vacation pay	57,997	-	5,125	-	130	-	-	-	-	-	1,622	-	64,874
Accrued contingency liability	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000
Accounts payable- HUD PHA Program	-	-	446,408	-	-	-	-	-	-	-	-	-	446,408
Accounts payable-other government	77,675	-	-	-	3,841	-	-	-	-	-	4,222	-	85,738
Tenant security deposits	227,384	-	-	-	2,125	-	-	-	-	-	5,300	-	234,809
Deferred revenue	-	-	1,239,991	-	-	-	-	-	-	-	1,000	-	1,240,991
Current portion of long-term debt-capital projects	43,024	-	24,201	-	-	-	-	-	-	-	-	-	67,225
Interprogram due to	-	30,633	592,995	-	-	1,708	238,186	-	161,241	-	-	-	1,024,763
Other current liabilites	55,265	16,951	-	234,169	-	-	-	13,493	-	-	-	-	319,878
Accrued liabilities-other	168,391	-	-	-	-	-	-	-	-	-	-	-	168,391
Current portion of long-term debt-operating projects	-	-	-	-	-	-	-	-	-	-	15,286	-	15,286
Total current liabilities	2,050,223	48,710	2,457,597	397,580	8,340	1,708	247,504	13,569	477,062	-	35,753	14,894	5,752,940
Long term debt, net of current-operating borrowings	-	-	-	-	-	-	-	-	-	-	802,430	-	802,430
Non-current liabilites-other	970,907	-	101,716	572,532	48,748	-	3,269	-	13,060	-	219,539	-	1,929,771
Total non-current liabilities	970,907	-	101,716	572,532	48,748	-	3,269	-	13,060	-	1,021,969	-	2,732,201
Total liabilities	3,021,130	48,710	2,559,313	970,112	57,088	1,708	250,773	13,569	490,122	-	1,057,722	14,894	8,485,141
Contributed capital-projects notes (HUD)	31,723,857	-	-	-	-	-	-	-	-	-	-	-	31,723,857
Contributed captial-long term debt-HUD guaranteed	13,104,884	-	-	-	-	-	-	-	-	-	-	-	13,104,884
Net HUD PHA contributions	19,573,386	(28,936)	303,486	(11,506,833)	-	(16,612)	-	-	(1,800,213)	-	-	-	6,524,278
Other contributions	-	-	-	-	-	-	-	-	-	-	-	169,084	169,084
Total Contributed Capital	64,402,127	(28,936)	303,486	(11,506,833)	-	(16,612)	-	-	(1,800,213)	-	-	169,084	51,522,103
Investment in capital assets - net of debt	6,913,235	28,936	37,259	11,506,733	228,345	16,612	-	-	1,800,213	-	718,379	1,756,460	23,006,172
Undesignated fund balance/retained earnings	(13,471,740)	28,936	(540,470)	10,934,301	27,621	16,612	(3,269)		1,787,153	-	(61,032)	1,309,940	28,052
Total liabilities and equity	$ 60,864,752	$ 77,646	$ 2,359,588	$ 11,904,313	$ 313,054	$ 18,320	$ 247,504	$ 13,569	$ 2,277,275	$ -	$ 1,715,069	$ 3,250,378	$ 83,041,468

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity - (FDS Schedule Format)
for the year ended June 30, 2001

	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
Revenue													
Net tenant rental revenue	$ 4,765,342	$ -	$ -	$ -	$ 36,128	$ -	$ -	$ -	$ -	$ -	$ 53,745	$ -	$ 4,855,215
Tenant revenue-other	2,103,470	-	26,927	-	1,475	-	-	-	-	-	9,980	-	2,141,852
Total tenant revenue	6,868,812	-	26,927	-	37,603	-	-	-	-	-	63,725	-	6,997,067
HUD PHA grants	8,734,690	1,357,972	13,961,896	10,787,077	-	267,382	1,259,200	67,715	2,954,475	375,762	-	-	39,766,169
Other government grants	214,500	-	-	-	-	-	-	-	-	-	4,000	855,708	1,074,208
Investments income-unrestricted	390,442	-	29,539	-	3,083	-	-	-	-	-	7,316	62,287	492,667
Fraud recovery	-	-	3,931	-	-	-	-	-	-	-	-	-	3,931
Other income	383,554	-	-	-	-	-	-	-	-	-	-	7,500	391,054
Gain or loss on sale of fixed assets	(38,010)	-	-	150	(11,177)	-	-	-	-	-	23,105	-	(25,932)
Total revenue	16,553,988	1,357,972	14,022,293	10,787,227	29,509	267,382	1,259,200	67,715	2,954,475	375,762	98,146	925,495	48,699,164
Expenses													
Administrative salaries	2,676,682	-	869,539	893,011	5,707	-	170,490	-	-	-	266,583	126,715	5,008,727
Auditing fees	29,549	-	14,970	-	180	-	-	-	-	-	-	-	44,699
Compensated absences	70,210	-	6,204	-	157	-	-	-	-	-	1,963	-	78,534
Employee ben. contributions-administrative	645,248	-	237,737	188,497	1,392	-	28,830	-	-	-	56,624	16,450	1,174,778
Other operating - administrative	1,796,094	5,303	229,618	1,010,466	2,397	6,378	764,187	-	822,697	-	69,002	34,325	4,740,467
Tenant services-salaries	81,375	56,627	28,960	76,235	-	61,125	69,220	28,639	-	-	-	75,678	477,859
Employee ben. contributions-tenant services	19,852	9,715	3,554	12,804	-	13,011	13,474	3,662	-	-	-	16,205	92,277
Tenant services-other	474,954	499,060	-	63,191	-	175,645	94,525	29,069	-	375,762	2,516	256,971	1,971,693
Water	586,615	-	425	-	873	-	-	-	-	-	1,414	-	589,327
Electric	1,565,454	-	9,843	-	5,382	-	-	-	-	-	3,207	-	1,583,886
Gas	1,067,076	-	1,854	-	-	-	-	-	-	-	2,089	-	1,071,019
Labor	50,578	-	-	-	-	-	-	-	-	-	-	-	50,578
Employee benefit contributions-utilities	11,926	-	-	-	-	-	-	-	-	-	-	-	11,926
Other utilities expense	410,640	-	1,070	-	816	-	-	-	-		1,267	-	413,793
Ordinary maint and op-labor	3,376,648	-	-	267,435	6,594	-	-	-	34,440	-	49,614	-	3,734,731
Ordinary maint and op-materials & other	1,183,851	-	5,904	10,502	16,933	-	-	-	113,220	-	20,458	243	1,351,111
Ordinary maint and op-contract cost	1,823,298	1,056	50,768	89,165	4,859	3	725	5,078	85,677	-	175,183	1,528	2,237,340
Employee benefit contributions-maintenance services	712,435	-	-	41,663	2,012	-	-	-	5,110	-	12,433	-	773,653
Protective services-labor	-	91,972	-	36,654	-	-	-	-	-	-	-	-	128,626
Protective services-other contract costs	-	653,127	598	83,456	-	-	-	-	75,000	-	94	-	812,275
Employee benefit contributions-protective													-
services	-	25,130	-	8,030	-	-	-	-	-	-	-	-	33,160
Insurance	309,087	6,548	75,050	20,908	1,394	2,871	3,488	1,267	1,311	-	8,766	4,464	435,154
Other general expenses	37,149	-	10,936	1,973	-	-	117,530	-	-	-	1,203	-	168,791
Payment in lieu of taxes	77,675	-	-	-	3,841	-	-	-	-	-	4,222	-	85,738
Bad debt-tenant rents	184,649	-	-	-	-	-	-	-	-	-	-	-	184,649
Interest expenses	3,555	-	2,000	-	-	-	-	-	-	-	29,672	-	35,227
Severance expenses	68,085	-	-	-	-	-	-	-	-	-	-	-	68,085
Total operating expenses	17,262,685	1,348,538	1,549,030	2,803,990	52,537	259,033	1,262,469	67,715	1,137,455	375,762	706,310	532,579	27,358,103
Excess(deficiency) operating revenue over operating expenses	(708,697)	9,434	12,473,263	7,983,237	(23,028)	8,349	(3,269)	-	1,817,020	-	(608,164)	392,916	21,341,061

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity - (FDS Schedule Format)
for the year ended June 30, 2001

	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
Other Expenses													
Casualty losses-non capitalized	45,494	-	-	-	-	-	-	-	-	-	2,678	-	48,172
Housing assistance paymentss	-	-	12,902,964	-	-	-	-	-	-	-	-	35,316	12,938,280
Depreciation expense	4,778,731	15,640	20,497	186,661	11,672	5,044	-	-	29,867	-	25,001	104,992	5,178,105
Total other expenses	4,824,225	15,640	12,923,461	186,661	11,672	5,044	-	-	29,867	-	27,679	140,308	18,164,557
Excess (deficiency) of revenue over expenses	(5,532,922)	(6,206)	(450,198)	7,796,576	(34,700)	3,305	(3,269)	-	1,787,153	-	(635,843)	252,608	3,176,504
Beginning equity	62,094,256	35,142	200,606	4,562,710	-	13,306	-	-	-	-	611,079	2,950,311	70,467,410
Prior period adjustments	1,282,288	-	49,867	(1,425,085)	290,666	1	-	-	-	-	682,111	32,565	912,413
Ending Equity	$ 57,843,622	$ 28,936	$ (199,725)	$ 10,934,201	$ 255,966	$ 16,612	$ (3,269)	$ -	$ 1,787,153	$ -	$ 657,347	$ 3,235,484	$ 74,556,327

Dayton Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
From U.S. Department of HUD		
Direct Programs		
U.S Department of HUD		
PHA Owned Housing:		
Public and Indian Housing	14.850	$ 10,165,474
Indian Housing Block Grants	14.867	25,549
Comprehensive Grant Program	14.859	9,658,471
Residential Opportunity and Supportive Services	14.870	67,715
Public Housing Drug Elimination Program	14.854	1,354,820
Demolition and Revitalization of Severely Distressed PH	14.866	1,262,469
Economic Development and Supportive Services	14.864	265,530
General Research and Technology Activity	14.506	375,762
Public Housing Capital Fund	14.872	2,967,535
Total - Public Housing		26,143,325
Section 8 Cluster Programs:		
Rental Vouchers	14.855	14,387,526
Total - Section 8 Cluster Programs		14,387,526
Total U.S. Department of HUD		40,530,851
Total All Programs		$ 40,530,851

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared using the accrual basis of accounting in accordance with the format as set forth in the *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, *Audits of State and Local Governments.*

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF ACTUAL MODERNIZATION COSTS
PROJECT OH10-P005-706

1. The actual modernization costs of the project are as follows:

Classification	OH10-P005-706
Operating account	$ 686,620
Management improvements	659,318
Administration	429,449
Fees and costs	654,213
Site improvements	4,057,094
Dwelling structures	178,457
Non-dwelling structures	176,528
Relocation costs	24,519
Total costs	$6,866,198

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated December 31, 2001 for Project OHl0-P005-706, as submitted to HUD for approval, is in agreement with the Authority's records.

3. Funds advanced for Project OH10-P005-706 totaled $6,866,198.

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have audited the general-purpose financial statements of the Dayton Metropolitan Housing Authority as of and for the year ended June 30, 2001, and have issued our report thereon dated March 14, 2002. 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 the Dayton Metropolitan Housing Authority's general-purpose 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Dayton Metropolitan Housing Authority in a separate letter dated March 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dayton 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 general-purpose 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 general-purpose financial statements 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

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financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Dayton Metropolitan Housing Authority in a separate letter dated March 14, 2002.

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

Bastin & Company, LLC

Cincinnati, Ohio
March 14, 2002

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Compliance

We have audited the compliance of The Dayton Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2001. The Dayton Metropolitan Housing Authority's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of the Dayton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we 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 Dayton 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 the Dayton Metropolitan Housing Authority's compliance with those requirements.

In our opinion, the Dayton Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Dayton Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our

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audit, we considered the Dayton 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.

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 solely for the information and use of the Board of Trustees, management and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bastin & Company, LLC

Cincinnati, Ohio
March 14, 2002

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

SUMMARY OF AUDITORS' RESULTS

Type of financial statement opinion	Unqualified
Material control weaknesses reported at the financial statement level	None
Reportable control weakness conditions reported at the financial statement level	None
Reported noncompliance at the financial statement level	None
Material internal control weakness conditions reported for major Federal programs	None
Reported internal control weakness conditions reported for major Federal programs	None
Type of major programs' compliance opinion	Unqualified
Reportable findings	None
Major programs	Public Housing Drug Elimination Program (CFDA 14.854) Demolition and Revitalization of Severely Distressed PH (CFDA 14.866) Public Housing Capital Fund (CFDA 14.872) Section 8 Cluster - Rental Vouchers (CFDA 14.855)
Dollar threshold to distinguish between Type A/B programs	$1,215,925
Low risk auditee	Yes

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

DAYTON METROPOLITAN HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

There were two findings reported in the prior audit report that were considered as reportable conditions as they relate to the financial statements. The following is a summary of the status of the two findings.

00-1 Cash Procedures

Criteria:
The Authority should reconcile cash on a monthly basis.

Recommendation:
The prior audit recommended that all cash accounts be reconciled on a monthly basis. The reconciliations should be reviewed by someone in management to ensure accuracy and timeliness. By performing this function on a consistent basis, errors can be detected and corrected on a timely basis. The above issues of back dating checks, recording voided and manual checks, and reconciling deposits will be handled through the monthly cash account reconciliations and implementation of policies and procedures over cash transactions.

Status:
The Authority instituted procedures during fiscal year 2001 to reconcile cash accounts on a timely basis.

00-2 Monitoring of Financial Statements

Criteria:
The Authority should have policies and procedures in order to record financial statements in accordance with generally accepted accounting principles (GAAP).

Recommendation:
The prior audit recommended that management should ensure that all accounts and funds are assigned to an individual in the accounting department and that the individual has the requisite knowledge to record the transactions and reconcile the accounts under GAAP. There also needs to be increased coordination between the accounting department and other financially-related departments, such as MIS, TARS and purchasing, to ensure that all transactions are completed and recorded timely. Management should perform a review analysis at least quarterly to ensure the activity continues to be recorded in accordance with GAAP and that reconciliations of accounts are performed timely and accurately. The policies and procedures should then be documented and distributed to the individuals in the accounting department and other financially-related departments. By implementing these procedures, the financial statements will be accurately stated in accordance with GAAP and can be produced within a reasonable time at month and year-ends.

Status:
The Authority instituted policies and procedures during fiscal year 2001 to record financial statements in accordance with generally accepted accounting principles (GAAP).

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DAYTON METROPOLITAN HOUSING AUTHORITY

MONTGOMERY 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 16, 2002