DAYTON METROPOLITAN HOUSING AUTHORITY
DAYTON, OHIO

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

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, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Dayton Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 29, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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DAYTON METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2003

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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners	Regional Inspector General of Audit
Dayton Metropolitan Housing Authority	Department of Housing and Urban
Dayton, Ohio	Development

We have audited the accompanying basic financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of Dayton 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 financial statements referred to above present fairly, in all material respects, the financial position of Dayton Metropolitan Housing Authority, Dayton, Ohio as of June 30, 2003, and the changes in financial position and 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, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2003 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.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements. The supplementary Financial Data Schedules 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 basic 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Bastin & Company, LLC

Cincinnati, Ohio
December 23, 2003

As management of the Dayton Metropolitan Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9.

The year ended June 30, 2003 is the first year the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 34; accordingly, a comparative analysis of current and prior year balances is not included, however, such an analysis will exist in subsequent years.

FINANCIAL HIGHLIGHTS

- Total net assets of the Authority exceeded its liabilities as of June 30, 2003 by $76,528,243, an increase of 2.9 percent from June 30, 2002.

- Total unrestricted net assets of the Authority as of June 30, 2003 totaled $16,876,785, an increase of 88.4 percent from June 30, 2002.

- The Authority's restricted and unrestricted cash balance at June 30, 2003 totaled $18,234,351, an increase of $6,930,595 or 61.3 percent, from June 30, 2002.

- The Authority had total operating revenue of $45,777,906 and total operating expenditures of $50,000,900 resulting in net operating loss of $4,222,994 for the year ended June 30, 2003. Net income after non-operating revenues and expenses resulted in an increase in total net assets by $2,191,247 for the year.

- The Authority’s capital outlays for the year were $11,014,501.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The following is a list of the basic financial statements included in this report:

MD&A
MD&A Management Discussion and Analysis (new)

Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows
Notes to the Basic Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Authority' s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating:

The *statement of revenues, expenses and changes in fund net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows to future fiscal periods (e.g. depreciation and earned but unused vacation leave).

The *statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing activities and: investing activities.

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund. The more significant programs consist of the following:

Public and Indian Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) – The Capital Fund Program also is the primary funding source for physical and management improvements to the Authority’s properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority’s housing stock. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

Public 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 housing. This program expired in September 2003 with no further funding expected.

Section 8 Choice Voucher Program - Under the Section 8 Voucher 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 the private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

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 relocated to other Public Housing and Section 8 Voucher units. Vacated public 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.

Resident Opportunity and Supportive Services (ROSS) - The ROSS 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.

General Research and Technology – The General Research and Technology program is a move to work program in relation to the Jobs Plus Program. Tenants of the target site, DeSoto Bass Courts, are provided the necessary training for them to become self-sufficient and gainfully employed. As an incentive, the authority does not increase rents as a result of this employment, which causes a loss in rent to the authority. Funding is provided to the authority from HUD through this grant to assist with the authority's loss in rental income as a result of the Jobs Plus program efforts.

These financial statements report on all of the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's overall function is to provide decent, safe, and sanitary housing to low income and special needs populations, funded primarily with grant funds provided from the U.S. Department of Housing and Urban Development.

The financial statements can be found on pages 9 through 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements for its various programs. The Authority reports its overall financial position and activities in proprietary fund type - enterprise fund.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basis financial statements. Notes to the basis financial statements can be found on pages 12 through 23 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Assets

The following table represents a condensed statement of net assets.

	2003 (In thousands)
Current and other assets	$24,148
Capital assets	69,060
Total assets	93,208
Current liabilities	6,129
Non-current liabilities	10,551
Total liabilities	16,680
Net assets:	
Invested in capital assets, net of debt	59,651
Unrestricted	16,877
Total net Assets	$76,528

By far the largest portion of the Authority's net assets (78 percent) reflects its investments in capital assets net of related debt. The Authority uses these capital assets (e.g., buildings, machinery, and equipment). to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Statement of Revenues, Expenses and Changes in Fund Net Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets.

	2003 (In thousands)
Tenant rental revenue	$ 4,969
Government operating grants	38,421
Other revenue	2,388
Total operating revenue	45,778
Operating expenses	23,938
Depreciation expense	5,826
Housing Assistance Payments	20,237
Total operating expenses	50,001
Non-operating capital grants	8,542
Other non-operating items	(2,128)
Total non-operating revenues	6,414
Change in net assets	$ 2,191

The net assets of the Authority increased by $2,191,247 during the current fiscal year. The Authority's revenues are largely governmental revenues received from cost reimbursement and capital grants. The

Authority draws down monies from the grant awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's governmental revenues and charges for services were sufficient to cover all non-depreciation related expenses incurred during the year.

The Housing Assistance Payments increased by $3.7 million from the previous year. Funding in this program is based on the number of units leased. During the 2003 fiscal year the count of units leased increased by 576 units.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2003 the Authority's capital assets were $69,060,267 (capital assets net of accumulated depreciation) as reflected in the fo1lowing schedule. Capital assets include $5,136,768 in construction in progress expenditures for various on-going projects.

	2003 (In thousands)
Land	$9,668
Buildings	105,847
Equipment and vehicles	5,384
Construction in progress	5,136
Accumulated depreciation	(56,975)
Total	$69,060

Major capital asset purchases during fiscal year 2003 included the following:

- Capital expenditures of $364,722 to purchase office equipment.
- Capital expenditures of $10,649,779 for demolition, new construction and site improvements.

Additional information on the Authority's capital assets can be found in Note 3 on pages 17 of this report.

Debt

As of June 30, 2003, the Authority had $9,408,809 of debt, an increase of $8,366,890, over the prior year. Debt consists of mortgages under the New Visions program and the financing for a capital lease contract under the Energy Performance Contract (EPC). The increase in debt from previous years is due to the lease contract, which began during fiscal year 2003.

The mortgages have interest rates between 5 and 6 percent and are collateralized by real property. The mortgages are payable to a financial institution in monthly installments, with varying maturities through September 2033.

The Energy Performance Contract is a HUD funded program that, in effect, rewards Authorities who install energy efficient measures into their housing units. The Authority has entered into a long-term lease to finance the installment of the energy saving devices. The contract for the installation of the devices is to be completed on March 1, 2004. Funds for the payment of the lease will come from savings realized from conserving energy while HUD reimburses the Authority for utilities at a rate set prior to installation of the energy saving devises. The lending institution advanced the loan proceeds in May 2003 and its retirement will take place in equal payments through April 2016.

There was no significant impact on the amount of debt payments from previous years. However in fiscal year 2004, lease payments for the financing of the Energy Performance Contract begin in May 2004 that will significantly increase debt payments in future years.

Additional information on the Authority's long-term debt can be found in Notes 4 and 5 beginning on page 18 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Authority's budget for the 2004 fiscal year.

A three-year phase-out of demolished units is substantially over. This will decrease the Authority's operating subsidy by approximately $220,000.

Health insurance costs are projected to increase by 15 percent.

The Authority's subsidy for the subsequent fiscal year is based upon estimates as of the beginning of the last quarter of the previous fiscal year. The estimates and actual costs/revenues are compared and the difference results in a payable or receivable due to/from HUD.

Approximately 86 percent of the Authority's revenues come from governmental grants. When an entity is that dependent on one source of revenue, there is always risk, that should the funding change due to unforeseen circumstances, the Authority would be facing a financial uncertainty.

During the 2003 fiscal year, the Authority implemented a downsizing plan as a result of decreased funding associated with the demolition of 426 of the 4,200 housing units under management by the Authority. The plan included the elimination of approximately 50 staff, and the reduction in operating expenses associated with maintaining the housing units. After implementation of the downsizing plan, administrative and maintenance expenses reduced by approximately $2.3 million as of June 30, 2003. This downsizing plan has prepared the Authority to operate within the expected revenues in future years, without an impact on the ability of the Authority to provide services to the residents. From an operational standpoint, and after adding back the depreciation expense (a non-cash expenditure) the Authority reflected an increase to net assets in the amount of $8 million, which is a positive step toward remaining financially solvent.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Interim Executive Director, Dayton Metropolitan Housing Authority, 400 Wayne Avenue P.O. Box 8750, Dayton, Ohio 45401-8750, or call (937) 910-7500.

DAYTON METROPOLITAN HOUSING AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUND TYPE - ENTERPRISE FUND

JUNE 30, 2003

Assets	
Current assets:	
Cash and cash equivalents	$ 10,648,812
Accounts receivable net:	
Tenants, net of allowance for doubtful accounts of $52,398	229,918
HUD	3,752,334
Fraud recovery receivable	133,298
Other governments	865,040
Other receivables	123,520
Inventory	517,206
Prepaid items	292,216
Total current assets	16,562,344
Non-current assets:	
Restricted cash and cash equivalents	7,585,539
Capital assets, net	69,060,267
Total non-current assets	76,645,806
Total assets	93,208,150
Liabilities	
Current liabilities:	
Accounts payable:	
Trade	4,098,602
HUD	150,562
Accrued wages and benefits	335,883
Accrued liabilities	195,445
Accrued contingency	369,356
Accrued compensated absences	66,601
Accrued payments in lieu of taxes	14,589
Tenants' security deposits	245,333
Deferred revenues	65,764
Current portion of mortgages payable	16,141
Current portion of capital lease payable	94,208
Contractor retentions	476,742
Total current liabilities	6,129,226
Non-current liabilities:	
Mortgages payable, net of current portion	894,785
Capital lease payable, net of current portion	8,403,675
Compensated absences, net of current portion	786,520
Deferred credits	241,240
Section 8 reserves	129,692
Homebuyer's reserve	28,722
Other long-term accrued liabilities	66,047
Total non-current liabilities	10,550,681
Total liabilities	16,679,907
Net Assets	
Invested in capital assets, net of related debt	59,651,458
Unrestricted net assets	16,876,785
Total net assets	$ 76,528,243

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

DAYTON METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND TYPE - ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2003

Operating revenue:	
Tenant rental revenue	$ 4,968,952
Government operating grants	38,421,185
Other revenue	2,387,769
Total operating revenue	45,777,906
Operating expenses:	
Administrative expense	7,923,343
Tenant services	2,070,261
Utilities expense	3,400,778
Ordinary maintenance and operation	6,704,088
Protective services	681,185
General expenses	3,158,228
Housing assistance payments	20,236,676
Depreciation and amortization	5,826,341
Total operating expenses	50,000,900
Operating income (loss)	(4,222,994)
Non-operating revenue (expenses):	
Interest and investment income	151,114
Interest expense	(51,378)
Capital grants	8,542,023
Loss on disposal of capital assets	(2,227,518)
Total non-operating revenue (expense), net	6,414,241
Change in net assets	2,191,247
Net assets, beginning of year	74,336,996
Net assets, end of year	$ 76,528,243

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, 2003

Cash flows from operating activities:	
Receipts from tenants	$ 4,934,303
Receipts from operating grants	37,317,640
Other operating receipts	1,588,014
Housing assistance payments	(20,248,241)
Payments for general and administrative expense	(23,355,489)
Net cash provided by operating activities	236,227
Cash flows from capital and related financing activities:	
Principal and interest paid on mortgages	(182,371)
Proceeds from capital lease	8,497,883
Construction and acquisition of capital assets	(8,101,528)
Capital grants	6,328,448
Net cash provided by capital and related financing activities	6,542,432
Cash flows from investing activities:	
Interest received on investments	151,936
Net cash provided by investing activities	151,936
Net increase in cash and cash equivalents	6,930,595
Cash and cash equivalents at beginning of year	11,303,756
Cash and cash equivalents at end of year	$18,234,351
Reconciliation of operating loss to net cash provided by operating activities:	
Loss from operations	($4,222,994)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	5,826,341
Change in assets and liabilities:	
Net change in tenant accounts receivable	20,430
Net change in allowance for doubtful accounts	(12,359)
Net change in HUD receivable, operating grants	89,647
Net change in fraud recovery receivable	(38,298)
Net change in other governments receivable	(865,040)
Net change in other receivables	65,285
Net change in inventory and prepaid items	5,638
Net change in accounts payable, trade	441,734
Net change in accounts payable, HUD	(1,193,192)
Net change in accrued wages and benefits	9,672
Net change in accrued liabilities, contingency and payments in lieu of taxes	349,839
Net change in accrued compensated absences	(224,489)
Net change in tenants' security deposits	3,376
Net change in deferred credits	(14,799)
Net change in section 8 and homebuyers reserves	(4,564)
Net cash provided by operating activities	$ 236,227

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

1. Summary of Significant Accounting Policies

Description of the Entity and Programs

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.

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

Public and Indian Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) - The Capital Fund Program also is the primary funding source for physical and management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

Public 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 housing. This program expired in September 2003 with no further funding expected.

Section 8 Choice Voucher Program - Under the Section 8 Voucher 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 the private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

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 relocated to other Public Housing and Section 8 Voucher units. Vacated public 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.

Resident Opportunity and Supportive Services (ROSS) - The ROSS 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.

General Research and Technology - The General Research and Technology program is a move to work program in relation to the Jobs Plus Program. Tenants of the target site, DeSoto Bass Courts, are provided the necessary training for them to become self-sufficient and gainfully employed. As an incentive, the authority does not increase rents as a result of this employment, which causes a loss in rent to the authority. Funding is provided to the authority from HUD through this grant to assist with the authority's loss in rental income as a result of the Jobs Plus program efforts.

Summary of Significant Accounting Policies

The financial statements of the Dayton Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, GASB approved Statement No.34, *Basic Financial Statements ~- Management's Discussion and Analysis -for State and Local Governments*. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements including notes to the financial statements. The Authority has elected to implement the provisions of GASB 34 in the Current fiscal year.

Reporting Entity – The accompanying basic financial statements comply with the provision of Governmental Accounting Standard 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 it officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

Management believes the financial statements included in this report represent all of 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. Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

> *Enterprise Fund* – This fund is used to account for the operations that 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.

Investments – The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year 2003 totaled $151,114.

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.

Restricted Cash and Cash Equivalents **–** Cash and cash equivalents have been classified as restricted on the balance sheet for funds held in escrow under the Section 8 and Homebuyer's programs and for the unused proceeds from a capital lease that is to be used for construction purposes.

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.

Capital Assets – 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 Authority capitalizes all assets with a cost of $500 or more. The estimated useful lives are as follows:

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

Compensated Absences – The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Debt Obligations – Debt obligations of the Authority consist of mortgages for a homeownership program and a capital lease for the Energy Performance Contract to finance the installment of energy saving devices.

Net Assets **–** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets - net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets

Revenue Recognition – Grant revenue is recognized when the earnings process is complete, and 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.

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

Use of Estimates – The preparation of financial statement sin 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 and HUD regulations 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 Treasurer'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 $11,496,007 (including $4,700 of petty cash) and the bank balance was $12,748,274. Of the bank balance, $100,000 was covered by federal depository insurance and $12,648,274 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 Authority at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the Authority'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 Authority'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.

	Carrying Amount	Fair Value
Uncategorized Investments		
STAR Ohio	$6,738,344	$6,738,344
Total	$6,738,344	$6,738,344

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No.9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No.3 is as follows:

	Cash and Cash Equivalents	Investments
Cash and cash equivalents	$10,648,812	$ -
Restricted cash and cash equivalents	7,585,539	-
Total GASB Statement No. 9	18,234,351	-
Investments:		
STAR Ohio	(6,738,343)	6,738,343
Total GASB Statement No. 3	$11,496,008	$6,738,343

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2003 follows:

Historical Cost: Class	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Capital assets not being depreciated:				
Land	$8,072,121	$1,733,361	($137,752)	$9,667,730
Construction in progress	893,749	8,582,023	(4,339,004)	5,136,768
Capital assets being depreciated:				
Buildings and improvements	110,014,187	4,673,399	(8,840,580)	105,847,006
Equipment and vehicles	5,033,506	364,722	(14,350)	5,383,878
Total cost	$124,013,563	$15,353,505	($13,331,686)	$126,035,382

Accumulated Depreciation: Class	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Buildings and improvements	($53,231,539)	($5,489,201)	$6,427,710	($52,293,030)
Equipment and vehicles	(4,359,295)	(337,140)	14,350	(4,682,085)
Total depreciation	($57,590,834)	($5,826,341)	$6,442,060	($56,975,115)
Net value	$66,422,729			$69,060,267

Capitalized interest for the year ended June 30, 2003 totaled $215,593.

4. Mortgages Payable

The Authority has issued $960,000 of mortgages payable under the New Visions program with an outstanding balance at June 30, 2003 of $910,926. Under the program, the Authority purchases property, refurbishes or builds a modular home on the lot. The Authority then obtains a commercially available low-interest mortgage on the property. 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.

The mortgages have interest rates between 5 and 6 percent and are collateralized by real property. The mortgages are payable in monthly installments, with varying maturities through April 2033. The mortgages mature as follows:

Year ended June 30,	Principal	Interest	Total
2004	$ 16,141	$ 47,507	$ 63,648
2005	17,001	46,647	63,648
2006	17,908	45,740	63,648
2007	18,863	44,785	63,648
2008	19,870	43,778	63,648
2009-2013	116,443	201,797	318,240
2014-2018	151,087	167,153	318,240
2019-2023	196,123	122,117	318,240
2024-2028	246,195	63,709	309,904
2029-2033	111,295	10,017	121,312
Total	$910,926	$793,250	$1,704,176

5. Capital Lease Payable

On May 15, 2003 the Authority entered into a long-term lease to finance the installment of the energy saving devices. The Energy Performance Contract is a HUD funded program that, in effect, rewards Authorities who install energy efficient measures into their housing units. The related construction contract for the installation of the devices is to be completed on March 1, 2004. Funds for the payment of the debt service will be provided by the amount of savings realized from conserving energy while HUD reimburses the Authority for utilities at a rate set prior to installation of the energy saving devises.

The terms of the lease provide for an initial amount totaling $8,453,451 with the first payment deferred until May 15, 2004. The lease includes an interest factor of 4.2 percent. Interest during the deferred period totaling $331,213 is to be added to the initial lease amount and paid for over the life of the lease ($44,432 has been accrued as part of the additional lease payable as of June 30, 2003). Assets constructed under the lease total $1,056,675 as of June 30, 2003 and are recorded within construction in progress.

The Authority's future minimum payments under the capital lease obligation as of June 30, 2003 are as follows:

Year Ended June 30	Amount
2004	$ 155,536
2005	933,218
2006	933,218
2007	933,218
2008	933,218
2009-2013	4,666,090
2014-2016	2,644,117
Total minimum lease payments	11,198,615
Less: amount representing interest	(2,700,732)
Present value of future minimum lease payments	$ 8,497,883

6. Loss on Disposal of Capital Assets

During the year ended June 30, 2003, the Authority demolished certain housing projects. As a result, capital assets and related accumulated depreciation has been removed from the accounts and a related loss on disposal of capital assets totaling $2,227,518 has been recognized for the current fiscal year.

7. 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, 2003, the Authority has accrued a liability totaling $14,589. Related expenses in the same amount are reported in general expenses.

8. 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 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 book of account. Budgeting and financing of OHAPC is subject to the approval of the board. Currently, the participating housing authorities are Dayton, Akron, Cincinnati, and Youngstown.

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

Boiler and machinery liability	$50,000,000 per location
Property, general liability, and law enforcement liability	$35,000,000 per location
Public officials liability, automobile liability	$5,000,000 per occurrence
Crime liability	$1,000,000 per occurrence

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

9. Self-Insurance

The Authority has entered into a joint insurance pool with other Ohio housing authorities. The Ohio Housing Authority Property and Casualty, Inc. (OHAPCI) pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery and public officials liability up to established limits. OHAPCI assesses the members of the pool an annual premium to fund estimated amounts needed to pay prior and current year claims. As of June 30, 2003, the pool maintained a reserve in excess of actual and estimated claims relative to the Authority.

The Authority also 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, 2002 and June 30, 2003:

	2002	2003
Unpaid claims and claim adjustment expenses at beginning of year	$25,946	$36,296
Provision for insured events of the current year	86,667	74,608
Total incurred claims and claim adjustment expenses	112,613	110,904
Claims and claim adjustment expenses attributable to insured events	(76,317)	(73,101)
Total unpaid claims and claim adjustment expenses at end of year	$36,296	$37,803

The $37,803 liability for the current and long-term portions of unpaid claims and claim adjustment expense is recorded in current and long-term accrued liabilities on the statement of net assets.

The Authority makes payments to the Plan Trustee based on estimated amounts needed to pay prior and current year claims. The June 30, 2003 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 full-time employees of the Authority participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Authority is also required to contribute a 13.55 percent of covered payroll. The Authority's required contributions to the PERS of Ohio for the years ended June 30, 2003, 2002, and

2001 were $1,007,008, $1,198,137 and $1,009,684, respectively, which were equal to the required contributions for each year.

11. Other Post-employment Benefits

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipient of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement Number 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The employer contribution rate for 2003 was 13.55 percent of covered payroll and 5.0 percent was the portion used to fund health care. The Authority's actual contributions for 2003, which were used to fund OPEB was $371,590. Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions based on PERS' latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041. PERS' net assets available for payment of benefits at December 31, 2001, (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

12. 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 as a current liability amounts related to three cases outstanding at June 30, 2003. The maximum potential liability is estimated at $369,356. The ultimate disposition of other matters is uncertain; therefore, no adjustments have been made to the financial statements relative to those matters.

13. Uncompleted Contracts

At June 30, 2003, the Authority has uncompleted contracts related to construction in progress under the Comprehensive Grant Program and Energy Performance Contract of approximately $11,093,000.

14. Segment Information

The Authority operates various programs. The following reflects, in a summarized format, the more significant financial data relating to the Authority's programs as of and for the year ended June 30, 2003:

	Low Rent	Drug Elimination	Choice Voucher Section 8	CFP	Home Ownership
Operating revenues	$ 16,395,264	$ 436,014	$ 22,404,665	$ 2,823,740	$ 65,293
Depreciation expense	5,228,648	-	18,007	440,626	9,674
Other operating expenses	15,439,983	436,014	22,211,868	2,849,505	35,725
Operating income (loss)	(4,273,367)	-	174,790	(466,391)	19,894
Earnings on investments	72,651	-	13,611	-	1,525
Other non-operating items	(1,770,410)	-	-	4,181,907	-
Net income (loss)	(5,971,126)	-	188,401	3,715,516	21,419
Net working capital	4,688,999	-	176,598	-	59,457
Total assets	66,080,138	8,183	2,188,068	9,967,153	289,336
Total liabilities	11,931,187	8,183	2,004,510	643,224	39,781
Net Assets	54,148,951	-	183,558	9,323,929	249,555

	Hope VI	ROSS	General Research	Business Activities	Other State and Local	Total
Operating revenues	$1,110,683	$411,643	$318,354	$110,730	$1,701,520	$45,777,906
Depreciation expense	-	-	-	35,344	94,042	5,826,341
Other operating expenses	1,110,683	411,643	318,354	630,512	730,272	44,174,559
Operating income (loss)	-	-	-	(555,126)	877,206	(4,222,994)
Earnings on investments	-	-	-	41,948	21,379	151,114
Other non-operating items	3,921,311	-	-	(69,681)	-	6,263,127
Net income (loss)	3,921,311	-	-	(582,859)	898,585	2,191,247
Net working capital	-	-	-	3,633,300	1,874,764	10,433,118
Total assets	6,652,040	84,040	-	5,079,070	4,847,782	95,195,810
Total liabilities	2,014,327	84,040	-	1,235,140	707,175	18,667,567
Net Assets	4,637,713	-	-	3,843,930	4,140,607	76,528,243

Total assets and total liabilities include $1,987,660 of inter-program receivables and payables as discussed in Note 15.

15. Inter-program Receivables and Payables

Inter-program receivables and payables are made throughout the year in order to provide operating funds to various programs administered by the Authority. The following balances at June 30, 2003 represent individual program receivables and payables:

Program	Inter-program Receivable	Inter-program Payable
Low-Rent Housing	$ 641,579	$ -
Public and Indian Housing Block Grants	24,568	-
ROSS	18,341	-
Public Housing Capital Fund Program	41,758	-
Business Activities	694,297	-
State/Local	567,117	-
PHDEP	-	3,355
Section 8 Choice Vouchers	-	1,637,366
HOPE VI	-	281,240
ROSS	-	65,699
Total	$1,987,660	$1,987,660

These Inter-program receivables and payables have been eliminated in the statement of net assets.

16. Changes in Accounting Principles, Reclassifications and Restatement of Prior Year Fund Equity

For fiscal year 2003, the Authority implemented GASB Statement No. 34. The implementation had no effect on the total enterprise fund equity; however it did affect the classification of equity. The following reflects the reclassifications to beginning year balances and the changes to equity for fiscal year 2003:

	Total	Contributed Capital	Retained Earning	Capital Assets Net of Related Debt	Unrestricted Net Assets
Net assets, beginning of the year	$74,336,996	$79,721,429	($5,384,433)	$ -	$ -
GASB 34 Reclassifications	-	(79,721,429)	5,384,433	65,380,810	8,956,186
Net assets, beginning of year, restated	74,336,996	-	-	65,380,810	8,956,186
Mortgage payments	130,993	-	-	130,993	-
Capital lease	(8,497,883)	-	-	(8,497,883)	-
Capital assets:					
Additions	11,014,501	-	-	11,014,501	-
Disposals, net	(2,550,622)	-	-	(2,550,622)	-
Depreciation expense	-	-	-	(5,826,341)	5,826,341
Net income	2,094,258	-	-	-	2,094,258
Net assets, end of year	$76,528,243	$ -	$ -	$59,651,458	$16,876,785

Dayton Metropolitan Housing Authority
Combining Balance Sheet
(FDS Schedule Submitted to HUD)
as of June 30, 2003

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Rental Voucher Section 8	CGP	Choice Voucher Section 8	Home Ownership	Economic Development	Hope VI	Ross Grant	CFP	General Research	Business Activities	State/Local and LHA	Total
	ASSETS														
111	Cash-unrestricted	$5,546,175				$1,040,403	$200						$2,912,252	$1,149,782	$10,648,812
112	Cash- restricted	7,449,918				107,351	28,270								7,585,539
100	Total cash	12,996,093				1,147,754	28,470						2,912,252	1,149,782	18,234,351
122	Accounts receivable- HUD other projects	184,944	8,183			877,715			2,014,327	65,699	601,466				3,752,334
124	Accounts receivable - other government													865,040	865,040
125	Accounts receivable- miscellaneous	2,697											120,823		123,520
126	Accounts receivable- tenant dwelling rents	236,568					45,748								282,316
126.1	Allowance for doubtful accounts-dwelling rents	(52,398)													(52,398)
128	Fraud recovery					133,298									133,298
120	Total receivables, net of allowances	371,811	8,183			1,011,013	45,748		2,014,327	65,699	601,466		120,823	865,040	5,104,110
142	Prepaid expenses and other assets	287,173											5,043		292,216
143	Inventories	517,206													517,206
144	Inter-program due from	641,579					24,568			18,341	41,758		694,297	567,117	1,987,660
150	Total current assets	14,813,862	8,183			2,158,767	98,786		2,014,327	84,040	643,224		3,732,415	2,581,939	26,135,543
161	Land	6,720,474					52,781		1,925,634		488,565		51,530	428,745	9,667,729
162	Buildings	93,142,739					483,730				8,801,325		1,418,259	2,000,954	105,847,007
163	Furniture, equipment - dwellings	104,520													104,520
164	Furniture, equipment - administration	4,433,832				320,194	15,497				273,322		1,228	235,285	5,279,358
166	Accumulated depreciation	(54,423,430)				(290,893)	(361,458)				(669,676)		(124,362)	(1,105,295)	(56,975,114)
167	Construction in progress	1,288,141							2,712,079		430,393			706,154	5,136,767
160	Total fixed assets, net of accumulated depreciation	51,266,276				29,301	190,550		4,637,713		9,323,929		1,346,655	2,265,843	69,060,267
190	Total assets	$66,080,138	$8,183			$2,188,068	$289,336		$6,652,040	$84,040	$9,967,153		$5,079,070	$4,847,782	$95,195,810

Dayton Metropolitan Housing Authority
Combining Balance Sheet
(FDS Schedule Submitted to HUD)
as of June 30, 2003

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Rental Voucher Section 8	CGP	Choice Voucher Section 8	Home Ownership	Economic Development	Hope VI	Ross Grant	CFP	General Research	Business Activities	State/Local and LHA	Total
	LIABILITIES														
312	Accounts payable < 90 days	$1,356,766	$4,828			$76,900	$94		$1,698,560		$179,403		$74,876	$707,175	$4,098,602
321	Accrued wages/payroll taxes	335,883													335,883
322	Accrued compensated absences-current	54,613				9,990							1,998		66,601
324	Accrued contingency liability	369,356													369,356
331	Accounts payable-HUD					150,562									150,562
333	Accounts payable-other government	8,059					6,530								14,589
341	Tenant security deposits	234,798					4,435						6,100		245,333
342	Deferred revenues	10,817								18,341	36,606				65,764
343	Current portion of long-term debt	94,208													94,208
344	Current portion of long-term debt-operating												16,141		16,141
345	Other current liabilities	15,000							34,527		427,215				476,742
346	Accrued liabilities-other	195,445													195,445
347	Inter-program due to		3,355			1,637,366			281,240	65,699					1,987,660
310	Total current liabilities	2,674,945	8,183			1,874,818	11,059		2,014,327	84,040	643,224		99,115	707,175	8,116,886
351	Long term debt (Lease)	8,403,675													8,403,675
352	Long term debt (Mortgages) net of current operating												894,785		894,785
353	Non-current liabilities-other	66,047				129,692	28,722						241,240		465,701
354	Accrued compensated absences-noncurrent	786,520													786,520
350	Total non-current liabilities	9,256,242				129,692	28,722						1,136,025		10,550,681
300	Total liabilities	11,931,187	8,183			2,004,510	39,781		2,014,327	84,040	643,224		1,235,140	707,175	18,667,567
	EQUITY														
508.1	Invested in capital assets-net of related debt	42,768,393				29,301	190,550		4,637,713		9,323,929		435,729	2,265,843	59,651,458
512.1	Unrestricted net assets	11,380,558				154,257	59,005						3,408,201	1,874,764	16,876,785
513	Total equity/net assets	54,148,951				183,558	249,555		4,637,713		9,323,929		3,843,930	4,140,607	76,528,243
600	Total liabilities and equity/net assets	$66,080,138	$8,183			$2,188,068	$289,336		$6,652,040	$84,040	$9,967,153		$5,079,070	$4,847,782	$95,195,810

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity
(FDS Schedule Submitted to HUD)
for the year ended June 30, 2003

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Rental Voucher Section 8	CGP	Choice Voucher Section 8	Home Ownership	Economic Development	Hope VI	Ross Grant	CFP	General Research	Business Activities	State/Local and LHA	Total
	REVENUE														
703	Net tenant rental revenue	$3,700,931					$63,290						$83,562		$3,847,783
704	Tenant revenue-other	1,027,384				64,614	2,003						27,168		1,121,169
705	Total tenant revenue	4,728,315				64,614	65,293						110,730		4,968,952
706	HUD PHA operating grants	11,161,033	436,014			22,159,718			1,110,683	411,643	2,823,740	318,354			38,421,185
706.1	Capital grants								3,921,311		4,620,712				8,542,023
708	Other government grants	130,084				162,567								1,652,743	1,945,394
711	Investments income-unrestricted	72,651											41,948	21,379	135,978
714	Fraud recovery					17,766									17,766
715	Other revenue	375,832												48,777	424,609
716	Gain or loss on sale of fixed assets	(1,770,410)									(438,805)		(18,303)		(2,227,518)
720	Investment Income-restricted					13,611	1,525								15,136
700	Total revenue	14,697,505	436,014			22,418,276	66,818		5,031,994	411,643	7,005,647	318,354	134,375	1,722,899	52,243,525
	EXPENSES														
911	Administrative salaries	2,195,596				1,103,196	9,001		209,491		608,407		219,662	330,727	4,676,080
912	Auditing fees	19,545				15,536							361		35,442
914	Compensated absences	(219,393)				(3,325)	(256)						(1,514)		(224,488)
915	Employee benefit contributions-administrative	647,651				372,154	3,018		69,134		243,291		75,548	109,511	1,520,307
916	Other operating-administrative	778,774	(656)			115,321	1,892		165,568		802,515		22,969	29,619	1,916,002
921	Tenant services salaries														
924	Tenant services-other	560,594	182,943						309,173	411,643	37,554	318,354		250,000	2,070,261
931	Water	532,654				286	103						440	9	533,492
932	Electric	1,451,589				14,286	2,434						546	408	1,469,263
933	Gas	870,978				1,950							977	60	873,965
935	Labor	70,567													70,567
937	Employee benefit contributions-utilities	21,452													21,452
938	Other utilities expense	431,450				97	83						406	3	432,039
941	Ordinary maintenance labor	2,325,312							151,180		333,621		8,861		2,818,974
942	Ordinary maintenance materials	691,112				9,136	1,878				69,953		4,361	278	776,718
943	Ordinary maintenance contract cost	1,563,545	382			70,771	11,505		6,175		605,764		30,616	2,444	2,291,202
945	Employee benefit contributions-maintenance services	690,002							54,863		70,253		2,076		817,194

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity
(FDS Schedule Submitted to HUD)
for the year ended June 30, 2003

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Rental Voucher Section 8	CGP	Choice Voucher Section 8	Home Ownership	Economic Development	Hope VI	Ross Grant	CFP	General Research	Business Activities	State/Local and LHA	Total
951	Protective services-labor		34,498								40,623				75,121
952	Protective services-contract costs	192,801	208,153			162,713					17,070		115	5	580,857
953	Employee benefit contributions-protective services		10,694								14,513				25,207
961	Insurance premiums	782,735				111,278	18		144		1,212		258,622	3,442	1,157,451
962	Other general expenses	291,043				4,365			142,248		4,729		792	21	443,198
963	Payment in lieu of taxes	12,401					6,531		2,707				4,850		26,489
964	Bad debt-tenant rents	172,665					(482)								172,183
967	Interest expenses												51,378		51,378
968	Severance expenses	1,356,910				1,138							824	35	1,358,907
969	Total operating expenses	15,439,983	436,014			1,978,902	35,725		1,110,683	411,643	2,849,505	318,354	681,890	726,562	23,989,261
970	Excess operating revenue over operating expenses	(742,478)				20,439,374	31,093		3,921,311		4,156,142		(547,515)	996,337	28,254,264
973	Housing assistance payments					20,232,966								3,710	20,236,676
974	Depreciation expense	5,228,648				18,007	9,674				440,626		35,344	94,042	5,826,341
900	Total expenses	20,668,631	436,014			22,229,875	45,399		1,110,683	411,643	3,290,131	318,354	717,234	824,314	50,052,278
1001	Operating transfers in	10,368,962													10,368,962
1002	Operating transfers out		(9,108)	4,843	(10,349,207)	(4,843)		(10,647)							(10,368,962)
1000	Excess (deficiency) of operating revenue over (under) expenses	4,397,836	(9,108)	4,843	(10,349,207)	183,558	21,419	(10,647)	3,921,311		3,715,516		(582,859)	898,585	2,191,247
1103	Beginning equity	49,751,115	9,108	(4,843)	10,349,207		228,136	10,647	716,402		5,608,413		4,426,789	3,242,022	74,336,996
	Ending Equity	$54,148,951				$183,558	$249,555		$4,637,713		$9,323,929		$3,843,930	$4,140,607	$76,528,243

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO COMBINING STATEMENTS
(FDS SCHEDULE SUBMITTED TO HUD)
FOR THE YEAR ENDED JUNE 30, 2003

1. Basis of Presentation

The accompanying Combining Statements has been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items differs from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United State of America.

2. Equity Transfers and Inter-program Receivables and Payables

Transfers presented on the accompanying Combining Statements represent the transfer of equity for closed programs/grants as required by HUD reporting guidelines.

Inter-program receivables and payables are made throughout the year in order to provide operating funds to various programs administered by the Authority. These Inter-program receivables and payables have been eliminated in the statement of net assets in the basic financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Development		
Direct Programs:		
General Research and Technology Activity	14.506	$ 318,354
Public and Indian Housing	14.850	11,161,033
Public and Indian Housing Drug Elimination Program	14.854	436,014
Demolition and Revitalization of Severely Distressed PH	14.866	5,031,994
Residential Opportunity and Supportive Services	14.870	411,643
Section 8 Housing Choice Vouchers	14.871	22,159,718
Public Housing Capital Fund	14.872	7,444,452
Total Expenditures Of Federal Awards		$ 46,963,208

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

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.*

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 BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners	Regional Inspector General of Audit
Dayton Metropolitan Housing Authority	Department of Housing and Urban
Dayton, Ohio	Development

We have audited the basic financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as of July 1, 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 basic 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 that we have reported to management of the Dayton Metropolitan Housing Authority in a separate letter dated December 23, 2003.

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 basic 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

4424 Aicholtz Road, Suite D, Cincinnati, Ohio 45245-1561, Telephone/Fax (513) 753-3999

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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated December 23, 2003.

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

Bastin & Company, LLC

Cincinnati, Ohio
December 23, 2003

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

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Dayton Metropolitan Housing Authority, Dayton, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. 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, 2003.

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 Commissioners, 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
December 23, 2003

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

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	General Research and Technology Activity (CFDA 14.506) Demolition and Revitalization of Severely Distressed PH (CFDA 14.866) Public Housing Capital Fund (CFDA 14.872)
Dollar threshold to distinguish between Type A/B programs	$1,408,896
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, 2003

There were no findings reported in the prior audit report that were considered as reportable conditions as they relate to the financial statements.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
FEBRUARY 10, 2004