DAYTON METROPOLITAN HOUSING AUTHORITY
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Commissioners
Dayton Metropolitan Housing Authority
400 Wayne Avenue
P.O. Box 8750
Dayton, Ohio 45401

We have reviewed the *Independent Auditor's Report* of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

Dave Yost

Dave Yost
Auditor of State

April 30, 2012

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DAYTON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Dayton Metropolitan Housing Authority, Montgomery County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dayton Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Dayton Metropolitan Housing Authority, Ohio, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal 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 our report dated February 23, 2012, on our consideration of the Dayton Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dayton Metropolitan Housing Authority, Ohio's financial statements as a whole. 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 Governments, and Non- Profit Organizations,* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the U.S. Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The audited FDS are not completed as of the date of this report. A separate report will be issued on the audited FDS at a later date.

James G. Zupka, CPA Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

February 23, 2012

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, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Total assets of the Authority exceeded its liabilities as of June 30, 2011 by $57,575,724 (an increase of $2,913,211, or 5.3 percent, from June 30, 2010.

- Net assets invested in capital assets, net of debt totaled $37,294,724 as of June 30, 2011 (a decrease of $5,409,419**,** or 12.7 percent, from June 30, 2010). Unrestricted net assets totaled $9,903,671 as of June 30, 2011 (a decrease of $1,760,133, or 15.09 percent, from June 30, 2010).

- The Authority had total operating revenue of $46,531,924 (an $187,306 increase, or .4 percent, from June 30, 2010). The Authority had total operating expenditures of $50,953,911 (a $109,157 decrease, or .2 percent, from June 30, 2010) resulting in a net operating loss of $4,421,987 for the year ended June 30, 2011, and had other non-operating expenses and losses in a net amount of $81,396 and $7,416,594 in capital contributions, resulting in an increase in total net assets of $2,913,211 for the year.

- The Authority's capital outlays for the year were $7,538,896.

USING THIS ANNUAL REPORT

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

MD&A
Management Discussion and Analysis

Financial Statements
Statements of Net Assets,
Statement of Revenues, Expenses, and Changes in Net Assets,
Statements of Cash Flows,
Notes to the 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 S*tatements of Net Assets* present 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 focus of the Statement of Net Assets (the "unrestricted" net assets) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net assets are reported in four broad categories.

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

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

> Unrestricted Net Assets: Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt, Restricted for Capital Projects, or Restricted Net Assets".

The S*tatement of Revenues, Expenses, and Changes in Net Assets* is similar to an income statement. This Statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income, gains and losses on capital assets disposals and interest expense.

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

The S*tatement 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 *notes to the financial statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.

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. Beginning in fiscal year 2008 the Authority adopted the HUD directed Asset Management Project (AMP) structure for its public housing operations. Under Asset Management public housing units were organized into AMPs. Each AMP is treated as a separate entity with the AMPs paying a fee to the Central Office Cost Center (COCC) for various centralized services. As in previous years, the HUD-provided operating subsidy allows the AMPs to provide housing at a rent that is based upon 30 percent of adjusted gross household income.

Under Asset Management, the operating subsidy is transferred in proportional shares to the individual AMP's as monthly subsidy revenue. Along with rent collection revenue, the AMPs administer their properties in a fashion similar to rental properties operated in the private sector. The AMP managers utilize program management, planning, bookkeeping and other centralized services provided by the Authority's Central Office. The AMPs pay a monthly fee based on the number of units assigned and/or occupied for these services.

Public Housing Capital Fund Program (CFP) - The Public Housing Capital Fund Program 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.

Capital Fund Financing Program (CFFP) - Under the CFFP, a PHA may borrow private capital to make improvements and pledge, subject to the availability of appropriations, a portion of its future year annual Capital Funds to make debt service payments for either a bond or conventional bank loan transaction. The loans or bonds are obligations of the PHA. HUD does not guarantee or insure these loans or bonds. The PHA obligation is subject to the availability of appropriations by Congress and compliance with statutory and regulatory requirements.

American Recovery and Reinvestment Act of 2009 (ARRA) Capital Fund Formula Grant Program – HUD's Recovery Act funds support three themes that align with the broader goals of the Recovery Act: (1) promoting energy efficiency and creating green jobs, (2) unlocking the credit markets and supporting shovel-ready projects, and (3) mitigating the effects of the economic crisis and preventing community decline. HUD's overriding objective in support of these goals is the creation and preservation of jobs.

A major component of the ARRA funds awarded to HUD was the Capital Fund Formula Grant Program. The objectives of this program are to preserve and create jobs and enhance the quality, longevity, and energy efficiency of public housing. The program will meet these objectives by renovating, retrofitting and modernizing public housing units and providing employment for construction workers and skilled laborers.

American Recovery and Reinvestment Act of 2009 (ARRA) Neighborhood Stabilization Program (NSP) – NSP grantees have the opportunity to develop programs responsive to local real estate market conditions by choosing among the five eligible uses of NSP funds. Those uses are: (1) establishment of financing mechanisms for purchase of foreclosed homes; (2) purchase and rehabilitation of abandoned or foreclosed homes; (3) land banking of foreclosed homes; (4) demolition of blighted structures; and (5) redevelopment of vacant or demolished property. As NSP2 is a new competitive program open to states, local governments and non-profit organizations, HUD cannot estimate the nature and scope of programs that applicants may propose or that may ultimately be selected for funding. HUD will manage NSP TA under a demand-response system that will direct individual grantee and group technical assistance as requested by HUD or grantees to address risk and/or capacity issues in implementing NSP1 and NSP2.

Section 8 Housing Choice Vouchers Program -Under the Section 8 Housing Choice Vouchers 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.

Section 8 New Construction and Substantial Rehabilitation Program - The objective of the program is to help eligible low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. Under this project-based cluster program the rental subsidy is tied to a specific unit, and when a family moves from the unit they have no right to continued assistance.

Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation - The objective of the program is to help eligible low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. Under this project-based cluster program the rental subsidy is tied to a specific unit, and when a family moves from the unit they have no right to continued assistance.

Demolition and 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.

Community Development Block Grant - The Community Development Block Grant provides for the development of viable communities by providing decent housing, suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

Home Investment Partnership Program - The Home Investment Partnership program is to expand the supply of decent and affordable housing, particularly for low and very low income Americans and to strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent affordable housing. The program provides financial and technical assistance to participating jurisdictions and extends and strengthens partnerships among all levels of government and the private sector in the production and operation of affordable housing.

Business Activities Programs - The Business Activities programs expand the supply of decent and affordable housing by using local non-federal resources to enable home ownership through loan assumption programs and affordable tenant rent units owned by the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Assets

The following table represents condensed Statements of Net Assets.

	2011 (in thousands)	2010 (in thousands)
Assets		
Current and Other Assets	$ 24,092	$ 23,866
Capital Assets	50,854	48,237
Total Assets	74,946	72,103
Liabilities		
Current Liabilities	4,047	3,250
Non-Current Liablities	13,323	14,190
Total Liabilities	17,370	17,440
Net Assets		
Invested in Capital Assets, Net of Related Debt	37,295	42,704
Restricted	10,377	295
Unrestricted	9,904	11,664
Total Net Assets	$ 57,576	$ 54,663

By far the largest portion of the Authority's net assets (64.8 percent) reflects its investments in capital assets net of related debt. The decrease from 2010 was primarily the result of annual depreciation expense of the Authority. 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.

Statements of Revenues, Expenses, and Changes in Net Assets

The following table represents condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2011 (in thousands)	2010 (in thousands)
Revenue		
Tenant Rental Revenue	$ 3,096	$ 3,233
Government Operating Grants	41,185	42,973
Other Revenue	2,251	139
Total Operating Revenue	46,532	46,345
Expenses		
Operating Expenses		
Operating Expenses	22,008	23,940
Depreciation Expense	5,016	4,919
Housing Assistance Payments	23,930	22,204
Total Operating Expenses	50,954	51,063
Net Operating Loss	(4,422)	(4,718)
Non-Operating Revenue (Expenses)	(81)	(199)
Income Before Contributions	(4,503)	(4,917)
Capital Contributions	7,416	7,026
Change in Net Assets	$ 2,913	$ 2,109
Total Net Assets, End of Year	$ 57,576	$ 54,663

During 2011, the net assets of the Authority increased by a total of $2,913,000.

The Authority's revenues are largely governmental operating grants 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 operating grants and charges for services were sufficient to cover all non-depreciation related expenses incurred during the year.

The Authority's operating grants decreased by $1,788,000. Total operating expenses decreased by $109,000 primarily due to decreases in administrative and protective services. Section 8 Housing Assistance Payments increased by $1,726,000 from the previous year as a result of an increase in the number of voucher units leased and increased funding.

Non-operating capital grants increased by $390,000 to $7,416,000 during 2011. Total net non-operating expenses decreased by $118,000. Net non-operating expenses in 2010 were $199,000 compared to net non-operating expenses in 2011 of $81,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011 the Authority's capital assets totaled $50,660,748 (capital assets net of accumulated depreciation) as reflected in the following schedule.

	2011 (in thousands)	2010 (in thousands)
Land	$ 9,074	$ 8,839
Buildings and Improvements	107,333	100,996
Equipment and Vehicles	5,320	5,560
Construction-in-Progress	4,892	4,443
Accumulated Depreciation	(75,958)	(71,601)
Total	$ 50,661	$ 48,237

The increase in land and buildings is a result of the completion of HUD approved capital improvements and acquisitions funded by ARRA and other capital grants awarded to the Authority.

Additional information on the Authority's capital assets can be found on page 22 of this report.

Debt

As of June 30, 2011, the Authority had $13,366,000 of debt, a decrease of $1,025,000 from the prior year. The decrease was primarily due to payments made during the year, including pay-off of the VisualHOMES note.

Debt consists of New Vision program mortgages, the Energy Performance Contract Capital Lease, Fannie Mae note, and note to County Corp.

The New Vision 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 July 2032.

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 entered into a long-term lease to finance the installation of the energy saving devices. All installations were completed in 2005. 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 devices. The lending institution advanced the loan proceeds in May 2003 and its retirement will take place in equal payments through April 2016.

During 2010, the Authority obtained a modernization note from Fannie Mae for $9,235,000 for the purpose of modernizing public housing units at four AMP locations. The note is (20) years with an interest rate of 6.0 percent per annum. Repayment will be through a portion of future capital grant funds.

During 2010, the Authority obtained a note from County Corp for $250,092, for the purpose of real estate acquisition in Germantown, Ohio. The note term is (20) years with an interest rate of 0.0 percent per annum.

Additional information on the Authority's long-term debt can be found on pages 23 and 24 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 2012 fiscal year.

The Authority has continued to implement site-specific budgeting and accounting. Both FY2011 and FY2012 budgets were prepared using the site-specific format as directed by HUD. Under site-specific budget format, there are strict guidelines on how the Central Office Cost Center (COCC) will be funded. Funding for the COCC will be derived from fees charged to Asset Management Projects (AMP). The AMPs represent site-specific public housing areas and are managed as separate subsidiary organizations. As such, AMPs will have their own financial statements with revenues coming from subsidy transfers, rental accounts, and capital fund transfers. Oversight and supportive services will be provided on a fee basis by the Authority's COCC. Additional revenue for the COCC will be from the service fees charged to the Voucher programs and other smaller programs. Failure to operate within revenues received will result in lower operating revenue for both the AMPs and the COCC. Failing to maintain occupancy rates of 95 percent or higher for the AMPs will also reduce operating subsidy transfers from HUD

Public housing operating subsidy revenue from HUD for FY2012 is expected to decrease slightly over FY2011 levels. With this projection in subsidy revenue, the FY2012 public housing budget will have a small decrease over the FY2011 levels.

The Housing Choice Voucher (HCV) program generates revenue for operations from administrative fees earned from HUD. A portion of these revenues are paid to the COCC as fees for supportive services. At this time the COCC does not charge the HCV program the maximum rate for administrative fees so the HCV program can balance its administrative budget. In FY2012 the COCC will continue to give a discount to the HCV program if required. Unrestricted funds from investments, the Contract Administration program, and Local Housing Authority (LHA) funds may be used to subsidize additional HCV administrative expenses. HCV revenues for FY2012 are expected to be consistent with previous levels.

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 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
JUNE 30, 2011

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 10,307,534
Restricted Cash and Cash Equivalents	11,080,655
Accounts Receivable, Net:	
Tenants, Net of Allowance for Doubtful Accounts of $56,542	20,620
HUD	1,328,907
Other Receivables	598,003
Inventory, Net of Allowance for Obsolete Inventory of $16,674	402,601
Prepaid Expenses	354,103
Total Current Assets	24,092,423
Non-Current Assets	
Capital Assets	
Capital Assets, Not Depreciated	13,966,001
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	36,694,747
Total Capital Assets	50,660,748
Other Non-Current Assets	193,080
Total Non-Current Assets	50,853,828
TOTAL ASSETS	74,946,251
LIABILITIES	
Current Liabilities	
Accounts Payable	1,229,415
Accrued Wages and Benefits	650,270
Accrued Liabilities - Other	6,351
Accrued Compensated Absences - Current Portion	54,285
Tenants' Security Deposits	250,313
Deferred Revenues	153,118
Other Current Liabilities	251,328
Current Portion of Mortgages Payable	16,913
Current Portion of Note Payable	285,349
Current Portion of Capital Lease Payable	683,374
Contractor Retentions	466,541
Total Current Liabiltiies	4,047,257
Non-Current Liabilities	
Mortgages Payable, Net of Current Portion	503,965
Notes Payable, Net of Current Portion	8,837,522
Capital Lease Payable, Net of Current Portion	3,038,901
Compensated Absences, Net of Current Portion	856,913
Other Non-Current Liabilities	85,969
Total Non-Current Liabilities	13,323,270
TOTAL LIABILITIES	17,370,527
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	37,294,724
Restricted Net Assets	10,377,329
Unrestricted Net Assets	9,903,671
TOTAL NET ASSETS	$ 57,575,724

See accompanying notes to the financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues	
Rental Revenue	$ 3,096,372
Governmental Revenue	41,184,436
Other Revenue	2,251,116
Total Operating Revenues	46,531,924
Operating Expenses	
Administrative Expense	8,377,029
Tenant Services	291,296
Utilities Expense	3,076,906
Ordinary Maintenance and Operations	8,274,004
Protective Services	541,015
General Expenses	1,447,203
Housing Assistance Payments	23,930,268
Depreciation and Amortization	5,016,190
Total Operating Expenses	50,953,911
Operating Loss	(4,421,987)
Nonoperating Revenues (Expenses)	
Interest and Investment Income	13,002
Interest Expense	(207,108)
Gain/(Loss) on Disposal of Capital Assets	112,710
Total Nonoperating Revenues (Expenses)	(81,396)
Income Before Contributions	(4,503,383)
Capital Contributions	7,416,594
Net Change in Net Assets	2,913,211
Net Assets - Beginning of Year	54,662,513
Net Assets - End of Year	$ 57,575,724

See accompanying notes to the financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities		
Receipts from Residents and Other Deposits	$	3,094,369
Governmental Operating Revenues		41,333,940
Other Receipts		2,323,576
Administrative Expenses		(7,908,426)
Other Operating Expenses		(13,293,826)
Housing Assistance Payments		(23,930,268)
Net Cash Provided by Operating Activities		1,619,365
Cash Flows from Capital and Related Financing Activities		
Capital Assets Additions		(7,538,896)
Principal Paid on Debt		(1,025,230)
Cash from Disposal of Assets		211,611
Interest Paid on Debt		(207,108)
Capital Grants		7,416,594
Net Cash Provided by Capital and Related Financing Activities		(1,143,029)
Cash Flows from Investing Activities		
Investment Income		13,002
Net Cash Used in Accounting Activities		13,002
Net Increase in Cash and Cash Equivalents		489,338
Cash and Cash Equivalents - Beginning of Year		20,898,851
Cash and Cash Equivalents - End of Year	$	21,388,189
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	(4,421,987)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation		5,016,190
Decrease in Tenant Receivables		111
Decrease in HUD Receivables		250,612
Increase in Other Assets/Receivables		(13,509)
Increase in Inventory		(163,488)
Increase in Prepaid Expenses		(3,645)
Increase in Wages and Benefits		446,612
Decrease in Security Deposits		(2,114)
Increase in Accounts Payable		462,206
Increase in Compensated Absences		21,991
Decrease in Accrued Liabilities		(65,565)
Decrease in Deferred Revenue		(101,108)
Increase in Other Liabilities		193,059
Net Cash Provided by Operating Activities	$	1,619,365

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

Reporting Entity – The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standard Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's government board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Authority itself is included in the financial reporting entity.

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 provides housing at a rent that is based upon 30 percent of adjusted gross household income.

Under Asset Management, the operating subsidy is transferred in proportional shares to the individual AMPs as monthly subsidy revenue. Along with rent collection revenue, the AMPs administer their properties in a fashion similar to rental properties operated in the private sector. The AMP managers utilize program management, planning, bookkeeping and other centralized services provided by the Authority's Central Office. The AMPs pay a monthly fee based on the number of units assigned and/or occupied for these services.

Public Housing Capital Fund Program (CFP) - The Public Housing 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.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Description of the Entity and Programs** (Continued)

Capital Fund Financing Program (CFFP) - Under the CFFP, a PHA may borrow private capital to make improvements and pledge, subject to the availability of appropriations, a portion of its future year annual Capital Funds to make debt service payments for either a bond or conventional bank loan transaction. The loans or bonds are obligations of the PHA. HUD does not guarantee or insure these loans or bonds. The PHA obligation is subject to the availability of appropriations by Congress and compliance with statutory and regulatory requirements.

American Recovery and Reinvestment Act of 2009 (ARRA) Capital Fund Formula Grant Program - HUD's Recovery Act funds support three themes that align with the broader goals of the Recovery Act: (1) promoting energy efficiency and creating green jobs, (2) unlocking the credit markets and supporting shovel-ready projects, and (3) mitigating the effects of the economic crisis and preventing community decline. HUD's overriding objective in support of these goals is the creation and preservation of jobs.

A major component of the ARRA funds awarded to HUD was the Capital Fund Formula Grant Program. The objectives of this program are to preserve and create jobs and enhance the quality, longevity, and energy efficiency of public housing. The program will meet these objectives by renovating, retrofitting and modernizing public housing units and providing employment for construction workers and skilled laborers.

American Recovery and Reinvestment Act of 2009 (ARRA) Neighborhood Stabilization Program (NSP) – NSP grantees have the opportunity to develop programs responsive to local real estate market conditions by choosing among the five eligible uses of NSP funds. Those uses are: (1) establishment of financing mechanisms for purchase of foreclosed homes; (2) purchase and rehabilitation of abandoned or foreclosed homes; (3) land banking of foreclosed homes; (4) demolition of blighted structures; and (5) redevelopment of vacant or demolished property. As NSP2 is a new competitive program open to states, local governments and non-profit organizations, HUD cannot estimate the nature and scope of programs that applicants may propose or that may ultimately be selected for funding. HUD will manage NSP TA under a demand-response system that will direct individual grantee and group technical assistance as requested by HUD or grantees to address risk and/or capacity issues in implementing NSP1 and 2.

Section 8 Housing Choice Voucher Program - Under the Section 8 Housing Choice 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.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Description of the Entity and Programs** (Continued)

Section 8 New Construction and Substantial Rehabilitation Program - The objective of the program is to help eligible low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. Under this project-based cluster program the rental subsidy is tied to a specific unit, and when a family moves from the unit they have no right to continued assistance. Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation - The objective of the program is to help eligible low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. Under this project-based cluster program the rental subsidy is tied to a specific unit, and when a family moves from the unit they have no right to continued assistance.

Demolition and 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 and Housing Choice Voucher Program participants 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.

Business Activities Programs - The Business Activities Programs expand the supply of decent and affordable housing by using local non-federal resources to enable home ownership through loan assumption programs and affordable tenant rent units owned by the Authority.

B. **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.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Summary of Significant Accounting Policies** (Continued)

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

Basis of Accounting – The Authority's activities are financed and operated as a single enterprise fund such that the costs and expenses, including depreciation, of providing the services are recovered primarily through user charges. The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Authority's financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized as incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

Cash and Cash Equivalents – During fiscal year 2011, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

Restricted Cash and Cash Equivalents and Investments – Cash and cash equivalents and investments have been classified as restricted on the balance sheet for funds held for public housing residents' security deposits, amounts held in escrow under the HCV Family Self-Sufficiency (FSS) Program, and funds on deposit under the Fannie Mae Modernization program.

Investments – The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year 2011 totaled $13,002.

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.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Summary of Significant Accounting Policies** (Continued)

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 $1,000 or more, excluding software purchases. Software purchases are capitalized if the cost exceeds $5,000. 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.

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, capital projects and property acquisition and a capital lease for the Energy Performance Contract to finance the installment of energy saving devices.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Summary of Significant Accounting Policies** (Continued)

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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future housing assistance payments and amounts from an administration fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net 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.

Operating Revenues and Expenses – Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants and other miscellaneous revenue. Non-operating revenues are HUD capital grants, interest income and gains on disposal of capital assets. Operating expenses are those that are expended directly for the primary activity of the propriety fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance and operation, protective services, general expenses, housing assistance payments and depreciation and amortization. Non-operating expenses include interest expense and losses on disposal of capital assets.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

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

At fiscal year end, the carrying amount of the Authority's deposits totaled $16,731,724, of which $2,500 was held in petty cash. The corresponding bank balances totaled $17,098,738. Based on criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of June 30, 2011, $14,998,350 was exposed to custodial risk as discussed below, while $2,100,388 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of a bank failure the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks or a member bank of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

B. **Investments**

HUD, state statute and board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments at June 30, 2011 were as follows:

Uncategorized Investments	Fair Value	Weighted Average Maturity
STAR Ohio	$4,656,465	60 days

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The Authority's investment policy has no requirements beyond what the Ohio Revised Code requires.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investments in STAR Ohio are rated AAAm by Standards and Poor's.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest with one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority has no policy beyond what the Ohio Revised Code requires for custodial credit risk.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

B. **Investments** (Continued)

A reconciliation of Cash, Cash Equivalents, and Investments is as follows:

	Cash and Cash Equivalents *	Investments
Per Statement of Net Assets	$ 21,388,189	$ 0
STAROhio	(4,656,465)	4,656,465
Per GASB Statement No. 3	$ 16,731,724	$ 4,656,465

* Includes restricted cash and cash equivalents.

Restricted cash consists of the following:

Unspent Debt Proceeds	$ 8,049,951
Security Deposits and FSS Escrow	332,279
HCV and Other Section 8 Programs	990,631
Proceeds from Public Housing Dispositions	1,379,372
Other Programs	328,422
	$ 11,080,655

NOTE 3: **CAPITAL ASSETS**

A summary of changes in the Authority's capital assets for the year ended June 30, 2011 follows:

	Balance June 30, 2010	Additions	Deletions	Reclasses	Balance June 30, 2011
Capital Assets Not Being Depreciated					
Land	$ 8,839,021	$ 245,262	$ (9,987)	$ 0	$ 9,074,296
Construction in Progress	4,443,463	5,303,243	0	(5,019,364)	4,727,342
Capitalized Interest	0	164,363	0	0	164,363
Total Capital Assets Not Being Depreciated	13,282,484	5,712,868	(9,987)	(5,019,364)	13,966,001
Capital Assets Being Depreciated					
Buildings and Improvements	100,996,012	1,586,013	(268,906)	5,019,364	107,332,483
Equjipment and Vehicles	5,559,667	240,015	(479,592)	0	5,320,090
Subtotal Capital Assets Being Depreciated	106,555,679	1,826,028	(748,498)	5,019,364	112,652,573
Total Cost	119,838,163	7,538,896	(758,485)	0	126,618,574
Accumulated Depreciation -					
Buildings and Improvements	(67,535,816)	(4,655,095)	217,227	9,156	(71,964,528)
Equipment and Vehicles	(4,065,404)	(361,095)	442,355	(9,156)	(3,993,300)
Total Accumulated Depreciation	(71,601,220)	(5,016,190)	659,582	0	(75,957,828)
Total Capital Assets, Net	$ 48,236,943	$ 2,522,706	$ (98,903)	$ 0	$ 50,660,746

During the year, the Authority continued with HUD approved sales and demolition of various projects.

NOTE 4: **LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2011 are as follows:

	Balance 6/20/2010	Additions	Reductions	Balance 6/30/2011	Due Within One Year
New Visions Mortgage	$ 534,933	$ 0	$ 14,055	$ 520,878	$ 16,913
Visual Homes Note	86,364	0	86,364	0	0
Fannie Mae Note	9,152,697	0	256,993	8,895,704	272,844
County Corp. Note	239,672	0	12,505	227,167	12,505
EPC Capital Lease	4,377,588	0	655,313	3,722,275	683,374
Compensated Absences	889,207	109,819	87,828	911,198	54,285
Total Long-Term Obligations	$ 15,280,461	$ 109,819	$1,113,058	$14,277,222	$ 1,039,921

The Authority issued $720,000 of mortgages payable under the New Visions program with an outstanding balance at June 30, 2011 of $520,878. Under the program, the Authority purchases property and refurbishes the existing structure or builds a modular home on a 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 and are payable in monthly installments.

During fiscal year 2010, the Authority entered into a note agreement with Fannie Mae for $9,235,000 for the purpose of providing funding for property modernization. The note balance at June 30, 2011 was $8,895,704. The note payment is due monthly for 20 years, with an interest rate of 6.0 percent, and matures December 1, 2029.

During fiscal year 2010, the Authority entered into a note agreement for $250,092 for the purpose of acquiring real property in Germantown, Ohio with County Corp. The balance at June 30, 2011 was $227,167. The note is interest free and payable over 20 years maturing August 6, 2029.

NOTE 4: **LONG-TERM OBLIGATIONS** (Continued)

The New Vision mortgages mature as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
2012	$ 16,913	$ 26,959	$ 43,872
2013	17,600	26,272	43,872
2014	18,545	25,327	43,872
2015	19,540	24,332	43,872
2016	20,589	23,283	43,872
2017-2021	120,781	98,580	219,361
2022-2026	156,970	62,391	219,361
2027-2031	144,301	19,566	163,867
2032-2033	5,639	375	6,014
Total	$ 520,878	$ 307,085	$ 827,963

The Fannie Mae Modernization note matures as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
2012	$ 272,844	$ 526,320	$ 799,164
2013	289,672	509,492	799,164
2014	307,538	491,626	799,164
2015	326,507	472,657	799,164
2016	346,645	452,519	799,164
2017-2021	2,081,553	1,914,266	3,995,819
2022-2026	2,807,703	1,188,116	3,995,819
2027-2030	2,463,242	267,235	2,730,477
Total	$ 8,895,704	$ 5,822,231	$ 14,717,935

The County Corp. note matures as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
2012	$ 12,505	$ 0	$ 12,505
2013	12,505	0	12,505
2014	12,505	0	12,505
2015	12,505	0	12,505
2016	12,505	0	12,505
2017-2021	62,525	0	62,525
2022-2026	62,525	0	62,525
2027-2030	39,592	0	39,592
Total	$ 227,167	$ 0	$ 227,167

NOTE 5: CAPITAL LEASE PAYABLE

On May 15, 2003 the Authority entered into a long-term lease to finance the installment of 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. 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 devices. The lease includes an interest factor of 4.2 percent. Assets constructed under the lease total $8,911,155.

The Authority's future minimum payments under the capital lease obligation as of June 30, 2011 are as follows:

Year Ended June 30	Amount
2012	$ 826,654
2013	826,654
2014	826,654
2015	826,654
2016	826,654
Total Minimum Lease Payments	4,133,270
Less: Amount Representing Interest	(410,995)
Present Value of Future Minimum Lease Payments	$ 3,722,275

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. 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 is covered for property damage, general liability, automobile liability, public official's liability, and other crime liabilities through membership in the Ohio Housing Authority Property Casualty, Inc. (OHAPCI) and the Public Entity Risk Consortium (PERC). OHAPCI is an insurance risk sharing and purchasing pool comprised of three Ohio housing authorities. PERC is an Ohio public entity joint self-insurance pool restricted to mid-size public entities including pools (of which OHAPCI is a member).

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. The following is a summary of insurance coverage in effect as of June 30, 2011:

NOTE 6: **RISK MANAGEMENT** (Continued)

Coverage	Limit
Real and Personal Property	$ 250,000,000
General Liability	6,000,000
Automobile	6,000,000
Public Officials	6,000,000
Crime	1,000,000
Pollution	1,000,000
Boiler and Machinery	50,000,000

As of June 30, 2011, the pool maintained a reserve in excess of actual and estimated claims relative to the Authority. During the year, settled claims for the Authority did not exceed the coverage provided by OHAPCI.

The Authority also maintains employee bonding and employee major medical, dental and vision coverage with private carriers.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

OPERS provides retirement, disability, survivor death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to the OPERS for the years ending June 30, 2011, 2010, and 2009 were $961,582, $974,333, and $992,569, respectively. 100 percent of the Authority's required contributions were made for the years ended 2011, 2010, and 2009.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post- retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending June 30, 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For fiscal year ending June 30, 2011, the employer contribution allocated to the health care for members in the Traditional Plan was 5.0 percent from April 1, through December 31, 2010, and 4.0 percent from January 1, through June 30, 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended June 30, 2011, 2010 and 2009 which were used to fund post-employment benefits were $309,766, $382,835, and $551,349, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: **UNCOMPLETED CONTRACTS**

At June 30, 2011, the Authority has uncompleted contracts under the Capital Fund Program, Hope VI, Home Ownership, Public Housing, CFFP, ARRA, and ROSS of approximately $9,574,172.

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grant or Program	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs:		
Section 8 Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	$ 621,056
Lower Income Housing Program - Section 8 Moderate Rehabilitation	14.856	5,059,931
Toal Section 8 Cluster		5,680,987
Housing Choice Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	19,943,837
Veterans Affairs Supportive Housing Program	14.871	225,437
Total Housing Choice Voucher Cluster		20,169,274
Public and Indian Housing	14.850	12,928,781
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	490,561
Residential Opportunity and Supportive Services	14.870	173,732
Public Housing Capital Fund Cluster		
Public Housing Capital Fund Program	14.872	4,902,535
ARRA - Public Housing Capital Fund Stimulus (Formula) - Recovery Act Funded	14.885	3,578,030
Total Public Housing Capital Fund Cluster		8,480,565
Total Direct Programs		47,923,900
Pass-Through Programs:		
ARRA - Neighborhood Stabilization Program - Recovery Act Funded - passed through from Montgomery County	14.256	644,319
ARRA - Neighborhood Stabilization Program-Recovery Act Funded - passed through the City of Dayton	14.256	32,791
Total Pass-Through Programs		677,110
Total U.S. Department of Housing and Urban Development		48,601,010
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 48,601,010

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual in accordance with the format as set forth in *Government Auditing* Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the financial statements of the Dayton Metropolitan Housing Authority, Mahoning County, Ohio, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 23, 2012. 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered the Dayton Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dayton Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dayton Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Dayton Metropolitan Housing Authority, Ohio, in a separate letter dated February 23, 2012.

This report is intended solely for the information and use of the management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

February 23, 2012

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Dayton Metropolitan Housing Authority, Montgomery County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Dayton Metropolitan Housing Authority, Ohio's major federal programs for the year ended June 30, 2011. Dayton Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Dayton Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Dayton Metropolitan Housing Authority, Ohio'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, Ohio'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 of the Dayton Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Dayton Metropolitan Housing Authority, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance
Management of the Dayton Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Dayton Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Dayton Metropolitan Housing Authority, Ohio's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

February 23, 2012

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under §.510?	No
2011(vii)	Major Programs (list): Public and Indian Housing - CFDA #14.850 Public Housing Capital Fund - CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - CFDA #14.885	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: $1,458,030 Type B: All Others
2011(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

The prior audit report, as of June 30, 2010, included no citations or instances of noncompliance. There were no management letter recommendations issued with the audit report as of June 30, 2010.

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
MAY 15, 2012