DAYTON METROPOLITAN HOUSING AUTHORITY
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Dave Yost · Auditor of State

Board of Commissioners
Dayton Metropolitan Housing Authority
400 Wayne Avenue
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, 2011 through June 30, 2012. 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
Auditor of State

April 1, 2013

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DAYTON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 January 9, 2013, 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 Modernization Costs Completed is presented for additional analysis and is not a required part of the basic financial statements of the Dayton Metropolitan Housing Authority. 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 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 Schedule of Modernization Costs Completed and the Schedule of Expenditures of Federal Awards are 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

January 9, 2013

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, 2012. 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, 2012, by $58,450,636 (an increase of $874,912, or 1.5 percent, from June 30, 2011.

- Net assets invested in capital assets, net of debt totaled $45,413,858 as of June 30, 2012 (an increase of $8,119,134**,** or 21.8 percent, from June 30, 2011). Unrestricted net assets totaled $9,140,040 as of June 30, 2012 (a decrease of $763,631, or 7.7 percent, from June 30, 2011).

- The Authority had total operating revenue of $44,440,854 (a decrease of $2,091,070, or .4.5 percent, from June 30, 2011). The Authority had total operating expenses of $46,471,014 (a $4,482,897 decrease, or 8.8 percent, from June 30, 2011) resulting in a net operating loss of $2,030,160 for the year ended June 30, 2012, and had other net non-operating expenses in excess of revenues of $1,747,045 and $4,652,117 in capital contributions, resulting in an increase in total net assets of $874,912 for the year.

- The Authority's capital additions for the year were $14,034,038.

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 capital 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 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 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.

	2012 (in thousands)	2011 (in thousands)
Assets		
Current Assets	$ 16,342	$ 24,092
Capital and OtherAssets	58,303	50,854
Total Assets	74,645	74,946
Liabilities		
Current Liabilities	3,938	4,047
Non-Current Liablities	12,256	13,323
Total Liabilities	16,194	17,370
Net Assets		
Invested in Capital Assets, Net of Related Debt	45,414	37,295
Restricted	3,897	10,377
Unrestricted	9,140	9,904
Total Net Assets	$ 58,451	$ 57,576

By far the largest portion of the Authority's net assets (77.7 percent) reflects its investments in capital assets net of related debt. The increase from 2011 was primarily the result of capital improvements made through the CFFP and ARRA programs. 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

	2012 (in thousands)	2011 (in thousands)
Revenue		
Tenant Rental Revenue	$ 3,042	$ 3,096
Government Operating Grants	39,977	41,185
Other Revenue	1,422	2,251
Total Operating Revenue	44,441	46,532
Expenses		
Operating Expenses		
Operating Expenses	21,469	22,008
Depreciation Expense	4,816	5,016
Housing Assistance Payments	20,186	23,930
Total Operating Expenses	46,471	50,954
Net Operating Loss	(2,030)	(4,422)
Non-Operating Revenue (Expenses)	(1,747)	(81)
Income Before Contributions	(3,777)	(4,503)
Capital Contributions	4,652	7,416
Change in Net Assets	875	2,913
Total Net Assets, Beginning of Year	57,576	54,663
Total Net Assets, End of Year	$ 58,451	$ 57,576

During 2012, the net assets of the Authority increased by a total of $875,912.

The Authority's revenues are largely governmental operating grants received from HUD and cost reimbursement 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 $1,267,968. Operating expenses decreased by $538,247. Section 8 Housing Assistance payments decreased by $3,744,122 from the previous year as a result of the expiration of a Section 8 Mod Rehab Program.

Capital contributions decreased by $2,764,477 to $4,652,117 during 2012 due primarily to reduced ARRA spending and reduced Capital Fund Program funding. Total non-operating expenses increased by $1,553,166 due primarily to the disposition of River Commons Hi-Rise.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the Authority's capital assets totaled $58,109,646 (capital assets net of accumulated depreciation) as reflected in the following schedule.

	2012 (in thousands)	2011 (in thousands)
Land	$ 9,127	$ 9,074
Buildings and Improvements	112,882	107,333
Equipment and Vehicles	4,768	5,320
Construction-in-Progress	4,950	4,892
Accumulated Depreciation	(73,617)	(75,958)
Total	$ 58,110	$ 50,661

The increase in land and buildings is a result of the completion of HUD approved capital improvements and acquisitions funded by ARRA, CFFP, and other capital grants awarded to the Authority. Additional information on the Authority's capital assets can be found on page 23 of this report.

Debt

As of June 30, 2012, the Authority had $12,695,787 of debt, a decrease of $670,237 from the prior year. The decrease was primarily due to payments made during the year.

Debt consists of New Vision Program mortgages, the Energy Performance Contract capital lease, Fannie Mae note, Ohio Affordable Housing Loan Fund loan, 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 housing 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 twenty (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 twenty (20) years with an interest rate of 0.0 percent per annum.

During 2012, the Authority obtained two notes from the Ohio Affordable Housing Fund to facilitate pre-development costs for the Windcliff Village II Project located in Germantown, Ohio. The notes have an interest rate of 5.0 percent with full payment due at closing of the pre-development phase of the Project.

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 2013 fiscal year.

The Authority has continued to implement site-specific budgeting and accounting. Both FY2012 and FY2013 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 FY2013 is expected to decrease slightly over FY2012 levels. With this projection in subsidy revenue, the FY2013 public housing budget will have a small decrease over the FY2012 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 FY2013, 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 FY2013 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, 2012

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 9,566,305
Restricted Cash and Cash Equivalents	4,361,182
Accounts Receivable, Net:	
Tenants, Net of Allowance for Doubtful Accounts of $47,074	19,332
HUD and Other Grants	1,442,356
Other Receivables	179,834
Inventory, Net of Allowance for Obsolete Inventory of $18,244	589,863
Prepaid Expenses	183,189
Total Current Assets	16,342,061
Non-Current Assets	
Capital Assets	
Capital Assets, Not Depreciated	14,077,234
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	44,032,412
Total Capital Assets	58,109,646
Other Non-Current Assets	193,080
Total Non-Current Assets	58,302,726
TOTAL ASSETS	74,644,787
LIABILITIES	
Current Liabilities	
Accounts Payable	802,437
Accrued Wages and Benefits	467,837
Accrued Liabilities - Other	37,974
Accrued Compensated Absences - Current Portion	57,903
Tenants' Security Deposits	274,853
Deferred Revenues	187,742
Other Current Liabilities	306,409
Current Portion of Mortgages Payable	17,696
Current Portion of Note Payable	617,617
Current Portion of Capital Lease Payable	712,634
Contractor Retentions	454,738
Total Current Liabiltiies	3,937,840
Non-Current Liabilities	
Mortgages Payable, Net of Current Portion	486,228
Notes Payable, Net of Current Portion	8,535,346
Capital Lease Payable, Net of Current Portion	2,326,266
Compensated Absences, Net of Current Portion	804,687
Other Non-Current Liabilities	103,784
Total Non-Current Liabilities	12,256,311
TOTAL LIABILITIES	16,194,151
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	45,413,858
Restricted Net Assets	3,896,738
Unrestricted Net Assets	9,140,040
TOTAL NET ASSETS	$ 58,450,636

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, 2012

Operating Revenues	
Rental Revenue	$ 3,042,294
Governmental Revenue	39,976,468
Other Revenue	1,422,092
Total Operating Revenues	44,440,854
Operating Expenses	
Administrative Expense	8,303,364
Tenant Services	267,418
Utilities Expense	2,906,222
Ordinary Maintenance and Operations	8,009,461
Protective Services	591,561
General Expenses	1,391,180
Housing Assistance Payments	20,186,146
Depreciation and Amortization	4,815,662
Total Operating Expenses	46,471,014
Operating Loss	(2,030,160)
Nonoperating Revenues (Expenses)	
Interest and Investment Income	13,229
Interest Expense	(216,429)
Prior Period Adjustments/Reclassifications	(371,936)
Gain/(Loss) on Disposal of Capital Assets	(1,171,909)
Total Nonoperating Revenues (Expenses)	(1,747,045)
Income Before Contributions	(3,777,205)
Capital Contributions	4,652,117
Net Change in Net Assets	874,912
Net Assets - Beginning of Year	57,575,724
Net Assets - End of Year	$ 58,450,636

See accompanying notes to the financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities		
Receipts from Residents and Other Deposits	$	3,068,122
Governmental Operating Revenues		39,897,643
Other Receipts		1,486,139
Administrative Expenses		(8,534,405)
Other Operating Expenses		(13,534,267)
Housing Assistance Payments		(20,186,146)
Net Cash Provided by Operating Activities		2,197,086
Cash Flows from Capital and Related Financing Activities		
Capital Assets Additions		(14,034,038)
Debt Proceeds		315,440
Principal Paid on Debt		(985,677)
Cash from Disposal of Assets		597,570
Interest Paid on Debt		(216,429)
Capital Grants		4,652,117
Net Cash Used in Capital and Related Financing Activities		(9,671,017)
Cash Flows from Investing Activities		
Investment Income		13,229
Net Cash Provided by Accounting Activities		13,229
Net Increase in Cash and Cash Equivalents		(7,460,702)
Cash and Cash Equivalents - Beginning of Year		21,388,189
Cash and Cash Equivalents - End of Year	$	13,927,487
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Operating Loss	$	(2,030,160)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation		4,815,662
Prior Period Adjustment		(371,936)
Decrease in Tenant Receivables		1,288
Increase in HUD Receivables		(113,449)
Decrease in Other Assets/Receivables		418,169
Increase in Inventory		(187,262)
Decrease in Prepaid Expenses		170,914
Decrease in Wages and Benefits		(182,433)
Increase in Security Deposits		24,540
Decrease in Accounts Payable		(426,978)
Decrease in Compensated Absences		(48,608)
Increase in Accrued Liabilities		19,820
Increase in Deferred Revenue		34,624
Increase in Other Liabilities		72,895
Net Cash Provided by Operating Activities	$	2,197,086

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 applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The Authority has elected to apply the provisions of Statements and Interpretations of the FASB issued after November 30, 1989, that do not conflict with or contradict 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 2012, 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 2012 totaled $13,229.

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 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 unspent debt proceeds. 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, depreciation, and amortization. Non-operating expenses include interest expense and losses on disposal of capital assets.

Capital Contributions – Contributions of capital arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Budgetary Accounting – The Authority annually prepares its budget as prescribed by HUD. Agency budgets are submitted to HUD when applicable and are adopted by the Board of the Authority.

Use of Estimates – The preparation of financial statements in accordance with GAAP requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

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 $9,326,325, of which $2,400 was held in petty cash. The corresponding bank balances totaled $10,063,052. Based on criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of June 30, 2012, $8,264,356 was exposed to custodial risk as discussed below, while $1,798,696 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. At June 30, 2012, $7,137,116 was covered by pooled collateral and $1,127,240 was held in trust by the custodial bank and uninsured.

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, 2012 were as follows:

Uncategorized Investments	Fair Value	Weighted Average Maturity	Rating
STAROhio	$ 4,544,457	60 days	AAAm*
Deferred Employee Compensation	$ 56,705	n/a	n/a

* Standard & Poor's

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	$ 13,927,487	$ 0
Deferred Employee Compensation	(56,705)	56,705
STAROhio	(4,544,457)	4,544,457
Per GASB Statement No. 3	$ 9,326,325	$ 4,601,162

* Includes restricted cash and cash equivalents.

Restricted cash consists of the following:

Unspent Debt Proceeds	$ 1,362,405
Security Deposits and FSS Escrow	352,675
HCV and Other Section 8 Programs	1,366,732
Proceeds from Public Housing Dispositions	1,165,866
Unspent EPC Debt Proceeds	113,504
	$ 4,361,182

Restricted equity consists of the following:

Unspent EPC and Other Debt Proceeds	$ 1,475,907
Proceeds from Public Housing Disposition	1,165,866
Unspent Housing Choice Voucher HAP Funding	1,096,109
Other Section 8 Program Funds	158,856
	$ 3,896,738

NOTE 3: CAPITAL ASSETS

A summary of changes in the Authority's capital assets for the year ended June 30, 2012 follows:

	Balance June 30, 2011	Additions	Deletions	Reclasses	Balance June 30, 2012
Capital Assets Not Being Depreciated					
Land	$ 9,074,296	$ 187,159	$ (134,359)	$ 0	$ 9,127,096
Construction in Progress	4,727,342	9,377,309	0	(9,756,331)	4,348,320
Software Under Development	0	183,059	0	0	183,059
Pre-Development	0	125,000	0	0	125,000
Capitalized Interest	164,363	535,058	0	(405,662)	293,759
Total Capital Assets Not Being Depreciated	13,966,001	10,407,585	(134,359)	(10,161,993)	14,077,234
Capital Assets Being Depreciated					
Buildings and Improvements	107,332,483	3,234,987	(7,847,592)	10,161,993	112,881,871
Equjipment and Vehicles	5,320,090	391,466	(944,123)	0	4,767,433
Subtotal Capital Assets Being Depreciated	112,652,573	3,626,453	(8,791,715)	10,161,993	117,649,304
Total Cost	126,618,574	14,034,038	(8,926,074)	0	131,726,538
Accumulated Depreciation -					
Buildings and Improvements	(71,964,527)	(4,464,897)	6,255,060	0	(70,174,364)
Equipment and Vehicles	(3,993,300)	(350,765)	901,537	0	(3,442,528)
Total Accumulated Depreciation	(75,957,827)	(4,815,662)	7,156,597	0	(73,616,892)
Total Capital Assets, Net	$ 50,660,747	$ 9,218,376	$ (1,769,477)	$ 0	$ 58,109,646

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 2012 are as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012	Due Within One Year
New Visions Mortgage	$ 520,878	$ 0	$ 16,954	$ 503,924	$ 17,696
Fannie Mae Note	8,895,704	0	272,843	8,622,861	289,672
County Corp. Note	227,167	0	12,505	214,662	12,505
EPC Capital Lease	3,722,275	0	683,375	3,038,900	712,634
Ohio Affordable Housing Fund	0	315,440	0	315,440	315,440
Compensated Absences	911,198	678,933	727,541	862,590	3
Total Long-Term Obligations	$ 14,277,222	$ 994,373	$ 1,713,218	$ 13,558,377	$ 1,347,950

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

The Authority issued $720,000 of mortgages payable under the New Visions Program with an outstanding balance at June 30, 2012 of $503,924. Under the Program, the Authority purchases property, refurbishes, 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 property modernization with Fannie Mae Corp. The note balance at June 30, 2012 was $8,622,861. 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, 2012 was $214,662. The note is interest free and payable over 20 years maturing August 6, 2029.

During fiscal year 2012, the Authority entered into 2 note agreements with Ohio Capital Finance Corporation for the Windcliff Village Phase II Project. The balance of the notes at June 30, 2012, was $315,440. The notes are due within 24 months, but are due sooner if the Authority has permanent financing in place, which is expected prior to June 30, 2013.

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

The New Vision mortgages mature as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
2013	$ 17,696	$ 26,176	$ 43,872
2014	18,545	25,328	43,873
2015	19,540	24,332	43,872
2016	20,589	23,283	43,872
2017	21,695	22,177	43,872
2018-2022	127,276	92,085	219,361
2023-2027	165,421	53,933	219,354
2028-2032	112,588	12,505	125,093
2033	574	4	578
Total	$ 503,924	$ 279,823	$ 783,747

The Fannie Mae Modernization note matures as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
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	368,025	431,139	799,164
2018-2022	2,209,939	1,785,880	3,995,819
2023-2027	2,980,876	1,014,943	3,995,819
2028-2030	1,793,659	137,655	1,931,314
Total	$ 8,622,861	$ 5,295,911	$ 13,918,772

The County Corp. note matures as follows:

Year Ended June 30	Principal Amount	Interest Amount	Total
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	12,505	0	12,505
2018-2022	62,525	0	62,525
2023-2027	62,525	0	62,525
2028-2030	27,087	0	27,087
Total	$ 214,662	$ 0	$ 214,662

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 housing 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, 2012 are as follows:

Year Ended June 30	Amount
2013	$ 826,654
2014	826,654
2015	826,654
2016	826,654
Total Minimum Lease Payments	3,306,616
Less: Amount Representing Interest	(267,716)
Present Value of Future Minimum Lease Payments	$ 3,038,900

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, 2012:

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

Coverage	Limit
Real and Personal Property	$ 250,000,000
General Liability	2,000,000
Automobile	2,000,000
Public Officials	2,000,000
Excess Liability	6,000,000
Crime	1,000,000
Boiler and Machinery	50,000,000

As of June 30, 2012, 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 major medical, dental, and vision coverage with private carriers.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined 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 is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution 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, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, by calling 1-800-222-7377, or by using the OPERS website at www.OPERS.org.

Employee and employer contributions to OPERS are established under the Ohio Revised Code and are based upon percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. For calendar years 2012 and 2011, the employee and the employer contribution rates were 10 percent and 14 percent, respectively, for all Authority employees.

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

The Authority's contributions to the OPERS for the years ending June 30, 2012, 2011, and 2010, were $943,804, $961,582, and $974,333, respectively, which were equal to the required contributions for each year.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

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 Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age and service retirees under the Traditional Pension Plan and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage provided by the retirement system 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. Disclosures for the health care plans are presented separately in the OPERS financial report, which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or 800-222-7377, or by using the OPERS website at www.OPERS.org.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by state statute. OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the previously mentioned employer contribution rates that will be set aside for funding post-employment health care benefits. For the period ended June 30, 2012, the amount of the employer contribution that was allocated to fund post-employment health care was 4.0 percent of covered payroll.

The Authority's actual contributions that were used to fund OPEB for the years ending June 30, 2012, 2011, and 2010, were $269,658, $309,766, and $382,835, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective 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, 2012, the Authority had uncompleted contracts under the Capital Fund Program, Hope VI, Home Ownership, Public Housing, CFFP, ARRA, and ROSS of approximately $2,846,431.

NOTE 10: **PRIOR PERIOD ADJUSTMENTS**

The Authority determined that a HUD receivable relating to the HOPE VI Grant was uncollectible during the fiscal year. This receivable, in the amount of $342,583, was written off as a prior period adjustment in this fiscal year. In addition, several other adjustments totaling $29,353 were also made during the 2012 fiscal year.

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 681,133
Lower Income Housing Program - Section 8 Moderate Rehabilitation	14.856	300,556
Toal Section 8 Cluster		981,689
Section 8 Housing Choice Vouchers	14.871	21,515,997
Public and Indian Housing	14.850	12,516,326
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	62,542
Residential Opportunity and Supportive Services	14.870	165,684
Public Housing Capital Fund Cluster		
Public Housing Capital Fund Program	14.872	7,778,406
ARRA - Public Housing Capital Fund Stimulus (Formula) - Recovery Act Funded	14.885	236,310
Total Public Housing Capital Fund Cluster		8,014,716
Total Direct Programs		43,256,954
Pass-Through Programs		
Passed Through Montgomery County		
ARRA - Neighborhood Stabilization Program - Recovery Act Funded	14.256	997,021
Passed Through City of Dayton		
ARRA - Neighborhood Stabilization Program - Recovery Act Funded	14.256	374,610
Total Pass-Through Programs		1,371,631
Total U.S. Department of Housing and Urban Development		44,628,585
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 44,628,585

See accompanying note to the Schedule of Expenditures of Federal Awards.

NOTE 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 *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*.

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2012

1. The total amount of modernization costs of the Capital Fund and HOPE VI Program grants are shown below:

Modernization Grant No. OH10R00550105		
Grant Funds Approved	$	1,140,531
Grant Funds Expended		1,140,531
Excess of Funds Approved	$	0
Modernization Grant No. OH10R00550106		
Grant Funds Approved	$	874,726
Grant Funds Expended		874,726
Excess of Funds Approved	$	0
Modernization Grant No. OH10P00550107		
Grant Funds Approved	$	5,707,648
Grant Funds Expended		5,707,648
Excess of Funds Approved	$	0
Modernization Grant No. OH10R00550107		
Grant Funds Approved	$	662,524
Grant Funds Expended		662,524
Excess of Funds Approved	$	0
Modernization Grant No. OH10P00550108		
Grant Funds Approved	$	5,820,201
Grant Funds Expended		5,820,201
Excess of Funds Approved	$	0
Modernization Grant No. OH10R00550108		
Grant Funds Approved	$	949,054
Grant Funds Expended		949,054
Excess of Funds Approved	$	0
Modernization Grant No. OH10S00550109		
Grant Funds Approved	$	8,888,226
Grant Funds Expended		8,888,226
Excess of Funds Approved	$	0
HOPE VI Grant No. OH10URD005D102		
Grant Funds Approved	$	780,000
Grant Funds Expended		780,000
Excess of Funds Approved	$	0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

JAMES G. ZUPKA, C.P.A., INC.
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5240 East 98th Street
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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, 2012, and have issued our report thereon dated January 9, 2013. 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.

Internal Control Over Financial Reporting

Management of the Dayton Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. 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 January 9, 2013.

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

January 9, 2013

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, 2012. 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, 2012.

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

January 9, 2013

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under §.510?	No
2012(vii)	Major Programs (list): Section 8 Housing Choice Voucher Program - CFDA #14.871 ARRA - Neighborhood Stabilization Program - CFDA #14.256	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: $1,338,858 Type B: All Others
2012(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.

The prior audit report, as of June 30, 2011, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

Dave Yost · Auditor of State

DAYTON METROPOLITAN HOUSING AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 11, 2013

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