DAYTON METROPOLITAN HOUSING AUTHORITY
DAYTON, OHIO

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

Board of Commissioners
Dayton Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by Bastin & Company, LLC for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 21, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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DAYTON METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004

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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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 basic financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Dayton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dayton Metropolitan Housing Authority, Dayton, Ohio as of June 30, 2004, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2004 on our consideration of Dayton Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements. The supplementary Financial Data Schedules are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of

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the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations,* and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bastin & Company, LLC

Cincinnati, Ohio
December 17, 2004

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, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Total net assets of the Authority exceeded its liabilities as of June 30, 2004 by $78,538.434 (an increase of $2,010,191 or 2.6 percent from June 30, 2003.

- Net assets invested in capital assets, net of debt totaled $65,334,457 as of June 30, 2004 (an increase of $5,683,999 or 9.5 percent from June 30, 2003). Unrestricted net assets totaled $13,203,977 as of June 30, 2004 (an decrease of $3,672,808 or 21.7 percent from June 30, 2003).

- The Authority had total operating revenue of $42,627,694 (a $3,150,212 or 6.9 percent decrease from fiscal year 2003). The Authority had total expenditures of $45,363,547 (a $4,637,343 or 9.3 percent decrease from fiscal year 2003) resulting in a net operating loss of $2,735,853 for the year ended June 30, 2004 and received other non-operating items primarily for capital grants in a net amount of $4,746,044 (a 26 percent decrease from 2003) resulting in an increase in total net assets of $2,010,191 for the year.

- The Authority's capital outlays for the year were $13,140,819.

USING THIS ANNUAL REPORT

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

MD&A
MD&A Management Discussion and Analysis
Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows
Notes to the Basic Financial Statements

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

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

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

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

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

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

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

Public Housing Drug Elimination Program (PHDEP) - The PHDEP provides funds for public-housing authorities and tribally designated housing entities to develop and finance drug and drug-related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public housing. This program expired in September 2004 with no further funding expected.

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

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

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

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.

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

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

The financial statements can be found on pages 10 through 12 of this report.

Fund Financial Statements

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

Notes to the Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basis financial statements. Notes to the basis financial statements can be found on pages 13 through 25 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Assets

The following table represents a condensed statement of net assets.

	2004 (In thousands)	2003 (In thousands)
Current and other assets	$16,798	$24,148
Capital assets	74,836	69,060
Total assets	91,634	93,208
Current liabilities	3,053	6,129
Non-current liabilities	10,043	10,551
Total liabilities	13,096	16,680
Net assets:		
Invested in capital assets, net of debt	65,334	59,651
Unrestricted	13,204	16,877
Total net assets	$78,538	$76,528

By far the largest portion of the Authority's net assets (83 percent) reflects its investments in capital assets net of related debt. The Authority uses these capital assets (e.g., buildings, machinery, and equipment) to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Statement of Revenues, Expenses and Changes in Fund Net Assets

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

	2004 (In thousands)	2003 (In thousands)
Tenant rental revenue	$ 4,172	$ 4,969
Government operating grants	37,211	38,421
Other revenue	1,245	2,388
Total operating revenue	42,628	45,778
Operating expenses	19,812	23,938
Depreciation expense	5,801	5,826
Housing Assistance Payments	19,751	20,237
Total operating expenses	45,364	50,001
Non-operating capital grants	4,617	8,542
Other non-operating items	129	(2,128)
Total non-operating revenues	4,746	6,414
Change in net assets	$ 2,010	$ 2,191
Total net assets, end of year	$78,538	$76,528

The net assets of the Authority increased by $2,010,191 during the current fiscal year. The Authority's revenues are largely governmental revenues received from cost reimbursement and capital grants. The Authority draws down monies from the grant awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's governmental revenues and charges for services were sufficient to cover all non-depreciation related expenses incurred during the year.

Government operating grants decreased by $1,209,975 due to decreases in the number of units available for low rent and section 8 rental assistance programs during 2004 as the Authority is in the process of constructing new units. Operating expenses decreased by $4,126,006 primarily due to the downsizing and reorganization in low rent, section 8 and the Authority's administrative staff, a more efficient operational structure, and less maintenance costs as new construction replaces older less efficient units. Operating expenses specifically decreased due to reductions in severance expenses, decreased liability and property insurance premiums and tenant service expenses.

The Housing Assistance Payments decreased by $486,022 from the previous year. Funding in this program is based on the number of units leased. During the 2004 fiscal year the count of units leased decreased by approximately 85 units.

Non-operating capital grants decreased by $3,924,902 primarily due to delays and changes in Hope VI construction, and reductions in staff working on capital improvements. In addition, 75 percent of on-time density reduction grants were expended in fiscal year 2003 and 22 percent were expended in fiscal year 2004.

Other non-operating items increased by $2,256,705 mainly due to the Authority recognizing a loss on disposal of assets totaling $2,227,518 during fiscal year 2003.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004 the Authority's capital assets totaled $74,836,312 (capital assets net of accumulated depreciation) as reflected in the fo1lowing schedule.

	2004 (In thousands)	2003 (In thousands)
Land	$ 10,630	$ 9,668
Buildings	107,256	105,847
Equipment and vehicles	5,386	5,384
Construction in progress	14,270	5,136
Accumulated depreciation	(62,706)	(56,975)
Total	$74,836	$69,060

Major capital asset purchases during fiscal year 2004 included the following:

- Capital expenditures of $2,154,051 for demolition, new construction and site improvements under the Hope VI program.

- New construction in progress expenditures of $11,908,831 for energy performance site improvements and the Hope VI program.

- New land purchases of $1,789,592 for the New Visions Home Ownership and Hope VI programs.

Additional information on the Authority's capital assets can be found in Note 3 on pages 18 of this report.

Debt

As of June 30, 2004, the Authority had $9,501,855 of debt, an increase of $63,046, over the prior year. The increase is due to a combination of the addition of capitalized interest during construction that is added to the principal balance of the Authority's capital lease until initial lease payments begin in July 2004 and an offsetting reduction of debt related to mortgages that has occurred through scheduled debt payments.

Debt consists of mortgages under the New Visions program and the financing for a capital lease contract under the Energy Performance Contract (EPC).

The mortgages have interest rates between 5 and 6 percent and are collateralized by real property. The mortgages are payable to a financial institution in monthly installments, with varying maturities through 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 has entered into a long-term lease to finance the installment of the energy saving devices. The contract for the installation of the devices is to be completed in July 2004. Funds for the payment of the lease will come from savings realized from conserving energy while HUD reimburses the Authority for utilities at a rate set prior to installation of the energy saving devises. The lending institution advanced the loan proceeds in May 2003 and its retirement will take place in equal payments through April 2016. During fiscal year 2004, the Authority negotiated an extension to the initial start of lease payment from May 2004 to July 2004 to coincide with the actual project completion date.

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

Additional information on the Authority's long-term debt can be found in Notes 4 and 5 beginning on page 19 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 2005 fiscal year.

After the downsizing of staff associated with the demolition of 10 percent of the public housing stock, the Authority approved major shifts in the public housing operating budget. Security costs were increased by 60 percent to add security cameras and upgrade alarm systems at all sites. The maintenance labor and materials budget was increased 25 percent to place even greater emphasis on the Authority's core business of providing safe and sanitary housing.

The administrative operating budget was reduced by approximately 10 percent by eliminating non-essential newly vacant positions.

The Authority continues to install major energy improvements in all housing sites. The improvements are financed with the savings in gas, electric and water utility expenses over a period of ten (10) years. Payment on the capital lease began in the 2005 fiscal year, which is approximately $940,000 annually.

The Department of Housing and Urban Development (HUD) notified the Authority that there would be a change in the way the Housing Choice Voucher Program is funded. The change would make the program completely budget based. As such, the Authority will have to fiscally manage leasing levels and costs in accordance with the annual voucher budget amount. This method prohibits the use of voucher funds for over-leasing. As a result, the Authority expects a 6 percent decrease in voucher funding in the second half of the 2005 fiscal year.

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

PROPRIETARY FUND TYPE - ENTERPRISE FUND

JUNE 30, 2004

Assets	
Current assets:	
Cash and cash equivalents	$ 11,620,963
Investments	999,963
Accounts receivable net:	
Tenants, net of allowance for doubtful accounts of $146,094	84,165
HUD	1,557,352
Fraud recovery receivable	109,904
Other governments	36,644
Other receivables	27,732
Inventory	567,285
Prepaid items	458,678
Total current assets	15,462,686
Non-current assets:	
Restricted cash and cash equivalents	1,335,795
Capital assets, net	74,836,312
Total non-current assets	76,172,107
Total assets	91,634,793
Liabilities	
Current liabilities:	
Accounts payable:	
Trade	1,310,786
HUD	137,180
Accrued wages and benefits	259,862
Accrued liabilities	164,764
Accrued compensated absences	61,915
Accrued payments in lieu of taxes	48,547
Tenants' security deposits	248,310
Deferred revenues	77,080
Current portion of mortgages payable	12,748
Current portion of capital lease payable	579,286
Contractor retentions	153,119
Total current liabilities	3,053,597
Non-current liabilities:	
Mortgages payable, net of current portion	658,269
Capital lease payable, net of current portion	8,251,552
Compensated absences, net of current portion	728,219
Deferred credits	265,805
Section 8 reserves	77,381
Homebuyers reserve	27,730
Other long-term accrued liabilities	33,806
Total non-current liabilities	10,042,762
Total liabilities	13,096,359
Net Assets	
Invested in capital assets, net of related debt	65,334,457
Unrestricted net assets	13,203,977
Total net assets	$ 78,538,434

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

DAYTON METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND TYPE - ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2004

Operating revenue:	
Tenant rental revenue	$ 4,171,976
Government operating grants	37,211,210
Other revenue	1,244,508
Total operating revenue	42,627,694
Operating expenses:	
Administrative expense	6,972,531
Tenant services	1,243,255
Utilities expense	2,878,607
Ordinary maintenance and operation	6,588,397
Protective services	418,837
General expenses	1,710,250
Housing assistance payments	19,750,654
Depreciation and amortization	5,801,016
Total operating expenses	45,363,547
Operating income (loss)	(2,735,853)
Non-operating revenue (expenses):	
Interest and investment income	113,139
Interest expense	(35,824)
Capital grants	4,617,121
Gain on disposal of capital assets	51,608
Total non-operating revenue (expense), net	4,746,044
Change in net assets	2,010,191
Net assets, beginning of year	76,528,243
Net assets, end of year	$ 78,538,434

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

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2004

Cash flows from operating activities:	
Receipts from tenants	$ 4,343,108
Receipts from operating grants	37,610,205
Other operating receipts	2,168,692
Housing assistance payments	(19,778,400)
Payments for general and administrative expense	(20,806,598)
Net cash provided by operating activities	3,537,007
Cash flows from capital and related financing activities:	
Principal and interest paid on mortgages	(275,733)
Proceeds from capital lease	332,955
Construction and acquisition of capital assets	(14,384,724)
Capital grants	6,399,726
Net cash used by capital and related financing activities	(7,927,776)
Cash flows from investing activities:	
Investment purchases	(999,963)
Interest received on investments	113,139
Net cash used by investing activities	(886,824)
Net decrease in cash and cash equivalents	(5,277,593)
Cash and cash equivalents at beginning of year	18,234,351
Cash and cash equivalents at end of year	$12,956,758
Reconciliation of operating loss to net cash provided by operating activities:	
Loss from operations	($2,735,853)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	5,801,016
Change in assets and liabilities:	
Net change in tenant accounts receivable	52,057
Net change in allowance for doubtful accounts	93,696
Net change in HUD receivable, operating grants	412,377
Net change in fraud recovery receivable	23,394
Net change in other governments receivable	828,396
Net change in other receivables	95,788
Net change in inventory and prepaid items	(216,541)
Net change in accounts payable, trade	(240,852)
Net change in accounts payable, HUD	(13,382)
Net change in accrued wages and benefits	(76,021)
Net change in accrued liabilities, contingency and payments in lieu of taxes	(398,320)
Net change in accrued compensated absences	(62,987)
Net change in tenants' security deposits	2,977
Net change in deferred credits	24,565
Net change in section 8 and homebuyers reserves	(53,303)
Net cash provided by operating activities	$ 3,537,007

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

1. Summary of Significant Accounting Policies

Description of the Entity and Programs

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

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

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

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

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

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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.

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

Summary of Significant Accounting Policies

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

Reporting Entity – The accompanying basic financial statements comply with the provision of Governmental Accounting Standard Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if it officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

Management believes the financial statements included in this report represent all of activities and entities over which the Authority is financially accountable.

Basis of Accounting – The Authority uses the proprietary fund type to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

> *Enterprise Fund* – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting – Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. In accordance with GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989, that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

Investments – The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year 2004 totaled $113,139.

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

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

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

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

Capital Assets – Land, structures and equipment are recorded at historical cost. Donated land, structures and equipment are recorded at their fair value on the date donated. Depreciation is calculated on a straight-line method using half-year convention over the estimated useful lives. When depreciable property is disposed of or sold, the cost and related accumulated depreciation are removed from the accounts, with any gain or loss reflected in operations. The Authority capitalizes all assets with a cost of $500 or more. The estimated useful lives are as follows:

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

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

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

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

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

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

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

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

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

2. Cash, Cash Equivalents and Investments

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

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

Deposits – At year-end, the carrying amount of the Authority's deposits was $8,042,975 (including $1,150 of petty cash) and the bank balance was $8,260,865. Of the bank balance, $200,000 was covered by federal depository insurance and $8,060,865 was covered by collateral held by third party trustees pursuant to section 135.181 of the Ohio Revised Code, in collateral pools serving all public funds on deposit with specific depository institutions.

Investments – The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. STAR Ohio is an investment fund operated by the Ohio State Treasurer and is unclassified since it is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

	Carrying Amount	Fair Value
Category 2		
Government Securities - FNMA	$ 999,963	$ 999,963
Uncategorized Investments		
STAR Ohio	4,913,783	4,913,783
Total	$5,913,746	$5,913,746

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

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

	Cash and Cash Equivalents	Investments
Cash and cash equivalents and investments on the Statement of Net Assets	$11,620,963	$ 999,963
Restricted cash and cash equivalents	1,335,795	-
Total GASB Statement No. 9	12,956,758	999,963
Investments:		
STAR Ohio	(4,913,783)	4,913,783
Total GASB Statement No. 3	$ 8,042,975	$5,913,746

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2004 follows:

Historical Cost: Class	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Capital assets not being depreciated:				
Land	$9,667,730	$ 1,789,592	($826,922)	$10,630,400
Construction in progress	5,136,768	11,908,831	(2,775,824)	14,269,775
Capital assets being depreciated:				
Buildings and improvements	105,847,006	2,154,051	(744,918)	107,256,139
Equipment and vehicles	5,383,878	64,169	(62,063)	5,385,984
Total cost	$126,035,382	$15,916,643	($4,409,727)	$137,542,298

Accumulated Depreciation: Class	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Buildings and improvements	($52,293,030)	($5,564,288)	$27,496	($57,829,822)
Equipment and vehicles	(4,682,085)	(236,728)	42,649	(4,876,164)
Total depreciation	($56,975,115)	($5,801,016)	$ 70,145	($62,705,986)
Net value	$69,060,267			$74,836,312

Capitalized interest for the year ended June 30, 2004 totaled $332,955.

4. Mortgages Payable

As of June 30, 2004 the Authority had issued $720,000 of mortgages payable under the New Visions program with an outstanding balance at June 30, 2004 of $671,017. Under the program, the Authority purchases property, refurbishes or builds a modular home on the lot. The Authority then obtains a commercially available low-interest mortgage on the property. Qualified tenants initially lease the property for a specified period. Once the tenant meets pre-determined home ownership criteria, the tenant may apply to assume the existing mortgage on the property. Once approved, the property and mortgage are transferred to the new homeowner.

The mortgages have interest rates between 5 and 6 percent and are collateralized by real property and are payable in monthly installments, with varying maturities through July 2032. The mortgages mature as follows:

Year ended June 30,	Principal	Interest	Total
2005	$ 12,748	$ 34,989	$ 47,737
2006	13,428	34,309	47,737
2007	14,143	33,594	47,737
2008	14,898	32,839	47,737
2009	15,693	32,044	47,737
2010-2014	91,963	146,724	238,687
2015-2019	119,313	119,374	238,687
2020-2024	154,864	83,823	238,687
2025-2029	182,361	38,259	220,620
2030-2033	51,606	3,431	55,037
Total	$671,017	$559,386	$1,230,403

5. Capital Lease Payable

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

The initial terms of the lease provide for an initial amount totaling $8,453,451 with the first payment deferred until May 15, 2004. During 2004, the terms of the lease were re-negotiated with the initial payment deferred to July 15, 2004. The lease includes an interest factor of 4.2 percent. Interest during the deferred period is to be added to the lease principal amount and paid for over the life of the lease ($377,387 has been accrued as part of the additional lease payable as of June 30, 2004). Assets constructed under the lease total $7,824,122 as of June 30, 2004 and are recorded within construction in progress.

The Authority's future minimum payments under the capital lease obligation as of June 30, 2004 are as follows:

Year Ended June 30	Amount
2005	$ 939,762
2006	939,762
2007	939,762
2008	939,762
2009	939,762
2010-2014	4,698,810
2015-2016	1,879,522
Total minimum lease payments	11,277,142
Less: amount representing interest	(2,446,304)
Present value of future minimum lease payments	$ 8,830,838

6. Payment in Lieu of Taxes

The Authority has executed a Cooperation Agreement with the County of Montgomery that provides for tax exemption of the housing projects but requires the Authority to make payment in lieu of taxes for municipal services received based upon a prescribed formula related to rental income. For the year ended June 30, 2004, the Authority has accrued a liability totaling $48,547. Related expenses in the same amount are reported in general expenses.

7. 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 also maintains employee bonding and employee major medical coverage with private carriers. Employee dental coverage is provided through self-insurance.

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

OHAPCI is a corporation governed by a board of trustees, consisting of a representative appointed by each of the member housing authorities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own book of account. Budgeting and financing of OHAPC is subject to the approval of the board. Currently, the participating housing authorities are Dayton, Akron, Cincinnati, and Youngstown. The following is a summary of insurance coverage at year-end:

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

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

8. Self-Insurance

The Authority has entered into a joint insurance pool with other Ohio housing authorities. The Ohio Housing Authority Property and Casualty, Inc. (OHAPCI) pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery and public officials liability up to established limits. OHAPCI assesses the members of the pool an annual premium to fund estimated amounts needed to pay prior and current year claims. As of June 30, 2004, the pool maintained a reserve in excess of actual and estimated claims relative to the Authority.

The Authority also has a self-insured dental and vision plan that covers all employees electing to participate. A reconciliation of claims liabilities is shown below for the years ended June 30, 2003 and June 30, 2004:

	2004	2003
Unpaid claims and claim adjustment expenses at beginning of year	$37,803	$36,296
Provision for insured events of the current year	62,281	74,608
Total incurred claims and claim adjustment expenses	100,084	110,904
Claims and claim adjustment expenses attributable to insured events	(70,827)	(73,101)
Total unpaid claims and claim adjustment expenses at end of year	$29,257	$37,803

The $29,257 liability for the current and long-term portions of unpaid claims and claim adjustment expense is recorded in current and long-term accrued liabilities on the statement of net assets.

The Authority makes payments to the Plan Trustee based on estimated amounts needed to pay prior and current year claims. The June 30, 2004 claims liability is based on the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

9. Retirement Commitments

The Authority contributes to the Ohio Public Employees Retirement System (OPERS) that administers three separate pension plans as described below:

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

- The Member-Directed Plan (MD) - 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 member and (vested) employer contributions plus any investment earnings thereon.

- 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 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.

OPERS provides retirement, disability, survivor and death benefits, and cost of living adjustments to members of the Traditional 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contributions were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates were 8.5 percent for members, and the employer contribution was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended June 30, 2004, 2003, and 2002 were $895,598, $1,007,008, and $1,198,137 respectively, equal to the payments made in each year.

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) 222-6705 or 1-800-222-7377.

10. Other Post-employment Benefits

In addition to the pension benefits described in Note 9, OPERS provides retirement, disability, survivor, and post-retirement health care benefits to qualifying members of both the traditional and the combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for employers was 13.55 percent of covered payroll, of which 5.0 percent was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority to require public employers to fund post-retirement health care through their contributions to OPERS. The following is a summary of assumptions:

<u>Actuarial Review</u> - The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.
<u>Funding Method</u> - An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
<u>Assets Valuation Method</u> - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.
<u>Investment Return</u> - The investment assumption rate for 2002 was 8.0 percent.
<u>Active Employee Total Payroll</u> - An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.5 percent to 6.3 percent.
<u>Health Care</u> - Health care costs were assumed to increase 4.0 percent annually.

OPEB are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. In fiscal years 2004, 2003 and 2002, $330,476, $371,590, and $380,221, respectively, of the Authority's total contributions to OPERS were used for post-employment benefits. The actuarial value of the Retirement System's net assets available for OPEB was $10.0 billion at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan. The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefits recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan.

11. Contingent Liabilities

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

12. Uncompleted Contracts

At June 30, 2004, the Authority has uncompleted contracts related to construction in progress under the Comprehensive Grant Program and Energy Performance Contract of approximately $1,395,442.

13. Segment Information

The Authority operates various programs. The following reflects, in a summarized format, the more significant financial data relating to the Authority's programs as of and for the year ended June 30, 2004:

	Low Rent	Drug Elimination	Choice Voucher Section 8	CFP	Home Ownership	CDBG	HOME
Operating revenues	$ 14,525,496	$ 59,095	$ 21,716,848	$ 2,856,885	$ 65,771	$ 91,190	$ 700,376
Depreciation expense	4,941,565	906	17,038	708,797	9,389	-	-
Other operating expenses	12,531,137	59,095	21,454,009	2,856,884	102,736	2,400	-
Operating income (loss)	(2,947,206)	(906)	245,801	(708,796)	(46,354)	88,790	700,376
Earnings on investments	56,598	-	14,703	-	-	-	-
Other non-operating items	118,505	-	-	2,014,579	-	-	-
Net income (loss)	(2,772,103)	(906)	260,504	1,305,783	(46,354)	88,790	700,376
Net working capital	5,391,764	-	430,980	-	22,324	-	-
Total assets	62,365,176	453	3,299,123	11,207,792	246,336	446,468	1,196,858
Total liabilities	10,989,687	-	2,855,061	578,080	43,135	148,006	-
Net Assets	51,375,489	453	444,062	10,629,712	203,201	298,462	1,196,858

	Hope VI	ROSS	General Research	Business Activities	Other State and Local	Total
Operating revenues	$909,295	$521,971	$143,853	$187,280	$849,634	$42,627,694
Depreciation expense	-	-	-	30,159	93,162	5,801,016
Other operating expenses	909,296	521,971	143,853	299,653	717,321	39,598,355
Operating income (loss)	(1)	-	-	(142,532)	39,151	(2,771,677)
Earnings on investments	-	-	-	29,898	11,940	113,139
Other non-operating items	2,588,606	-	-	(52,961)	-	4,668,729
Net income (loss)	2,588,605	-	-	(165,595)	51,091	2,010,191
Net working capital	-	-	-	3,532,667	2,031,391	11,409,126
Total assets	7,819,930	42,145	-	4,607,605	3,502,442	94,734,328
Total liabilities	593,612	42,145	-	929,270	16,898	16,195,894
Net Assets	7,226,318	-	-	3,678,335	3,485,544	78,538,434

Total assets and total liabilities presented above include $3,099,535 of inter-program receivables and payables as discussed in Note 14.

14. Inter-program Receivables and Payables

Inter-program receivables and payables are made throughout the year in order to provide operating funds to various programs administered by the Authority. The following balances at June 30, 2004 represent individual program receivables and payables:

Program	Inter-program Receivable	Inter-program Payable
Low-Rent Housing	$1,352,540	$ -
Homeownership	25,644	-
Public Housing Capital Fund Program	338,326	-
Business Activities	598,352	-
State/Local	784,673	-
Section 8 Choice Vouchers	-	2,611,008
HOPE VI	-	299,821
ROSS	-	42,145
CDBG	-	146,561
Total	$3,099,535	$3,099,535

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

15. Subsequent Events

On December 16, 2004, a Settlement Agreement and Mutual Release was agreed to between the Dayton Metropolitan Housing Authority and Sankofa Corp for issues raised in litigation between the parties.

Dayton Metropolitan Housing Authority management believes that by settling all issues between the parties in an amicable way, rather than continuing to litigate these issues, is in the best interests of the Authority, Sankofa Corp, and the residents of Dayton Metropolitan Housing Authority. In addition, management of the Authority does not believe the terms of the settlement are material to the financial position or operations of the Authority.

Dayton Metropolitan Housing Authority
Combining Balance Sheet
(FDS Schedule Submitted to HUD)
as of June 30, 2004

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Choice Voucher Section 8	Home Ownership	Hope VI	Ross Grant	CFP	General Research	Community Development Block Grants	HOME	Business Activities	State/Local and LHA	Total
	ASSETS													
111	Cash-unrestricted	$ 4,906,083	$ -	$ 2,564,921	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,935,361	$ 1,214,598	$ 11,620,963
112	Cash- restricted-Modernization and Development	-	-	-	27,446	-	-	-	-	-	-	-	-	27,446
113	Cash-Other Restricted	-	-	77,381	-	-	-	-	-	-	-	-	-	77,381
115	Cash Restricted for payment of Current Liability	1,230,968	-	-	-	-	-	-	-	-	-	-	-	1,230,968
100	Total cash	6,137,051	-	2,642,302	27,446	-	-	-	-	-	-	2,935,361	1,214,598	12,956,758
122	Accounts Receivable-HUD other projects	-	-	533,835	-	593,612	42,145	239,754	-	148,006	-	-	-	1,557,352
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-	-	-	36,644	36,644
125	Accounts Receivable-Miscellaneous	14,833	-	-	-	-	-	-	-	-	-	3,800	-	18,633
126	Accounts Receivable-Tenant Dwelling Rents	218,174	-	-	12,085	-	-	-	-	-	-	-	-	230,259
126.1	Allowance for Doubtful Accounts-Dwelling Rents	(146,094)	-	-	-	-	-	-	-	-	-	-	-	(146,094)
128	Fraud Recovery	-	-	109,904	-	-	-	-	-	-	-	-	-	109,904
129	Accrued Interest Receivable	9,099	-	-	-	-	-	-	-	-	-	-	-	9,099
120	Total Receivables, net of allowances for doubtful accounts	96,012	-	643,739	12,085	593,612	42,145	239,754	-	148,006	-	3,800	36,644	1,815,797
131	Investments-Unrestricted	999,963	-	-	-	-	-	-	-	-	-	-	-	999,963
142	Prepaid Expenses and Other Assets	441,353	-	-	-	-	-	-	-	-	-	17,325	-	458,678
143	Inventories	582,008	-	-	-	-	-	-	-	-	-	-	-	582,008
143.1	Allowance for Obsolete Inventories	(14,723)	-	-	-	-	-	-	-	-	-	-	-	(14,723)
144	Interprogram Due From	1,352,540	-	-	25,644	-	-	338,326	-	-	-	598,352	784,673	3,099,535
150	Total Current Assets	9,594,204	-	3,286,041	65,175	593,612	42,145	578,080	-	148,006	-	3,554,838	2,035,915	19,898,016
161	Land	6,591,880	-	-	52,781	2,667,502	-	840,067	-	9,895	-	39,530	428,745	10,630,400
162	Buildings	93,142,739	-	-	483,730	-	-	10,475,955	-	-	-	1,123,096	2,000,954	107,226,474
163	Furniture, Equipment & Machinery-Dwellings	104,520	-	-	-	-	-	-	-	-	-	-	-	104,520
164	Furniture, Equipment & Machinery-Administration	4,369,652	45,590	321,013	15,497	-	-	277,260	-	-	-	17,167	235,284	5,281,463
166	Accumulated Depreciation	(59,278,115)	(45,137)	(307,931)	(370,847)	-	-	(1,378,473)	-	-	-	(127,026)	(1,198,456)	(62,705,985)
167	Construction In Progress	7,840,296	-	-	-	4,558,816	-	414,903	-	288,567	1,196,858	-		14,299,440
160	Total Fixed Assets, Net of Accumulated Depreciation	52,770,972	453	13,082	181,161	7,226,318	-	10,629,712	-	298,462	1,196,858	1,052,767	1,466,527	74,836,312
180	Total Non-Current Assets	52,770,972	453	13,082	181,161	7,226,318	-	10,629,712	-	298,462	1,196,858	1,052,767	1,466,527	74,836,312
190	Total Assets	$ 62,365,176	$ 453	$ 3,299,123	$ 246,336	$ 7,819,930	$ 42,145	$ 11,207,792	$ -	$ 446,468	$ 1,196,858	$ 4,607,605	$ 3,502,442	$ 94,734,328

Dayton Metropolitan Housing Authority
Combining Balance Sheet
(FDS Schedule Submitted to HUD)
as of June 30, 2004

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Choice Voucher Section 8	Home Ownership	Hope VI	Ross Grant	CFP	General Research	Community Development BlockGrant	HOME	Business Activities	State/Local and LHA	Total
	LIABILITIES													
312	Accounts Payable <= 90 Days	$ 636,534	$ -	$ 8,441	$ 5,858	$ 231,298	$ -	$ 425,374	$ -	$ 1,445	$ -	$ 1,027	$ 809	$ 1,310,786
321	Accrued Wages/Payroll Taxes Payable	259,862	-	-	-	-	-	-	-	-	-	-	-	259,862
322	Accrued Compensated Absences-Current Portion	34,053	-	21,051	-	-	-	-	-	-	-	3,096	3,715	61,915
331	Accounts Payable-HUD PHA Programs	-	-	137,180	-	-	-	-	-	-	-	-	-	137,180
333	Accounts Payable-Other Government	42,612	-	-	5,935	-	-	-	-	-	-	-	-	48,547
341	Tenant Security Deposits	239,398	-	-	3,612	-	-	-	-	-	-	5,300	-	248,310
342	Deferred Revenues	-	-	-	-	-	-	77,080	-	-	-	-	-	77,080
343	Current Portion of Long-Term Debt-Mortgages-New Vision	-	-	-	-	-	-	-	-	-	-	12,748	-	12,748
343	Current Portion of Long-Term Debt-Capital Lease	579,286	-	-	-	-	-	-	-	-	-	-	-	579,286
345	Other Current Liabilities	15,000	-	-	-	62,493	-	75,626	-	-	-	-	-	153,119
346	Accrued Liabilities-Other	164,764	-	-	-	-	-	-	-	-	-	-	-	164,764
347	Interprogram Due To	-	-	2,611,008	-	299,821	42,145	-	-	146,561	-	-	-	3,099,535
310	Total Current Liabilities	1,971,509	-	2,777,680	15,405	593,612	42,145	578,080	-	148,006	-	22,171	4,524	6,153,132
351	Long-Term Debt- Mortgages-New Vision	-	-	-	-	-	-	-	-	-	-	658,269	-	658,269
351	Long Term Portion of-Capital Lease	8,251,552	-	-	-	-	-	-	-	-	-	-	-	8,251,552
353	Noncurrent Liabilities-Other	38,407	-	77,381	27,730	-	-	-	-	-	-	248,830	12,374	404,722
354	Accrued Compensated Absences-Noncurrent	728,219	-	-	-	-	-	-	-	-	-	-	-	728,219
350	Total Noncurrent Liabilities	9,018,178	-	77,381	27,730	-	-	-	-	-	-	907,099	12,374	10,042,762
300	Total Liabilities	10,989,687	-	2,855,061	43,135	593,612	42,145	578,080	-	148,006	-	929,270	16,898	16,195,894
	EQUITY													
508.1	Invested in Capital Assets, Net of Related Debt	43,940,134	453	13,082	181,161	7,226,318	-	10,629,712	-	298,462	1,196,858	381,750	1,466,527	65,334,457
512.1	Unrestricted Net Assets	7,435,355	-	430,980	22,040	-	-	-	-	-	-	3,296,585	2,019,017	13,203,977
513	Total Equity/Net Assets	51,375,489	453	444,062	203,201	7,226,318	-	10,629,712	-	298,462	1,196,858	3,678,335	3,485,544	78,538,434
600	Total Liabilities and Equity/Net Assets	$ 62,365,176	$ 453	$ 3,299,123	$ 246,336	$ 7,819,930	$ 42,145	$ 11,207,792	$ -	$ 446,468	$ 1,196,858	$ 4,607,605	$ 3,502,442	$ 94,734,328

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity
(FDS Schedule Submitted to HUD)
for the year ended June 30, 2004

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Choice Voucher Section 8	Home Ownership	Hope VI	Ross Grant	CFP	General Research	Community Development Block Grant	HOME	Business Activities	State/Local and LHA	Total
	REVENUE													
703	Net Tenant Rental Revenue	$ 3,607,021	$ -	$ -	$ 58,540	$ -	$ -	$ -	$ -	$ -	$ -	$ 66,700	$ -	$ 3,732,261
704	Tenant Revenue -Other	230,881	-	81,023	7,231	-	-	-	-	-	-	120,580	-	439,715
705	Total Tenant Revenue	3,837,902	-	81,023	65,771	-	-	-	-	-	-	187,280	-	4,171,976
706	HUD PHA Operating Grants	10,325,099	59,095	21,603,446	-	909,295	521,971	2,856,885	143,853	91,190	700,376	-	-	37,211,210
706.1	Capital Grants	-	-	-	-	2,588,606	-	2,028,515	-	-	-	-	-	4,617,121
708	Other Government Grants	299,370	-	300	-	-	-	-	-	-	-	-	641,034	940,704
711	Investments Income - Unrestricted	56,598	-	14,703	-	-	-	-	-	-	-	29,898	11,940	113,139
714	Fraud Recovery		-	32,079	-	-	-	-	-	-	-	-	-	32,079
715	Other Revenue	63,125	-	-	-	-	-	-	-	-	-	-	208,600	271,725
716	Gain/Loss on Sale of Fixed Assets	118,505	-	-	-	-	-	(13,936)	-	-	-	(52,961)	-	51,608
700	Total Revenue	14,700,599	59,095	21,731,551	65,771	3,497,901	521,971	4,871,464	143,853	91,190	700,376	164,217	861,574	47,409,562
	EXPENSES													
911	Administrative Salaries	2,048,534	-	1,032,071	21,279	190,583	-	531,282	-	-	-	159,071	341,555	4,324,375
912	Auditing Fees	29,864	-	7,680	-	-	-	-	-	-	-	-	-	37,544
914	Compensated Absences	(78,862)	-	11,060	-	-	-	-	-	-	-	1,098	3,715	(62,989)
915	Employee Benefit Contributions - Administrative	426,236	-	325,391	6,727	60,272	-	167,955	-	-	-	51,599	108,019	1,146,199
916	Other Operating - Administrative	316,281	-	127,217	1,558	207,033	-	621,756	-	2,400	-	7,306	243,851	1,527,402
924	Tenant Services - Other	230,415	2,744	-	-	344,272	521,971	-	143,853	-	-	-	-	1,243,255
931	Water	321,650	-	167	464	-	-	-	-	-	-	277	51	322,609
932	Electric	1,288,206	-	11,351	2,077	-	-	-	-	-	-	948	1,502	1,304,084
933	Gas	872,618	-	5,239	-	-	-	-	-	-	-	1,306	1,015	880,178
935	Labor	66,309	-	-	-	-	-	-	-	-	-	-	-	66,309
937	Employee Benefit Contributions - Utilities	21,103	-	-	-	-	-	-	-	-	-	-	-	21,103
938	Other Utilities Expense	283,712	-	78	216	-	-	-	-	-	-	293	25	284,324
941	Ordinary Maintenance and Operations - Labor	2,223,181	-	-	-	727	-	474,943	-	-	-	-	-	2,698,851
942	Ordinary Maintenance and Operations - Materials and Other	620,691	-	2,458	1,555	-	-	29,686	-	-	-	201	1,604	656,195
943	Ordinary Maintenance and Operations - Contract Cost	1,736,143	93	36,803	20,841	27,889	-	813,129	-	-	-	10,817	4,259	2,649,974
945	Employee Benefit Contributions - Ordinary Maintenance	435,127	-	-	-	-	-	148,250	-	-	-	-	-	583,377

Dayton Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Equity
(FDS Schedule Submitted to HUD)
for the year ended June 30, 2004

FDS Line Item No.	Account Description	Low Rent	Drug Elimination	Choice Voucher Section 8	Home Ownership	Hope VI	Ross Grant	CFP	General Research	Community Development Block Grant	HOME	Business Activities	State/Local and LHA	Total
951	Protective Services - Labor	-	23,292	-	-	-	-	26,419	-	-	-	-	-	49,711
952	Protective Services - Other Contract Costs	318,704	27,142	-	-	-	-	6,850	-	-	-	-	-	352,696
953	Protective Services - Other	2,205	-	-	-	-	-	-	-	-	-	-	-	2,205
955	Employee Benefit Contributions - Protective Services	-	5,824	-	-	-	-	8,401	-	-	-	-	-	14,225
961	Insurance Premiums	748,525	-	131,393	-	-	-	507	-	-	-	22,094	11,281	913,800
962	Other General Expenses	9,413	-	10,168	-	76,993	-	27,706	-	-	-	529	-	124,809
963	Payment in Lieu of Taxes	50,579	-	1,318	5,935	1,527	-	-	-	-	-	256	41	59,656
964	Bad Debt - Tenant Rents	387,945	-	-	42,084	-	-	-	-	-	-	3,066	-	433,095
967	Interest Expenses	-	-	-	-	-	-	-	-	-	-	35,824	-	35,824
968	Severance Expenses	172,558	-	961	-	-	-	-	-	-	-	4,968	403	178,890
969	Total Operating Expenses	12,531,137	59,095	1,703,355	102,736	909,296	521,971	2,856,884	143,853	2,400	-	299,653	717,321	19,847,701
970	Excess Operating Revenue over Operating Expenses	2,169,462	-	20,028,196	(36,965)	2,588,605	-	2,014,580	-	88,790	700,376	(135,436)	144,253	27,561,861
973	Housing Assistance Payments	-	-	19,750,654	-	-	-	-	-	-	-	-	-	19,750,654
974	Depreciation Expense	$4,941,565	906	17,038	9,389	-	-	708,797	-	-	-	30,159	93,162	5,801,016
900	Total Expenses	17,472,702	60,001	21,471,047	112,125	909,296	521,971	3,565,681	143,853	2,400	-	329,812	810,483	45,399,371
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(2,772,103)	(906)	260,504	(46,354)	2,588,605	-	1,305,783	-	88,790	700,376	(165,595)	51,091	2,010,191
1103	Beginning Equity	54,148,951	-	183,558	249,555	4,637,713	-	9,323,929	-	-	-	3,843,930	4,140,607	76,528,243
1104	Prior Period Adjustments, Equity Transfers andCorrection of Errors	(1,359)	1,359	-	-	-	-	-	-	209,672	496,482	-	(706,154)	-
	Ending Equity	$ 51,375,489	$ 453	$ 444,062	$ 203,201	$ 7,226,318	$ -	$ 10,629,712	$ -	$ 298,462	$ 1,196,858	$ 3,678,335	$ 3,485,544	$ 78,538,434
	Other Information													
1102	Debt Principals Payment - Enterprise Funds	$ 44,432	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 239,909	$ -	$ 284,341
1113	Maximum Annual Contributions Commitment (Per ACC)	$ -	$ -	$ 22,436,408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,436,408
1115	Contingency Reserve, ACC Program Reserve	$ -	$ -	$ 4,265,694	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,265,694
1116	Total Annual Contributions Available	$ -	$ -	$ 26,702,102	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,702,102
1120	Unit Months Available	38,640	-	50,592	180	-	-	-	-	-	-	184	-	89,596
1121	Number of Unit Months Leased	36,467	-	48,941	170	-	-	-	-	-	-	172	-	85,750

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO COMBINING STATEMENTS
(FDS SCHEDULE SUBMITTED TO HUD)
FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation

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

2. Equity Transfers and Inter-program Receivables and Payables

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

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

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Development		
Direct Programs:		
General Research and Technology Activity	14.506	$ 143,853
Public and Indian Housing	14.850	10,325,099
Public and Indian Housing Drug Elimination Program	14.854	59,095
Demolition and Revitalization of Severely Distressed PH	14.866	3,497,901
Residential Opportunity and Supportive Services	14.870	521,971
Section 8 Housing Choice Vouchers	14.871	21,603,446
Public Housing Capital Fund	14.872	4,885,400
Direct Programs Expenditures Of Federal Awards		41,036,765
Pass Through from the City of Dayton, Ohio:		
Community Development Block Grant	14.218	91,190
Pass Through from the City of Dayton and Montgomery County Ohio		
Home Investment Partnership Program	14.239	700,376
Total Expenditures Of Federal Awards		$ 41,828,331

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation

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

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dayton Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Bastin & Company, LLC

Cincinnati, Ohio
December 17, 2004

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Dayton Metropolitan Housing Authority, Dayton, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The Dayton Metropolitan Housing Authority's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of the Dayton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dayton Metropolitan Housing Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Dayton Metropolitan Housing Authority's compliance with those requirements.

In our opinion, the Dayton Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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audit, we considered the Dayton Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Bastin & Company, LLC

Cincinnati, Ohio
December 17, 2004

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDITORS' RESULTS

Type of financial statement opinion	Unqualified
Material control weaknesses reported at the financial statement level	None
Reportable control weakness conditions reported at the financial statement level	None
Reported noncompliance at the financial statement level	None
Material internal control weakness conditions reported for major Federal programs	None
Reported internal control weakness conditions reported for major Federal programs	None
Type of major programs' compliance opinion	Unqualified
Reportable findings	None
Major programs	Section 8 Choice Voucher Program (CFDA 14.871) Residential Opportunity and Support Services (CFDA 14.870) Home Investment Partnership Program (CFDA 14.239)
Dollar threshold to distinguish between Type A/B programs	$1,254,850
Low risk auditee	Yes

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

DAYTON METROPOLITAN HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

There were no findings reported in the prior audit report.

Auditor of State
Betty Montgomery

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DAYTON METROPOLITAN HOUSING AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 10, 2005