DAYTON METROPOLITAN HOUSING AUTHORITY
DAYTON, OHIO

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Board of Commissioners
Dayton Metropolitan Housing Authority
400 Wayne Ave.
Dayton, Ohio 45401-8750

We have reviewed the *Independent Auditors' Report* of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by Bastin & Company, LLC, for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 6, 2007

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DAYTON METROPOLITAN HOUSING AUTHORITY

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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have audited the accompanying financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the years ended June 30, 2006 and 2005, 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 opinions.

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, 2006 and 2005, and the changes in net assets and cash flows for the years 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 December 14, 2006 on our consideration of the Dayton Metropolitan Housing Authority's internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the 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.

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Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 27 to 35 is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 36 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bastin & Company, LLC

Cincinnati, Ohio
December 14, 2006

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, 2006 and 2005. 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, 2006 by $72,428,734 (a decrease of $1,760,579, or 2.4 percent from June 30, 2005).

- Net assets invested in capital assets, net of debt totaled $60,078,405 as of June 30, 2006 (a decrease of $4,509,944, or 7.0 percent, from June 30, 2005). Unrestricted net assets totaled $12,350,329 as of June 30, 2006 (an increase of $2,749,365, or 28.6 percent, from June 30, 2005).

- The Authority had total operating revenue of $49,385,229 (a $5,055,900, or 11.4 percent, increase from fiscal year 2005). The Authority had total operating expenditures of $53,396,909 (a $3,739,052, or 7.5 percent, increase from fiscal year 2005) resulting in a net operating loss of $4,011,680 for the year ended June 30, 2006, and received other non-operating items primarily for capital grants in a net amount of $2,251,101 (a 47.4 percent decrease from 2005) resulting in a decrease in total net assets of $1,760,579 for the year.

- The Authority's capital outlays for the year were $3,177,613.

USING THIS ANNUAL REPORT

This 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
MD&A Management Discussion and Analysis
Financial Statements
Statements of Net Assets
Statements 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 *statements 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 *statements of revenues, expenses and changes in net assets* present information showing how the Authority's net assets changed during the fiscal years. 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 *statements of cash flows* provide 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.

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. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

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, it has 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, it has no right to continued assistance.

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

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

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

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

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 11 through 13 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 14 through 26 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statements of Net Assets

The following table represents condensed statements of net assets.

	2006 (In thousands)	2005 (In thousands)	2004 (In thousands)
Current and other assets	$ 15,879	$ 14,897	$ 16,798
Capital assets	67,864	72,519	71,540
Total assets	83,743	87,416	88,338
Current liabilities	3,393	4,951	3,053
Non-current liabilities	7,921	8,276	10,043
Total liabilities	11,314	13,227	13,096
Net assets:			
Invested in capital assets, net of debt	60,079	64,588	62,038
Unrestricted	12,350	9,601	13,204
Total net assets	$ 72,429	$ 74,189	$ 75,242

June 30, 2006 compared to June 30, 2005

By far the largest portion of the Authority's net assets (83 percent) reflects its investments in capital assets net of related debt. The decrease from 2005 was primarily a result of annual depreciation charges. 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.

June 30, 2005 compared to June 30, 2004

During 2005 the Authority's investments in capital assets net of related debt increased over 2004 primarily as a result of capital asset additions for the Hopeland Homes and Salem Crossing developments.

Statements of Revenues, Expenses and Changes in Net Assets

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

	2006 (In thousands)	2005 (In thousands)	2004 (In thousands)
Tenant rental revenue	$ 3,226	$ 3,328	$ 4,172
Government operating grants	44,715	36,997	37,211
Other revenue	1,444	4,004	1,245
Total operating revenue	49,385	44,329	42,628
Operating expenses	29,084	24,960	23,108
Depreciation expense	6,308	5,810	5,801
Housing Assistance Payments	18,005	18,888	19,751
Total operating expenses	53,397	49,658	48,660
Non-operating capital grants	2,012	4,521	4,617
Other non-operating items	239	(245)	129
Total non-operating revenues	2,251	4,276	4,746
Change in net assets	$ (1,761)	$(1,053)	$(1,286)
Total net assets, end of year	$ 72,429	$ 74,189	$ 75,242

Year ended June 30, 2006 compared to Year ended June 30, 2005

The net assets of the Authority decreased by $1,760,579 during 2006. The Authority's revenues are largely governmental revenues received from cost reimbursement and capital grants. The Authority draws down monies from the grant awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's governmental revenues and charges for services were sufficient to cover all non-depreciation related expenses incurred during the year.

The Authority's government operating grants increased by $7,718,546. Operating expenses increased by $3,739,052 primarily due to severance payments for an early retirement incentive plan offered to eligible employees, costs for added security provided to public housing sites and increases in public housing maintenance supplies, and contract costs to turn vacant units.

The Section 8 Housing Assistance Payments decreased by $883,804 from the previous year. During the 2006 fiscal year there was no significant change in the number of voucher units leased.

Non-operating capital grants decreased by $2,509,108. Other non-operating items increased by $484,258.

Year ended June 30, 2005 compared to Year ended June 30, 2004

The net assets of the Authority decreased by $1,052,577 during 2005. The following factors contributed to this decrease.

The Authority's government operating grants increased by $214,023. Operating expenses increased by

$997,766 primarily due to severance payments to subcontractor Sankofa Corp and increased costs due to increases in health insurance coverage provide to Authority personnel, costs for added security provided to public housing sites and increases in public housing maintenance supplies and contract costs.

The Section 8 Housing Assistance Payments decreased by $862,285 from the previous year. Funding in this program was based on the number of units leased, but changed in January to budget based program funding. During the 2005 fiscal year the count in voucher units leased decreased by approximately 180 units.

Non-operating capital grants decreased by $95,947. Other non-operating items decreased by $374,146.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006 the Authority's capital assets totaled $67,824,004 (capital assets net of accumulated depreciation) as reflected in the fo1lowing schedule.

	2006 (In thousands)	2005 (In thousands)	2004 (In thousands)
Land	$ 10,161	$ 11,070	$ 10,631
Buildings	125,979	112,899	107,226
Equipment and vehicles	5,621	5,493	5,386
Construction in progress	-	11,477	11,003
Accumulated depreciation	(73,897)	(68,420)	(62,706)
Total	$ 67,864	$ 72,519	$ 71,540

June 30, 2006 compared to June 30, 2005

New construction of single-family homes began in fiscal year 2006 for the final phase of the HOPE VI project. A total of fifty-five (55) homes are planned for construction. In addition, fiscal year 2006 saw the finalization of items considered as construction in process as of the end of the prior year with those assets being reclassified primarily to buildings during 2006.

June 30, 2005 compared to June 30, 2004

Major capital asset purchases during fiscal year 2005 included $1.4 million for Hopeland Homes and Salem Crossing developments.

Additional information on the Authority's capital assets can be found in Note 3 on page 20 of this report.

Debt

As of June 30, 2006, the Authority had $7,785,438 of debt, a decrease of $144,810 from the prior year. The decrease was primarily due to debt retirement payments on the EPC Capital Lease debt during 2006.

Debt consists of New Vision program mortgages, the Energy Performance Contract Capital Lease, and a new debt for computer software five-year note.

The New Vision mortgages have interest rates between 5 and 6 percent and are collateralized by real property. The mortgages are payable to a financial institution in monthly installments, with varying maturities through July 2032.

The Energy Performance Contract is a HUD funded program that, in effect, rewards Authorities who install energy efficient measures into their housing units. The Authority has entered into a long-term lease to finance the installment of the energy saving devices. The contract for the installation of the devices was 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 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. Lease payments for the financing of the Energy Performance Contract began in July 2004 that significantly increased debt payments in future years.

During 2006, the Authority financed $400,000 for the purpose of acquiring and updating comprehensive computer software. The note term is five (5) years with an interest rate of 4.25% per annum. Additional information on the Authority’s long-term debt can be found in Notes 4 and 5 beginning on page 21 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 2007 fiscal year.

The Authority is required to implement site-specific budgeting and accounting in the public housing program by July 2008. The fiscal year 2007 budget was prepared on this basis since there are strict HUD guidelines how the central office cost center expenses will be funded and by implementing early; we can be much more prepared to deal with the challenges.

More emphasis has been placed on the upkeep of the public housing units. Thus, funds have been shifted from the Protective Services budget, which had been increased $500,000 in 2006, to maintenance materials and contracts. With the significant rise in natural gas prices, the budget was adjusted accordingly.

Although subsidy revenues from HUD was projected fairly even with fiscal year 2006 levels, HUD notified all housing authorities that subsidy funding could be reduced by as much as 25% for calendar year 2007. Therefore, alternate plans to reduce the budget should funding levels drop to this level have been discussed and reviewed with the Board of Housing Commissioners.

The Department of Housing and Urban Development (HUD) notified the Authority in December 2005 that the Housing Choice Voucher (HCV) Program would provide funds by a budget-based method. As such, the Authority will have to fiscally manage leasing levels and costs within the annual voucher budget amount. This new funding method reduced the Authority's FY2006 budget amount for the HCV program by about $800,000. No staffing changes were anticipated.

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
STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$ 6,541,897	$ 6,173,219
Investments	6,586,144	5,397,539
Accounts receivable net:		
Tenants, net of allowance for doubtful accounts of $111,886 and $78,997	60,082	40,009
HUD	1,035,526	1,726,304
Other governments	523,129	458,481
Other receivables	236,505	226,261
Inventory	563,328	565,354
Prepaids	220,885	223,236
Total current assets	15,767,496	14,810,403
Non-current assets:		
Restricted cash and cash equivalents	111,374	87,542
Capital assets, not depreciated	10,160,594	22,547,048
Capital assets – net of accumulated depreciation	57,703,214	49,971,549
Total non-current assets	67,975,182	72,606,139
Total assets	83,742,678	87,416,542
Liabilities		
Current liabilities:		
Accounts payable:	1,330,335	1,276,571
Accrued wages and benefits	473,179	681,723
Accrued liabilities	13,211	12,726
Accrued compensated absences	55,419	60,571
Accrued payments in lieu of taxes	5,918	12,214
Tenants' security deposits	227,867	236,481
Deferred revenues	507,813	2,018,189
Current portion of mortgages payable	14,144	13,428
Current portion of notes payable	73,382	-
Current portion of capital lease payable	554,136	531,382
Contractor retentions	137,668	107,689
Total current liabilities	3,393,072	4,950,974
Non-current liabilities:		
Mortgages payable, net of current portion	630,696	644,841
Notes payable, net of current portion	326,618	-
Capital lease payable, net of current portion	6,186,427	6,740,597
Compensated absences, net of current portion	640,809	783,055
Section 8 reserves	127,060	99,195
Homebuyers reserve	9,262	8,567
Total non-current liabilities	7,920,872	8,276,255
Total liabilities	11,313,944	13,227,229
Net Assets		
Invested in capital assets, net of related debt	60,078,405	64,588,349
Unrestricted net assets	12,350,329	9,600,964
Total net assets	$ 72,428,734	$ 74,189,313

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

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Operating revenue:		
Tenant rental revenue	$ 3,225,778	$ 3,327,917
Government operating grants	44,715,733	36,997,187
Other revenue	1,443,718	4,004,225
Total operating revenue	49,385,229	44,329,329
Operating expenses:		
Administrative expense	7,902,085	9,677,387
Tenant services	668,340	838,539
Utilities expense	3,651,598	2,864,574
Ordinary maintenance and operation	11,928,981	9,143,765
Protective services	1,590,426	1,048,808
General expenses	3,296,657	1,386,856
Housing assistance payments	18,004,565	18,888,369
Other operating expenses	46,692	-
Depreciation and amortization	6,307,565	5,809,559
Total operating expenses	53,396,909	49,657,857
Operating loss	(4,011,680)	(5,328,528)
Non-operating revenue (expenses):		
Interest and investment income	511,971	270,412
Interest expense	(334,273)	(409,798)
Capital grants	2,012,066	4,521,174
Gain/(loss) on disposal of capital assets	61,337	(105,837)
Total non-operating revenue	2,251,101	4,275,951
Change in net assets	(1,760,579)	(1,052,577)
Net assets, beginning of year	74,189,313	75,241,890
Net assets, end of year	$ 72,428,734	$ 74,189,313

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

DAYTON METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash flows from operating activities:		
Receipts from tenants	$ 3,197,786	$ 3,450,985
Receipts from operating grants	43,185,632	39,403,155
Other operating receipts	1,368,826	3,383,859
Housing assistance payments	(17,976,700)	(19,132,360)
Payments for general and administrative expense	(29,388,876)	(24,516,321)
Net cash provided by operating activities	386,668	2,589,318
Cash flows from capital and related financing activities:		
Principal and interest paid on mortgages	(878,633)	(1,968,679)
Proceeds from note	400,000	-
Construction and acquisition of capital assets	(3,147,634)	(6,939,655)
Proceeds from sale of capital assets	1,586,174	-
Capital grants	2,722,569	3,750,183
Net cash provided (used) by capital and related financing activities	682,476	(5,158,151)
Cash flows from investing activities:		
Investment purchases	(1,188,605)	(4,397,576)
Interest received on investments	511,971	270,412
Net cash provided (used) by investing activities	(676,634)	(4,127,164)
Net increase (decrease) in cash and cash equivalents	392,510	(6,695,997)
Cash and cash equivalents at beginning of year	6,260,761	12,956,758
Cash and cash equivalents at end of year	$6,653,271	$ 6,260,761
Reconciliation of operating loss to net cash provided by operating activities:		
Loss from operations	($4,011,680)	($5,328,528)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	6,307,565	5,809,559
Change in assets and liabilities:		
Net change in tenant accounts receivable	(52,962)	111,253
Net change in allowance for doubtful accounts	32,889	(67,097)
Net change in HUD receivable, operating grants	(19,725)	602,039
Net change in fraud recovery receivable	-	109,904
Net change in other governments receivable	(64,648)	(421,837)
Net change in other receivables	(10,244)	(198,529)
Net change in inventory and prepaid items	4,377	237,373
Net change in accounts payable, trade	53,764	(34,215)
Net change in accounts payable, HUD	-	(137,180)
Net change in accrued wages and benefits	(208,544)	421,861
Net change in accrued liabilities, contingency and payments in lieu of taxes	(6,296)	(234,903)
Net change in accrued compensated absences	(147,398)	53,492
Net change in tenants’ security deposits	(8,614)	(11,829)
Net change in deferred credits and deferred revenues	(1,510,376)	1,675,304
Net change in section 8 and homebuyers reserves	28,560	2,651
Net cash provided by operating activities	$ 386,668	$ 2,589,318

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.

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. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

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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.

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 2006 totaled $511,971.

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 and Investments – Cash and cash equivalents and investments 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 a note for the purpose of acquiring software 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.

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. Nonoperating revenues are HUD capital grants, interest income and gains on disposal of capital assets. Operating expenses are those that are expended directly for the primary activity of the propriety fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance and operation, protective services, general expenses, housing assistance payments and depreciation and amortization. Nonoperating expenses include interest expense and losses on disposal of capital assets.

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. Deposits and Investments

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 withdrawal 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.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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 three 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 following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the Authority's deposits totaled $2,308,642 of which $1,875 was held in petty cash. The corresponding bank balances totaled $2,849,658. Of the bank balance, $200,000 was covered by federal depository insurance and $2,649,658 was collateralized with securities held by the pledging financial institution's agent in the Authority's name.

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.

The Authorities investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified because the investments are 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, 2006.

The Authority's investments at June 30, 2006 were as follows:

Category 2	Fair Value	Maturity Date
Government Security – FNMA	$1,035,869	7/05/2006
Government Security – FNMA	1,029,745	8/17/2006
Government Security – FHLMC	2,091,478	8/15/2006
Government Security – FHLMC	999,429	9/20/2006
Government Security – FHLB	1,045,080	9/22/2006
Government Security – FHLB – TDF	384,543	6/16/2008
Uncategorized Investments		
STAR Ohio	4,344,629	N/A
Total	$10,930,773	

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The Authority's investments at June 30, 2006 in FNMA, FHLMC and FHLB are rated

AAA by Moody's and Bloomberg. Its investments in STAR Ohio are rated AAAm by Standards and Poor's. Obligations of the US Government are explicitly guaranteed by the US Government and are not considered to have credit risk.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest with one issuer. Of the Authority's total investments, 18.9% are FNMA, 28.3% are FHLMC, 13.1% FHLB and 39.7% are STAR Ohio.

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. Of the Authority's investments the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Authority.

Reconciliation of Cash, Cash Equivalents and Investments:

	Cash and Investments*	Investments
Per Balance Sheet	$ 6,653,271	$ 6,586,144
STAR Ohio	(4,344,629)	4,344,629
Per GASB Statement No. 3	$ 2,308,642	$10,930,773

* Includes restricted cash and investments

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2006 follows:

Historical Cost: Class	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Capital assets not being depreciated:				
Land	$ 11,069,670	$ 328,433	($1,237,509)	$10,160,594
Construction in progress	11,477,378	7,016	(11,484,394)	-
Total not being depreciated	22,547,048	335,449	(12,721,903)	10,160,594
Capital assets being depreciated:				
Buildings and improvements	112,898,682	13,998,538	(917,731)	125,979,489
Equipment and vehicles	5,493,337	328,020	(200,465)	5,620,892
Total being depreciated	118,392,019	14,326,558	(1,118,196)	131,600,381
Total cost	$140,939,067	$14,662,007	($13,840,099)	$141,760,975

Accumulated Depreciation: Class	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Buildings and improvements	($63,418,557)	($6,088,619)	$ 630,390	$ 68,876,786
Equipment and vehicles	(5,001,913)	(218,946)	200,478	5,020,381
Total depreciation	($68,420,470)	($6,307,565)	$ 830,868	($73,897,167)
Net value	$ 72,518,597	$ 8,354,442	($13,009,231)	$ 67,863,808

4. Mortgages and Note Payable

Changes in the Authority's long-term obligations during fiscal year 2006 are as follows:

	Balance At 6/30/05	Additions	Deletions	Balance at 6/30/06	Due Within One Year
Mortgages payable	$658,269	$ -	$13,429	$ 644,840	$14,144
Note payable	-	400,000	-	400,000	73,382
Total	$658,269	$400,000	$13,249	$1,044,840	$87,526

As of June 30, 2006 the Authority had issued $720,000 of mortgages payable under the New Visions program with an outstanding balance at June 30, 2006 of $644,840. 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, with varying maturities through July 2032.

As of June 30, 2006 the Authority had received note proceeds of $400,000 from National City Bank for a note with National City bank for the purpose of acquiring Visual Homes software. The note payments are due quarterly for five years with the first payment due September 1, 2006. The note has an interest rate of 4.25 percent. The note matures on June 1, 2011.

The New Vision mortgages mature as follows:

Year ended June 30,	Principal	Interest	Total
2007	$14,144	$33,593	$47,737
2008	14,898	32,839	47,737
2009	15,693	32,044	47,737
2010	16,530	31,207	47,737
2011	17,413	30,324	47,737
2012-2016	102,051	136,636	238,687
2017-2021	132,425	106,262	238,687
2022-2026	171,913	66,774	238,687
2027-2031	153,927	20,241	174,168
2032-2033	5,846	168	6,014
Total	$644,840	$490,088	$1,134,928

The Visual Homes/National City Bank software note matures as follows:

Year ended June 30,	Principal	Interest	Total
2007	$73,382	$15,841	$89,223
2008	76,551	12,672	89,223
2009	79,857	9,366	89,223
2010	83,306	5,917	89,223
2011	86,904	2,319	89,223
Total	$400,000	$46,115	$446,115

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 devices.

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 was added to the lease principal amount and paid for over the life of the lease. Assets constructed under the lease total $8,911,155 as of June 30, 2006 and are recorded within buildings and improvements.

The Authority's future minimum payments under the capital lease obligation as of June 30, 2006 are as follows:

Year Ended June 30	Amount
2007	$ 826,654
2008	826,654
2009	826,654
2010	826,654
2011	826,654
2012-2016	4,133,269
Total minimum lease payments	8,266,539
Less: amount representing interest	(1,525,976)
Present value of future minimum lease payments	$ 6,740,563

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, 2006, the Authority has accrued a payable totaling $5,918.

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, dental and vision coverage with private carriers.

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 four 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 the largest 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 OHAPC is subject to the approval of the board. The following is a summary of insurance coverage at year-end:

Property, Personal Property	$50,000,000
General Liability	5,000,000
Automobile	5,000,000
Public Officials	5,000,000
Crime	1,000,000
Pollution	500,000
Boiler & Machinery	50,000,000

The OHAPCI participating housing authorities and their respective pool contribution factors for the loss year ended June 30, 2006 are:

Akron MHA	35.60%
Cincinnati MHA	27.60%
Dayton MHA	22.30%
Youngstown MHA	14.50%
Total	100.00%

OHAPCI pool contribution for 2006 from the Dayton Metropolitan Housing Authority was $610,127 representing 22.3% of the total collected from all members for operating costs and projected loss reserves. As of June 30, 2006, 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.

8. Retirement Commitments

The following information was provided by the Ohio PERS to assist the Authority in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the Authority participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost sharing, multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO 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 CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of –living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's contributions to the Ohio PERS for the years ending June 30, 2005, 2004, and 2003 were $1,351,189, $1,015,554, and $895,598, respectively, which were equal to the required contributions for each year.

9. Other Post-Retirement Benefits

The Ohio PERS provides post employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post employment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll, which amounted to $398,874.

The significant actuarial assumptions and calculations relating to post employment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. 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. 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% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% 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% base increase, were assumed to range for 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

10. Program 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, 2006:

	LIPH	CDBG	HOME	LHA	HCV	ROSS
Operating revenues	$ 15,408,708	$ 35,476	$ 6,404	$ 882,449	$ 19,311,723	$ 463,297
Depreciation expense	5,887,316	26,301	-	64,348	-	-
Other operating expenses	16,589,322	49,736	-	830,159	16,489,057	463,297
Operating income (loss)	(7,067,930)	(40,561)	6,404	(12,058)	2,822,666	-
Earnings on investments	220,272	-	-	87,047	100,197	-
Other non-operating items	14,173	-	-	(19,444)	51,708	-
Net income (loss)	(6,833,485)	(40,561)	6,404	55,545	2,974,571	-
Net working capital	4,259,914	(6,507)	-	2,108,289	2,909,565	-
Total assets	60,799,073	1,044,885	1,731,809	4,028,040	3,265,226	15,238
Total liabilities	12,386,129	11,114	51,572	219,521	323,797	15,238
Net Assets	48,412,944	1,033,771	1,680,237	3,808,519	2,941,429	-

	HOPE VI	CFP	RHFP	Home Ownership	Business Activities	MR 001
Operating revenues	$ 1,661,505	$ 8,079,720	$ 1,109,291	$ 60,796	$ 70,042	$ 244,000
Depreciation expense	-	287,350	16,674	6,658	18,918	-
Other operating expenses	459,501	7,901,118	253,611	53,782	145,561	237,380
Operating income (loss)	1,202,004	(108,748)	839,006	356	(94,437)	6,620
Earnings on investments	-	-	-	-	84,040	1,361
Other non-operating items	-	(32,325)	-	-	1,959	-
Net income (loss)	1,202,004	(141,073)	839,006	356	(8,438)	7,981
Net working capital	96,647	81,326	19,072	48,079	3,057,315	34,830
Total assets	5,448,992	5,863,006	859,492	202,679	4,558,084	52,124
Total liabilities	305,152	752,458	20,486	21,294	1,056,805	17,294
Net Assets	5,143,840	5,110,548	839,006	181,385	3,501,279	34,830

	MR 005	SRO	Total
Operating revenues	$ 3,558,706	$ 451,983	$ 51,344,100
Depreciation expense	-	-	6,307,565
Other operating expenses	3,436,312	416,320	47,325,156
Operating income (loss)	122,394	35,663	(2,288,621)
Earnings on investments	13,610	5,444	511,971
Other non-operating items	-	-	16,071
Net income (loss)	136,004	41,107	(1,760,579)
Net working capital	(379,378)	120,324	12,349,476
Total assets	8,245	120,324	87,997,217
Total liabilities	387,623	-	15,568,483
Net Assets	(379,378)	120,324	72,428,734

Total assets and total liabilities presented above include $4,254,539 of inter-program receivables and payables as discussed in Note 13.

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, 2006, the Authority has uncompleted contracts related to construction in progress under the Capital Fund Program, Hope VI, Home Ownership, Low Rent and ROSS of approximately $8,090,000.

13. 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, 2006 represent individual program receivables and payables:

Program	Inter-program Receivable	Inter-program Payable
Low-Rent Housing	$2,670,126	$2,961,159
Homeownership	34,322	9,072
Home Investment Partnership Program	42,500	-
Public Housing Capital Fund Program	13,253	325,725
Business Activities	1,419,159	184,611
State/Local	36,706	176,868
Section 8 Choice Vouchers	-	1,856
Hope VI	-	184,807
Section 8 New Construction and Rehabilitation	34,670	404,917
Residential Opportunities and Supportive Services	-	5,522
CDBG	3,801	-
Total	$4,254,537	$4,254,537

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

Dayton Metropolitan Housing Authority
Balance Sheet
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Low Rent Public Housing CFDA 14.850	Section 8 Housing Choice Vouchers CFDA 14.871	Lower Income Housing Program - Section 8 Moderate Rehabilitation CFDA 14.856	Section 8 New Construction and Substantial Rehabilitation CFDA 14.182	Demolition and Revitalization of Severely Distressed Public Housing CFDA 14.866	Indian Housing Block Grants CFDA 14.867	Residential Opportunity and Support Services CFDA 14.870	Public Housing Capital Fund CFP CFDA 14.872	Public Housing Capital Fund RHFP CFDA 14.872
	ASSETS									
111	Cash - Unrestricted	$3,871,722	$1,814,530	$0	$0	$0	$0	$0	$0	$0
113	Cash-Restricted	-	82,251	-	-	-	29,123	-	-	-
100	Total Cash	3,871,722	1,896,781	-	-	-	29,123	-	-	-
121	Accounts Receivable - PHA Projects	-	126,434	-	-	-	-	12,369	-	-
122	Accounts Receivable - HUD Other Projects	-	-	-	-	286,686	-	2,869	599,575	7,593
124	Accounts Receivable - Other Government	-	-	60,369	85,654	115,113	-	-	234,209	18,712
125	Accounts Receivable - Miscellaneous	11,130	178,198	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	149,043	-	-	-	-	15,956	-	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(98,815)	-	-	-	-	(10,028)	-	-	-
129	Accrued Interest Receivable	13,261	-	-	-	-		-	-	-
120	Total Receivables, net of allowances for doubtful accounts	74,619	304,632	60,369	85,654	401,799	5,928	15,238	833,784	26,305
131	Investments-Unrestricted	2,091,478	1,029,745	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	220,885	-	-	-	-	-	-	-	-
143	Inventories	577,548	-	-	-	-	-	-	-	-
143.1	Allowance for Obsolete Inventories	(14,220)	-	-	-	-	-	-	-	-
144	Interprogram Due From	2,670,128	-	-	34,670	-	34,322	-	-	13,253
145	Assets Held For Sale	-	2,204	-	-	-	-	-	-	-
150	Total Current Assets	9,492,160	3,233,362	60,369	120,324	401,799	69,373	15,238	833,784	39,558
161	Land	7,130,858	-	-	-	2,002,979	39,506	-	156,036	167,322
162	Buildings	110,584,722	-	-	-	3,034,280	365,560	-	5,277,652	669,286
163	Furniture, Equipment & Machinery - Dwellings	94,331	-	-	-	-	-	-	-	-
164	Furniture, Equipment & Machinery - Administration	4,603,121	342,779	-	-	9,934	15,497	-	228,805	-
166	Accumulated Depreciation	(71,106,119)	(310,915)	-	-		(287,257)	-	(633,271)	(16,674)
167	Construction In Progress	-	-	-	-	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	51,306,913	31,864	-	-	5,047,193	133,306	-	5,029,222	819,934
180	Total Non-Current Assets	51,306,913	31,864	-	-	5,047,193	133,306	-	5,029,222	819,934
190	Total Assets	$60,799,073	$3,265,226	$60,369	$120,324	$5,448,992	$202,679	$15,238	$5,863,006	$859,492

Dayton Metropolitan Housing Authority
Balance Sheet
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Community Development Block Grant CFDA 14.218	HOME Investment Partnerships Program CFDA 14.239	Business Activities	State/ Local and LHA	Total
	ASSETS					
111	Cash - Unrestricted	$0	$0	$658,025	$197,620	$6,541,897
113	Cash-Restricted	-	-	-	-	111,374
100	Total Cash	-	-	658,025	197,620	6,653,271
121	Accounts Receivable - PHA Projects	-	-	-	-	138,803
122	Accounts Receivable - HUD Other Projects	-	-	-	-	896,723
124	Accounts Receivable - Other Government	-	9,072	-	-	523,129
125	Accounts Receivable - Miscellaneous	-	-	-	-	189,328
126	Accounts Receivable - Tenants - Dwelling Rents	806	-	6,163	-	171,968
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	(3,043)	-	(111,886)
129	Accrued Interest Receivable	-	-	19,177	12,535	44,973
120	Total Receivables, net of allowances for doubtful accounts	806	9,072	22,297	12,535	1,853,038
131	Investments-Unrestricted	-	-	1,383,972	2,080,949	6,586,144
142	Prepaid Expenses and Other Assets	-	-	-	-	220,885
143	Inventories	-	-	-	-	577,548
143.1	Allowance for Obsolete Inventories	-	-	-	-	(14,220)
144	Interprogram Due From	3,801	42,500	1,419,159	36,706	4,254,539
145	Assets Held For Sale	-	-	-	-	2,204
150	Total Current Assets	4,607	51,572	3,483,453	2,327,810	20,133,409
161	Land	14,990	123,859	45,299	479,745	10,160,594
162	Buildings	1,051,589	1,556,378	1,190,188	2,249,834	125,979,489
163	Furniture, Equipment & Machinery - Dwellings	-	-	17,167	-	111,498
164	Furniture, Equipment & Machinery - Administration	-	-	-	309,258	5,509,394
166	Accumulated Depreciation	(26,301)	-	(178,023)	(1,338,607)	(73,897,167)
167	Construction In Progress	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	1,040,278	1,680,237	1,074,631	1,700,230	67,863,808
180	Total Non-Current Assets	1,040,278	1,680,237	1,074,631	1,700,230	67,863,808
190	Total Assets	$1,044,885	$1,731,809	$4,558,084	$4,028,040	$87,997,217

Dayton Metropolitan Housing Authority
Balance Sheet
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Low Rent Public Housing CFDA 14.850	Section 8 Housing Choice Vouchers CFDA 14.871	Lower Income Housing Program - Section 8 Moderate Rehabilitation CFDA 14.856	Section 8 New Construction and Substantial Rehabilitation CFDA 14.182	Demolition and Revitalization of Severely Distressed Public Housing CFDA 14.866	Indian Housing Block Grants CFDA 14.867	Residential Opportunity and Support Services CFDA 14.870	Public Housing Capital Fund CFP CFDA 14.872	Public Housing Capital Fund RHFP CFDA 14.872
	LIABILITIES									
312	Accounts Payable <= 90 Days	865,489	8,369	-	-	120,345	323	9,715	278,186	19,712
321	Accrued Wage/Payroll Taxes Payable	473,179	-	-	-	-	-	-	-	-
322	Accrued Compensated Absences-Current Portion	42,673	8,313	-	-	-	554	-	-	-
325	Accrued Interest Payable	13,211	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-	5,918	-	-	-
341	Tenant Security Deposits	216,459	-	-	-	-	3,656	-	-	774
342	Deferred Revenues	24,402	178,198	-	-	-	450	-	-	-
343	Current Portion of Long-term Debt-Capital Projects/Mortgage Revenue Bonds	627,518	-	-	-	-	-	-	-	-
345	Other Current Liabilities	8,156	127,060	-	-	-	10,393	-	10,879	-
346	Accrued Liabilities-Other	-	-	-	-	-	-	-	137,668	-
347	Interprogram Due To	2,961,159	1,857	404,917	-	184,807	-	5,523	325,725	-
310	Total Current Liabilities	5,232,246	323,797	404,917	-	305,152	21,294	15,238	752,458	20,486
351	Long term Debt, Net of Current-Capital Projects/Mortgage Revenue Bonds	6,513,074	-	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	640,809	-	-	-	-	-	-	-	-
350	Total Noncurrent Liabilities	7,153,883	-	-	-	-	-	-	-	-
300	Total Liabilities	12,386,129	323,797	404,917	-	305,152	21,294	15,238	752,458	20,486
	EQUITY									
508.1	Invested in Capital Assets-Net of Related Debt	44,166,321	31,864	-	-	5,047,193	133,306	-	5,029,222	819,934
512.1	Unrestricted Net Assets	4,246,623	2,909,565	(344,548)	120,324	96,647	48,079	-	81,326	19,072
513	Total Equity/Net Assets	48,412,944	2,941,429	(344,548)	120,324	5,143,840	181,385	-	5,110,548	839,006
600	Total Liabilities and Equity/Net Assets	$60,799,073	$3,265,226	$60,369	$120,324	$5,448,992	$202,679	$15,238	$5,863,006	$859,492

Dayton Metropolitan Housing Authority
Balance Sheet
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Community Development Block Grant CFDA 14.218	HOME Investment Partnerships Program CFDA 14.239	Business Activities	State/ Local and LHA	Total
	LIABILITIES					
312	Accounts Payable <= 90 Days	1,847	-	153	2,068	1,306,207
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-	473,179
322	Accrued Compensated Absences-Current Portion	-	-	-	3,879	55,419
325	Accrued Interest Payable	-	-	-	-	13,211
333	Accounts Payable - Other Government	-	-	-	-	5,918
341	Tenant Security Deposits	2,078	-	4,900	-	227,867
342	Deferred Revenues	3,227	42,500	222,330	36,706	507,813
343	Current Portion of Long-term Debt-Capital Projects/Mortgage Revenue Bonds	-	-	14,144	-	641,662
345	Other Current Liabilities	3,962	-	-	-	160,450
346	Accrued Liabilities-Other	-	-	-	-	137,668
347	Interprogram Due To	-	9,072	184,611	176,868	4,254,539
310	Total Current Liabilities	11,114	51,572	426,138	219,521	7,783,933
351	Long term Debt, Net of Current-Capital Projects/Mortgage Revenue Bonds	-	-	630,667	-	7,143,741
354	Accrued Compensated Absences - Non Current	-	-	-	-	640,809
350	Total Noncurrent Liabilities	-	-	630,667	-	7,784,550
300	Total Liabilities	11,114	51,572	1,056,805	219,521	15,568,483
	EQUITY					
508.1	Invested in Capital Assets-Net of Related Debt	1,040,278	1,680,237	429,820	1,700,230	60,078,405
512.1	Unrestricted Net Assets	(6,507)	-	3,071,459	2,108,289	12,350,329
513	Total Equity/Net Assets	1,033,771	1,680,237	3,501,279	3,808,519	72,428,734
600	Total Liabilities and Equity/Net Assets	$1,044,885	$1,731,809	$4,558,084	$4,028,040	$87,997,217

Dayton Metropolitan Housing Authority
Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Low Rent Public Housing CFDA 14.850	Section 8 Housing Choice Vouchers CFDA 14.871	Lower Income Housing Program - Section 8 Moderate Rehabilitation CFDA 14.856	Section 8 New Construction and Substantial Rehabilitation CFDA 14.182	Demolition and Revitalization of Severely Distressed Public Housing CFDA 14.866	Indian Housing Block Grants CFDA 14.867	Residential Opportunity and Support Services CFDA 14.870	Public Housing Capital Fund CFP CFDA 14.872	Public Housing Capital Fund RHFP CFDA 14.872
	REVENUE									
703	Net Tenant Rental Revenue	$3,051,825	$0	$0	$0	$0	$59,972	$0	$0	$20,072
704	Tenant Revenue Other	22,627	-	-	-	-	824	-	-	-
705	Total Tenant Revenue	3,074,452	-	-	-	-	60,796	-	-	20,072
706	HUD PHA Operating Grants	10,962,850	19,292,606	3,802,706	451,983	574,614	-	463,297	7,991,153	252,611
706.1	Capital Grants	-	-	-	-	1,086,891	-	-	88,567	836,608
708	Other Government Grants	-	-	-	-	-	-	-	-	-
711	Investment Income-Unrestricted	220,272	100,197	14,971	5,444	-	-	-	-	-
713	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-	-
713.1	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-
714	Fraud Recovery	-	51,236	-	-	-	-	-	-	-
715	Other Revenue	1,371,406	19,117	-	-	-	-	-	-	-
716	Gain/Loss on Sale of Fixed Assets	60,865	472	-	-	-	-	-	-	-
700	Total Revenue	15,689,845	19,463,628	3,817,677	457,427	1,661,505	60,796	463,297	8,079,720	1,109,291
	EXPENSES									
911	Administrative Salaries	1,918,575	1,100,885	2,225	8,900	106,474	19,247	-	403,042	-
912	Auditing Fees	21,402	14,757	2,241	815	-	-	-	-	-
914	Compensated Absences	-	-	-	-	-	-	-	-	-
915	Employee Benefit Contributions-Administrative	498,545	300,262	34,307	12,476	50,037	6,494	-	136,767	-
916	Other Operating-Administrative	919,106	103,653	33,555	4,084	142,215	514	141	1,228,793	9,657
921	Tenant Services Salaries	5,162	69,361	-	-	-	1,672	21,609	42	-
922	Relocation Costs	-	-	-	-	92,985	-	-	-	-
923	Employee Benefit Contributions - Tenant Services	-	25,882	-	-	-	1,252	7,991	-	-
924	Tenant Services Other	-	45	-	-	9,479	-	432,860	-	-
931	Water	488,691	2,005	216	79	6	299	-	-	1,160
932	Electricity	1,331,066	23,031	2,720	989	-	514	-	-	2,557
933	Gas	1,290,782	6,976	1,066	388	-	-	-	-	9,616
935	Labor	36,299	-	-	-	-	-	-	-	-
937	Employee Benefit Contributions - Utilities	12,345	-	-	-	-	-	-	-	-
938	Other Utilities Expense	412,716	1,184	97	36	-	6	-	3,673	1,423
941	Ordinary Maintenance and Operations - Labor	2,110,266	20,050	-	-	-	-	-	503,033	-
942	Ordinary Maintenance and Operations - Materials and Other	544,354	6,008	314	115	-	-	-	160,707	-
943	Ordinary Maintenance and Operations - Contract Costs	2,309,375	26,778	2,761	1,004	20,636	14,008	-	5,144,056	181,217
945	Employee Benefit Contributions - Ordinary Maintenance	705,361	3,010	26	9	-	-	-	95,625	-

Dayton Metropolitan Housing Authority
Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Community Development Block Grant CFDA 14.218	HOME Investment Partnerships Program CFDA 14.239	Business Activities	State/ Local and LHA	Total
	REVENUE					
703	Net Tenant Rental Revenue	-	-	68,927	-	3,200,796
704	Tenant Revenue Other	416	-	1,115	-	24,982
705	Total Tenant Revenue	416	-	70,042	-	3,225,778
706	HUD PHA Operating Grants	-	-	-	-	43,791,820
706.1	Capital Grants	-	-	-	-	2,012,066
708	Other Government Grants	35,060	6,404	-	882,449	923,913
711	Investment Income-Unrestricted	-	-	84,040	87,047	511,971
713	Proceeds from Disposition of Assets Held for Sale	-	-	37,001	-	37,001
713.1	Cost of Sale of Assets	-	-	(35,042)	-	(35,042)
714	Fraud Recovery	-	-	-	-	51,236
715	Other Revenue	-	-	-	-	1,390,523
716	Gain/Loss on Sale of Fixed Assets	-	-	-	-	61,337
700	Total Revenue	35,476	6,404	156,041	969,496	51,970,603
	EXPENSES					
911	Administrative Salaries	-	-	58,499	461,096	4,078,943
912	Auditing Fees	-	-	-	2,648	41,863
914	Compensated Absences	-	-	-	245	245
915	Employee Benefit Contributions- Administrative	-	-	12,769	158,752	1,210,409
916	Other Operating-Administrative	3,763	-	7,603	117,541	2,570,625
921	Tenant Services Salaries	-	-	-	-	97,846
922	Relocation Costs	-	-	-	-	92,985
923	Employee Benefit Contributions - Tenant Services	-	-	-	-	35,125
924	Tenant Services Other	-	-	-	-	442,384
931	Water	3,151	-	152	255	496,014
932	Electricity	5,282	-	173	3,215	1,369,547
933	Gas	4,725	-	416	1,260	1,315,229
935	Labor	-	-	-	-	36,299
937	Employee Benefit Contributions - Utilities	-	-	-	-	12,345
938	Other Utilities Expense	2,825	-	89	115	422,164
941	Ordinary Maintenance and Operations - Labor	-	-	-	-	2,633,349
942	Ordinary Maintenance and Operations - Materials and Other	-	-	-	1,930	713,428
943	Ordinary Maintenance and Operations - Contract Costs	4,999	-	9,677	11,774	7,726,285
945	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	31	804,062

Dayton Metropolitan Housing Authority
Statement of Revenue, Expenses and Changes in Retained Earnings
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for the year ended June 30, 2006

FDS Line Item No.	Account Description	Low Rent Public Housing CFDA 14.850	Section 8 Housing Choice Vouchers CFDA 14.871	Lower Income Housing Program - Section 8 Moderate Rehabilitation CFDA 14.856	Section 8 New Construction and Substantial Rehabilitation CFDA 14.182	Demolition and Revitalization of Severely Distressed Public Housing CFDA 14.866	Indian Housing Block Grants CFDA 14.867	Residential Opportunity and Support Services CFDA 14.870	Public Housing Capital Fund CFP CFDA 14.872	Public Housing Capital Fund RHFP CFDA 14.872
951	Protective Services Labor	61,008	-	-	-	-	-	-	32,285	-
952	Protective services- other contract costs	118,108	-	-	-	-	-	-	-	-
953	Protective Services Other	1,342,403	-	-	-	-	-	-	9,509	-
955	Employee Benefit Contributions - Protective Services	17,947	-	-	-	-	-	-	9,091	-
961	Insurance Premiums	476,479	199	34,165	12,424	4,558	605	458	46,538	-
962	Other General Expenses	1,269,893	409,320	14,625	5,173	18,834		-	114,346	29,533
963	Payments in Lieu of Taxes	31,537	231,288	-	-	-	5,963	-	-	18,448
964	Bad Debt-Tenant Rents	203,714	-	-	-	-	3,208	-	-	-
967	Interest Expense	295,752	-	-	-	-	-	-	-	-
968	Severance Expense	168,436	54,742	125	45	14,277	-	238	13,611	-
969	Total Operating Expenses	16,589,322	2,399,436	128,443	46,537	459,501	53,782	463,297	7,901,118	253,611
970	Excess Operating Revenue over Operating Expenses	(899,477)	17,064,192	3,689,234	410,890	1,202,004	7,014	-	178,602	855,680
971	Extraordinary maintenance	-	88	-	-	-	-	-	32,325	-
972	Casualty Losses - Non-Capitalized	46,692	-	-	-	-	-	-	-	-
973	Housing Assistance Payments		14,089,533	3,545,249	369,783	-	-	-	-	-
974	Depreciation Expense	5,887,316	-	-	-	-	6,658	-	287,350	16,674
900	Total Expenses	22,523,330	16,489,057	3,673,692	416,320	459,501	60,440	463,297	8,220,793	270,285
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(6,833,485)	2,974,571	143,985	41,107	1,202,004	356	-	(141,073)	839,006
1103	Beginning Equity	51,535,880	(33,142)	(488,533)	79,217	3,941,836	181,029	-	8,962,170	-
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	3,710,549	-	-	-	-	-	-	(3,710,549)	-
	Ending Equity	$48,412,944	$2,941,429	($344,548)	$120,324	$5,143,840	$181,385	$0	$5,110,548	$839,006
	Other Information									
1113	Maximum Annual Contribution Commitment (Per ACC)	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$0	$0	$0	$0	$0	$0	$0	$0
1116	Total Annual Contributions Available	$0	$0	$0	$0	$0	$0	$0	$0	$0
1120	Unit Months Available	35,047	38,229	6,456	2,064	-	159	-	-	160
1121	Number of Unit Months Leased	33,110	38,229	6,456	2,064	-	150	-	-	84

Dayton Metropolitan Housing Authority
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FDS Schedule Format
for the year ended June 30, 2006

FDS Line Item No.	Account Description	Community Development Block Grant CFDA 14.218	HOME Investment Partnerships Program CFDA 14.239	Business Activities	State/ Local and LHA	Total
951	Protective Services Labor	-	-	-	-	93,293
952	Protective services- other contract costs	-	-	-	-	118,108
953	Protective Services Other	75	-	-	-	1,351,987
955	Employee Benefit Contributions - Protective Services	-	-	-	-	27,038
961	Insurance Premiums	-	-	13,718	54,496	643,640
962	Other General Expenses	24,290	-	-	16,653	1,902,667
963	Payments in Lieu of Taxes	626	-	901	-	288,763
964	Bad Debt-Tenant Rents	-	-	3,043	-	209,965
967	Interest Expense	-	-	38,521	-	334,273
968	Severance Expense	-	-	-	148	251,622
969	Total Operating Expenses	49,736	0	145,561	830,159	29,320,503
970	Excess Operating Revenue over Operating Expenses	(14,260)	6,404	10,480	139,337	22,650,100
971	Extraordinary maintenance				19,444	51,857
972	Casualty Losses - Non-Capitalized	-	-	-	-	46,692
973	Housing Assistance Payments	-	-	-	-	18,004,565
974	Depreciation Expense	26,301	-	18,918	64,348	6,307,565
900	Total Expenses	76,037	0	164,479	913,951	53,731,182
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(40,561)	6,404	(8,438)	55,545	(1,760,579)
1103	Beginning Equity	1,074,332	1,673,833	3,509,717	3,752,974	74,189,313
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-
	Ending Equity	$1,033,771	$1,680,237	$3,501,279	$3,808,519	$72,428,734
	Other Information					
1113	Maximum Annual Contribution Commitment (Per ACC)	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$0	$0	$0	$0
1116	Total Annual Contributions Available	$0	$0	$0	$0	$0
1120	Unit Months Available	72	-	156	-	82,343
1121	Number of Unit Months Leased	72	-	151	-	80,316

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO STATEMENTS - FDS SCHEDULE FORMAT
FOR THE YEAR ENDED JUNE 30, 2006

1. Basis of Presentation

The accompanying statements have 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 States of America.

2. Equity Transfers and Inter-program Receivables and Payables

Transfers presented on the accompanying 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 statements of net assets in the financial statements.

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Development		
Direct Programs:		
Section 8 Cluster Program		
Section 8 New Construction and Substantial Rehabilitation	14.182	$ 451,983
Lower Income Housing Program – Section 8 Mod. Rehab.	14.856	3,802,706
Total Section 8 Cluster Program		4,254,689
Section 8 Housing Choice Vouchers	14.871	19,292,606
Public and Indian Housing	14.850	10,962,850
Demolition and Revitalization of Severely Distressed PH	14.866	1,661,505
Residential Opportunity and Supportive Services	14.870	463,297
Public Housing Capital Fund	14.872	9,168,939
Direct Programs Expenditures of Federal Awards:		45,803,886
Pass-Through Programs:		
Community Development Block Grant (from City of Dayton, Ohio)	14.218	35,060
Home Investment Partnership Program (from City of Dayton and Montgomery County, Ohio)	14.239	6,404
Pass-Through Programs:		41,464
Total Expenditures Of Federal Awards		$45,845,350

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

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 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

We have audited the accompanying financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 14, 2006. 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

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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated December 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*. However, we noted other matters involving compliance that we have reported to management of the Authority in a separate letter dated December 14, 2006.

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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 pass-through 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 14, 2006

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Compliance

We have audited the compliance of the Dayton Metropolitan Housing Authority, 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, 2006. 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, 2006. However, we noted other matters involving compliance that we have reported to management of the Authority in a separate letter dated December 14, 2006.

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 audit, we considered the Dayton Metropolitan Housing Authority's internal control over

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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 caused by error or fraud 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 pass-through 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 14, 2006

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

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	CFDA 14.871 Housing Choice Voucher Program, Section 8 CFDA 14.866 Demolition and Revitalization of Severely Distressed PH
Dollar threshold to distinguish between Type A/B programs	$1,375,361
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, 2006

There were no findings reported in the prior audit report.

Mary Taylor, CPA
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
MARCH 20, 2007

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