DAYTON METROPOLITAN HOUSING AUTHORITY
DAYTON, OHIO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

Board of Commissioners
Dayton Metropolitan Housing Authority
400 Wayne Avenue
Dayton, Ohio 45401

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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

March 7, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

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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 (the Authority) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Dayton Metropolitan Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the Dayton Metropolitan Housing Authority, Dayton, Ohio as of June 30, 2010, and the respective changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the Dayton Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

4286 Mt. Carmel – Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

Our audit was conducted for the purpose of forming opinions on the financial statements of the Authority's basic financial statements as a whole. The accompanying supplemental information on page 26 and the schedule of expenditures of federal awards are presented for the 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 are also not a required part of the financial statements. The accompanying supplemental information on page 26 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The Financial Data Schedules are not available as of the date of this report.

Bastin & Company, LLC

Cincinnati, Ohio
December 17, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Total assets of the Authority exceeded its liabilities as of June 30, 2010 by $54,662,513 (an increase of $2,108,660, or 4.0 percent, from June 30, 2009).

- Net assets invested in capital assets, net of debt totaled $42,704,143 as of June 30, 2010 (an increase of $4,052,244, or 10.5 percent, from June 30, 2009). Unrestricted net assets totaled $11,663,804 as of June 30, 2010 (an increase of $2,302,375, or 24.6 percent, from June 30, 2009).

- The Authority had total operating revenue of $46,344,618 (a $43,677 increase, or .1 percent, from June 30, 2009). The Authority had total operating expenditures of $51,063,068 (a $1,257,817 increase, or 2.5 percent, from June 30, 2009) resulting in a net operating loss of $4,718,450 for the year ended June 30, 2010, and had other non-operating expenses and losses in a net amount of $199,416 and $7,026,526 in capital contributions, resulting in an increase in total net assets of $2,108,660 for the year.

- The Authority's capital outlays for the year were $10,725,695. New loans totaling $9,485,092 were obtained to fund capital projects.

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
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 focus of the statement of net assets (the "unrestricted" net assets) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net assets are reported in four broad categories.

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

Restricted for Capital Projects: This component of net assets consists of restricted assets, when constraints on their use for capital projects are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

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

The *statement of revenues, expenses and changes in net assets* is similar to an income statement. This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income, gains and losses on capital assets disposals and interest expense.

The focus of the statement of revenues, expenses and changes in net assets is the "Changes in Net Assets", which is similar to Net Income or Loss.

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

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

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

Public and Indian Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution Contract (ACC) with HUD. Beginning in fiscal year 2008 the Authority adopted the HUD directed Asset Management Project (AMP) structure for its public housing operations. Under Asset Management public housing units were organized into AMPs. Each AMP is treated as a separate entity with the AMPs paying a fee to the Central Office Cost Center (COCC) for various centralized services. As in previous years, the HUD-provided operating subsidy allows the AMPs to provide housing at a rent that is based upon 30 percent of adjusted gross household income.

Under Asset Management, the operating subsidy is transferred in proportional shares to the individual AMP's as monthly subsidy revenue. Along with rent collection revenue, the AMPs administer their properties in a fashion similar to rental properties operated in the private sector. The AMP managers utilize program management, planning, bookkeeping and other centralized services provided by the

Authority's Central Office. The AMPs pay a monthly fee based on the number of units assigned and/or occupied for these services.

Public Housing Capital Fund Program (CFP) - The Public Housing Capital Fund Program is the primary funding source for physical and management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock.

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

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Statements of Net Assets

The following table represents condensed statements of net assets.

	2010 (In thousands)	2009 (In thousands)
Current and other assets	$23,866	$17,017
Capital assets	48,237	44,380
Total assets	72,103	61,397
Current liabilities	3,250	3,077
Non-current liabilities	14,190	5,766
Total liabilities	17,440	8,843
Net assets:		
Invested in capital assets, net of related debt	42,704	38,652
Restricted	295	4,541
Unrestricted	11,664	9,361
Total net assets	$54,663	$52,554

By far the largest portion of the Authority's net assets (78 percent) reflects its investments in capital assets net of related debt. The increase from 2009 was primarily the result of capital improvements and acquisitions funded by ARRA funds awarded to the Authority. The Authority uses these capital assets (e.g., buildings, machinery, and equipment) to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Statements of Revenues, Expenses and Changes in Net Assets

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

	2010 (In thousands)	2009 (In thousands)
Tenant rental revenue	$ 3,233	$ 3,223
Government operating grants	42,973	42,460
Other revenue	139	618
Total operating revenue	46,345	46,301
Operating expenses	23,940	23,374
Depreciation expense	4,919	4,802
Housing assistance payments	22,204	21,629
Total operating expenses	51,063	49,805
Non-operating revenue (expenses)	(199)	(4,418)
Income before contributions	(4,917)	(7,922)
Capital contributions	7,026	1,620
Change in net assets	2,109	($6,302)
Total net assets, end of year	$54,663	$52,554

During 2010, the net assets of the Authority increased by a total of $2,108,660.

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 operating grants increased by $512,787. Total operating expenses increased by $1,257,817 primarily due to increases in administrative, utilities and protective services. Section 8 Housing Assistance Payments increased by $574,909 from the previous year as a result of an increase in the number of voucher units leased.

Non-operating capital grants increased by $5,406,591 to $7,026,526 during 2010. Total net non-operating expenses decreased by $4,218,051. Net non-operating expenses in 2009 were $4,417,467 compared to net non-operating expenses in 2010 of $199,416.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010 the Authority's capital assets totaled $48,236,943 (capital assets net of accumulated depreciation) as reflected in the fo1lowing schedule.

	2010 (In thousands)	2009 (In thousands)
Land	$ 8,839	$ 8,658
Buildings and improvements	100,996	97,555
Equipment and vehicles	5,560	4,601
Construction in progress	4,443	1,363
Accumulated depreciation	(71,601)	(67,797)
Total	$ 48,237	$ 44,380

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

Additional information on the Authority's capital assets can be found on page 19 of this report.

Debt

As of June 30, 2010, the Authority had $14,391,254 of debt, an increase of $8,663,269 from the prior year. The increase was primarily due to debt from a Fannie Mae Modernization loan obtained during 2010.

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

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

The Energy Performance Contract is a HUD funded program that, in effect, rewards Authorities who install energy efficient measures into their housing units. The Authority entered into a long-term lease to finance the installation of the energy saving devices. All installations were completed in 2005. Funds for the payment of the lease will come from savings realized from conserving energy while HUD reimburses the Authority for utilities at a rate set prior to installation of the energy saving devices. The lending institution advanced the loan proceeds in May 2003 and its retirement will take place in equal payments through April 2016.

During 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.

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

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

Additional information on the Authority's long-term debt can be found on pages 19 through 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 2011 fiscal year.

The Authority has continued to implement site-specific budgeting and accounting. Both FY2010 and FY2011 budgets were prepared using the site-specific format as directed by HUD. Under site-specific budget format, there are strict guidelines on how the Central Office Cost Center (COCC) will be funded. Funding for the COCC will be derived from fees charged to Asset Management Projects (AMP). The AMPs represent site-specific public housing areas and are managed as separate subsidiary organizations. As such, AMPs will have their own financial statements with revenues coming from subsidy transfers, rental accounts, and capital fund transfers. Oversight and supportive services will be provided on a fee basis by the Authority's COCC. Additional revenue for the COCC will be from the service fees charged to the Voucher programs and other smaller programs. Failure to operate within revenues received will result in lower operating revenue for both the AMPs and the COCC. Failing to maintain occupancy rates of 95% or higher for the AMPs will also reduce operating subsidy transfers from HUD.

Public housing operating subsidy revenue from HUD for FY2011 is expected to increase slightly over FY2010 levels. With this projection in subsidy revenue, the FY2011 public housing budget will have a small increase over the FY2010 levels.

The Housing Choice Voucher (HCV) program generates revenue for operations from administrative fees earned from HUD. A portion of these revenues are paid to the COCC as fees for supportive services. At this time the COCC does not charge the HCV program the maximum rate for administrative fees so the HCV program can balance its administrative budget. In FY2011 the COCC will continue to give a discount to the HCV program if required. Unrestricted funds from investments, the Contract Administration program, and Local Housing Authority (LHA) funds may be used to subsidize additional HCV administrative expenses. HCV revenues for FY2011 are expected to be consistent with previous levels.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets	
Current assets:	
Cash and cash equivalents	$11,745,831
Accounts receivable net:	
Tenants, net of allowance for doubtful accounts of $63,978	20,731
HUD	1,522,658
Other governments	56,861
Other receivables	777,574
Inventory	398,956
Prepaid expenses	190,615
Total current assets	14,713,226
Non-current assets:	
Restricted cash and cash equivalents	9,153,020
Capital assets, not depreciated	13,282,484
Capital assets being depreciated, net of accumulated depreciation	34,954,459
Total non-current assets	57,389,963
Total assets	72,103,189
Liabilities	
Current liabilities:	
Accounts payable	767,209
Accrued wages and benefits	203,658
Accrued liabilities	127,941
Accrued compensated absences	64,454
Tenants' security deposits	252,427
Deferred revenues	254,226
Section 8 reserves	95,779
Other current liabilities	48,459
Current portion of mortgages payable	14,056
Current portion of notes payable	355,862
Current portion of capital lease payable	655,314
Contractor retentions	410,516
Total current liabilities	3,249,901
Non-current liabilities:	
Mortgages payable, net of current portion	520,877
Notes payable, net of current portion	9,122,871
Capital lease payable, net of current portion	3,722,274
Compensated absences, net of current portion	824,753
Total non-current liabilities	14,190,775
Total liabilities	17,440,676
Net Assets	
Invested in capital assets, net of related debt	42,704,143
Restricted net assets	294,566
Unrestricted net assets	11,663,804
Total net assets	$54,662,513

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

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Operating revenue:	
Tenant rental revenue	$ 3,233,254
Government operating grants	42,972,511
Other revenue	138,853
Total operating revenue	46,344,618
Operating expenses:	
Administrative expense	9,715,389
Tenant services	636,174
Utilities expense	2,864,043
Ordinary maintenance and operation	8,853,904
Protective services	700,732
General expenses	1,170,113
Housing assistance payments	22,203,755
Depreciation and amortization	4,918,958
Total operating expenses	51,063,068
Operating loss	(4,718,450)
Non-operating revenue (expenses):	
Interest and investment income	23,641
Interest expense	(234,068)
Gain/(loss) on disposal of capital assets	11,011
Total non-operating revenue (expenses)	(199,416)
Income before contributions	(4,917,866)
Capital contributions	7,026,526
Change in net assets	2,108,660
Net assets, beginning of year	52,553,853
Net assets, end of year	$54,662,513

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

DAYTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Receipts from tenants	$3,250,082
Receipts from operating grants	42,451,135
Other operating receipts	108,909
Housing assistance payments	(22,240,775)
Payments for general and administrative expense	(24,321,268)
Net cash used by operating activities	(751,917)
Cash flows from capital and related financing activities:	
Proceeds from notes	9,485,092
Principal and interest paid on debt	(936,606)
Construction and acquisition of capital assets	(10,650,057)
Proceeds from sale of capital assets	1,960,689
Capital grants	7,026,526
Net cash provided by capital and related financing activities	6,885,644
Cash flows from investing activities:	
Interest received on investments	23,641
Net cash provided by investing activities	23,641
Net increase in cash and cash equivalents	6,157,368
Cash and cash equivalents at beginning of year	14,741,483
Cash and cash equivalents at end of year	$20,898,851
Reconciliation of operating loss to net cash provided by operating activities:	
Loss from operations	($4,718,450)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	4,918,958
Change in assets and liabilities:	
Net change in tenant accounts receivable	43,484
Net change in allowance for doubtful accounts	(27,650)
Net change in HUD receivable	(182,847)
Net change in other governments receivable	(29,944)
Net change in other receivables	(495,073)
Net change in inventory and prepaid items	203
Net change in accounts payable	(380,005)
Net change in accrued wages and benefits	(59,771)
Net change in accrued liabilities and payments in lieu of taxes	(4,380)
Net change in accrued compensated absences	63,040
Net change in tenants' security deposits	994
Net change in deferred revenues	156,544
Net change in section 8 reserves	(37,020)
Net cash used by operating activities	($751,917)

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.

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

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

Public and Indian Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. This program provides housing at a rent that is based upon 30 percent of adjusted gross household income.

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

Public Housing Capital Fund Program (CFP) - The Public Housing Capital Fund Program also is the primary funding source for physical and management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock.

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

Cash and Cash Equivalents – During fiscal year 2010, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

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

Investments – The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year 2010 totaled $23,641.

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 $1,000 or more, excluding software purchases. Software purchases are capitalized if the cost exceeds $5,000. The estimated useful lives are as follows:

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

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

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

Compensated absences are expensed when earned with the amount reported as a fund liability.

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

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

Operating Revenues and Expenses – Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants and other miscellaneous revenue. 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.

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

Budgetary Accounting – The Authority annually prepares its budget as prescribed by 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

<u>Deposits</u>

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

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

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

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

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

At fiscal year end, the carrying amount of the Authority's deposits totaled $18,218,416, of which $2,800 was held in petty cash. The corresponding bank balances totaled $19,771,180. Based on criteria described in GASB Statement No. 40, " Deposit and Investment Risk Disclosure," as of June 30, 2010, $19,271,180 was exposed to custodial risk as discussed below, while $500,000 was covered by the Federal Depository Insurance Corporation.

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

Investments

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

The Authority's investments at June 30, 2010 were as follows:

Uncategorized Investments	Fair Value	Weighted Average Maturity
STAR Ohio	$2,680,435	56.0 days

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

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

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

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

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

	Cash and Cash Equivalents *	Investments
Per Statement of Net Assets	$20,898,851	$ -
STAR Ohio	(2,680,435)	2,680,435
Per GASB Statement No. 3	$18,218,416	$2,680,435

* Includes restricted cash and cash equivalents.

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2010 follows:

Historical Cost: Class	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Capital assets not being depreciated:				
Land	$ 8,658,129	$ 250,236	($ 69,344)	$ 8,839,021
Construction in Progress	1,363,393	5,946,140	(2,866,070)	4,443,463
Total not being depreciated	10,021,522	6,196,376	(2,935,414)	13,282,484
Capital assets being depreciated:				
Buildings and improvements	97,554,899	5,748,899	(2,307,786)	100,996,012
Equipment and vehicles	4,600,804	1,646,490	(687,627)	5,559,667
Total being depreciated	102,155,703	7,395,389	(2,995,413)	106,555,679
Total cost	$112,177,225	$13,591,765	($ 5,930,827)	$119,838,163

Accumulated Depreciation: Class	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Buildings and improvements	($63,852,566)	($4,533,296)	$ 850,046	($67,535,816)
Equipment and vehicles	(3,944,775)	(385,662)	265,033	(4,065,404)
Total depreciation	($67,797,341)	($4,918,958)	$ 1,115,079	($71,601,220)
Net value	$ 44,379,884	$ 8,672,807	($ 4,815,748)	$ 48,236,943

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

4. Long-Term Obligations

Changes in the Authority's long-term obligations during fiscal year 2010 are as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Due Within One Year
New Visions mortgages	$ 551,781	$ -	$ 16,848	$ 534,933	$ 14,056
Visual Homes note	170,209	-	83,845	86,364	86,364
Fannie Mae note	-	9,235,000	82,303	9,152,697	256,993
County Corp note	-	250,092	10,420	239,672	12,505
EPC Capital lease	5,005,995	-	628,407	4,377,588	655,314
Compensated absences	826,167	126,080	63,040	889,207	64,454
Total	$6,554,152	$9,611,172	$884,863	$15,280,461	$1,089,686

The Authority issued $720,000 of mortgages payable under the New Visions program with an outstanding balance at June 30, 2010 of $534,933. 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.

The Authority issued $400,000 of notes payable for the purpose of acquiring Visual Homes software. The note payments are due quarterly for five years, with an interest rate of 4.25 percent.

During fiscal year 2010, the Authority entered into a note agreement for $9,235,000 for the purpose of property modernization with Fannie Mae Corp. The note payments are due monthly for 20 years, with an interest rate of 6.0 percent. The note matures December 1, 2029.

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

The New Vision mortgages mature as follows:

Year ended June 30,	Principal	Interest	Total
2011	$ 14,056	$ 28,017	$ 42,073
2012	16,704	27,168	43,872
2013	17,600	26,272	43,872
2014	18,545	25,327	43,872
2015	19,540	24,332	43,872
2016-2020	114,620	104,741	219,361
2021-2025	148,949	70,412	219,361
2026-2030	156,552	27,671	184,223
2031-2033	28,367	1,162	29,529
Total	$534,933	$335,102	$870,035

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

Year ended June 30,	Principal	Interest	Total
2011	$ 86,364	$ 2,859	$ 89,223
Total	$ 86,364	$ 2,859	$ 89,223

The Fannie Mae Modernization note matures as follows:

Year ended June 30,	Principal	Interest	Total
2011	$ 256,993	$ 542,171	$ 799,164
2012	272,844	526,320	799,164
2013	289,672	509,492	799,164
2014	307,538	491,626	799,164
2015	326,507	472,657	799,164
2016-2020	1,960,626	2,035,193	3,995,819
2021-2025	2,644,590	1,351,229	3,995,819
2026-2030	3,093,927	435,711	3,529,638
Total	$ 9,152,697	$ 6,364,399	$15,517,096

The County Corp note matures as follows:

Year ended June 30,	Principal	Interest	Total
2011	$ 12,505	$ -	$ 12,505
2012	12,505	-	12,505
2013	12,505	-	12,505
2014	12,505	-	12,505
2015	12,505	-	12,505
2016-2020	62,525	-	62,525
2021-2025	62,525	-	62,525
2026-2030	52,097	-	52,097
Total	$ 239,672	$ -	$239,672

5. Capital Lease Payable

On May 15, 2003 the Authority entered into a long-term lease to finance the installment of energy saving devices. The Energy Performance Contract is a HUD funded program that, in effect, rewards Authorities who install energy efficient measures into their housing units. Funds for the payment of the debt service will be provided by the amount of savings realized from conserving energy while HUD reimburses the Authority for utilities at a rate set prior to installation of the energy saving devices. The lease includes an interest factor of 4.2 percent. Assets constructed under the lease total $8,911,155.

The Authority's future minimum payments under the capital lease obligation as of June 30, 2010 are as follows:

Year Ended June 30	Amount
2011	$ 826,654
2012	826,654
2013	826,654
2014	826,654
2015	826,654
2016	826,654
Total minimum lease payments	4,959,924
Less: amount representing interest	(582,336)
Present value of future minimum lease payments	$4,377,588

6. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The Authority 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 three Ohio housing authorities. PERC is an Ohio public entity joint self-insurance pool restricted to mid-size public entities including pools (of which OHAPCI is a member).

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

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

The OHAPCI participating housing authorities and their respective pool contribution factors for the loss year ended June 30, 2010 are:

Cincinnati MHA	56.40%
Dayton MHA	28.48%
Youngstown MHA	15.12%
Total	100.00%

OHAPCI pool contribution for 2010 from the Dayton Metropolitan Housing Authority was $536,261 before application of prior year dividends, which represented 28.48% of the total collected from all members for operating costs and projected loss reserves. As of June 30, 2010, 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.

7. Defined Benefit Pension Plan

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377.

Employee and employer contributions to OPERS are established under the Ohio Revised Code and are based upon percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. For calendar years 2010 and 2009, the employee and the employer contribution rates were 10.0% and 14.0%, respectively, for all Authority employees.

The Authority's contributions to the OPERS for the years ending June 30, 2010, 2009, and 2008 were $974,489, $1,165,112, and $920,072, respectively, which were equal to the required contributions for each year.

8. Post-Employment Benefits

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

To qualify for post-employment health care coverage, age and service retirees under the Traditional Plan and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plans are presented separately in the OPERS financial report, which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by state statute. OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year the OPERS retirement board determines the portion of the previously mentioned employer contribution rate(s) that will be set aside for funding post-employment health care benefits. For 2009-2010, the rate was 7.0 percent from January 1, 2009 to March 31, 2009. The rate changed to 5.5% for April 1, 2009, through June 30, 2010. For calendar year 2008 the amount of the employer contribution that was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The Authority's actual contributions that were used to fund OPEB for the years ending June 30 2010, 2009, and 2008 were $382,835, $551,348, and $429,312, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

9. Uncompleted Contracts

At June 30, 2010, the Authority has uncompleted contracts under the Capital Fund Program, Hope VI, Home Ownership, Public Housing, ARRA and ROSS of approximately $8,523,339.

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Development		
Direct Programs:		
Section 8 Project - Based Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	$ 585,676
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	4,870,674
Total Section 8 Project - Based Cluster		5,456,350
Section 8 Housing Choice Vouchers Cluster:		
Section 8 Housing Choice Vouchers	14.871	15,446,602
Veterans Affairs Supportive Housing	14.VSH	121,148
Total Section 8 Housing Choice Vouchers Cluster		15,567,750
Public and Indian Housing	14.850	11,625,841
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	391,954
Resident Opportunity and Supportive Services	14.870	491,268
Capital Funds Programs Cluster:		
Public Housing Capital Fund	14.872	6,526,278
Public Housing Capital Fund Stimulus - ARRA Funded	14.885	5,003,830
Total Capital Funds Programs Cluster		11,530,108
Direct Programs Expenditures of Federal Awards		45,063,271
Pass-Through Programs:		
Neighborhood Stabilization Program – ARRA Funded (from Montgomery County, Ohio) Award number CE900322	14.256	240,968
Pass-Through Programs		240,968
Total Expenditures Of Federal Awards		$45,304,239

DAYTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. Basis of Presentation

The 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.*

Dayton Metropolitan Housing Authority
Cost Certificate
through June 30, 2010

1. Actual Moderization Costs of the project are as follows:

	OH10R00550103	OH10R00550104	OH10P00550104	OH10P00550105	OH10P00550106	OH10P00550203	OH10P00550206
Funds Approved	$ 327,234	$ 1,169,467	$ 6,068,407	$ 5,811,460	$ 5,666,732	$ 1,306,382	$ 167,418
Funds Expended	327,324	1,169,467	6,068,407	5,811,460	5,666,732	1,306,382	167,418
Excess (Deficiency) of Funds Approved	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Funds Advanced	$ 327,234	$ 1,169,467	$ 6,068,407	$ 5,811,460	$ 5,666,732	$ 1,306,382	$ 167,418
Funds Expended	327,234	1,169,467	6,068,407	5,811,460	5,666,732	1,306,382	167,418
Excess (Deficiency) of Funds Approved	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2. All modernization work in connection with the projects have been completed.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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 financial statements of the Dayton Metropolitan Housing Authority, Dayton, Ohio (the Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010. 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

4286 Mt. Carmel – Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

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

Bastin & Company, LLC

Cincinnati, Ohio
December 17, 2010

Bastin & Company, LLC
Certified Public Accountants

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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Compliance

We have audited the compliance of the Dayton Metropolitan Housing Authority, Dayton, Ohio (the Authority) 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, 2010. The 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 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 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 of the 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, 2010.

Internal Control Over Compliance

The management of the 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 Authority's internal control over compliance with the 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 but not for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

This report is intended solely for the information and use of 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 17, 2010

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB Circular A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITORS' RESULTS

Type of financial statement opinion	Unqualified
Were there any material control weaknesses reported at the financial statement level?	No
Were there any other significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance reported at the financial statement level?	No
Were there any material internal control weakness reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of major programs' compliance opinion	Unqualified
Are there any reportable findings?	No
Major programs:	Capital Funds Cluster Programs: CFDA 14.872 and 14.885 (Formula Stimulus Grant) Section 8 Cluster Project-based Rental Assistance Programs: CFDA 14.182 and 14.856 Revitalization of Severely Distressed Public Housing CFDA 14.866 Neighborhood Stabilization Program (Recovery Act Funded) CFDA 14.256
Dollar threshold to distinguish between Type A/B programs	Type A: >$1,359,127 Type B: all others
Low risk auditee?	Yes

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

DAYTON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

There were no findings reported in the prior audit report.

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DAYTON METROPOLITAN HOUSING AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011