



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**ALLEN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

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Board of Directors
Allen Metropolitan Housing Authority
Lima, Ohio

We have reviewed the Independent Auditor's Report of the Allen Metropolitan Housing Authority, Allen County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2001 through June 30, 2002. 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 Allen Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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**ALLEN METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
General Purpose Financial Statements:	
Balance Sheet – Proprietary Fund Type – Enterprise Fund	2
Statement of Revenues, Expenses and Changes in Equity – Proprietary Fund Type – Enterprise Fund	3
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	4
Notes to the General Purpose Financial Statements	5 – 12
Supplemental Data:	
Balance Sheet – (FDS schedule format)	13 – 14
Statement of Revenues, Expenses and Changes in Equity – (FDS schedule format)	15 – 16
Schedule of Federal Awards Expenditures	17
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	19 – 20
Summary of Auditors' Results	21
Schedule of Findings and Questioned Costs	22

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Allen Metropolitan Housing Authority
Lima, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Allen Metropolitan Housing Authority, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Allen Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Allen Metropolitan Housing Authority, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2002 on our consideration of Allen Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Allen Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures 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 not a required part of the financial statements. The financial data schedule ("FDS") 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.
September 20, 2002

**Allen Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
June 30, 2002**

ASSETS

Cash and cash equivalents	\$	1,670,282
Investments		216,349
Intergovernmental receivables		232,732
Receivables - net of allowance		2,495
Due from other programs		83,369
Inventories - net of allowance		14,198
Deferred charges and other assets		88,529
Fixed assets - net of accumulated depreciation		<u>10,955,046</u>
TOTAL ASSETS	\$	<u>13,263,000</u>

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	\$	36,806
Due to other programs		83,369
Intergovernmental payables		79,195
Accrued compensated absences		39,967
Tenant security deposits		45,904
FSS liability		78,143
Deferred credits and other liabilities		<u>66,640</u>
TOTAL LIABILITIES		430,024

EQUITY AND OTHER CREDITS

Contributed capital		10,083,252
Undesignated retained earnings		<u>2,749,724</u>
TOTAL EQUITY AND OTHER CREDITS		<u>12,832,976</u>

TOTAL LIABILITIES, RETAINED EARNINGS AND OTHER CREDITS	\$	<u>13,263,000</u>
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See accompanying notes to the general purpose financial statements

Allen Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2002

OPERATING REVENUE	
Tenant revenue	\$ 124,037
Program operating grants/subsidies	7,455,093
Other income	<u>7,300</u>
TOTAL OPERATING REVENUE	7,586,430
 OPERATING EXPENSES	
Administrative	827,919
Tenant services	2,645
Utilities	57,064
Maintenance	417,646
Protective services	33,143
General	101,992
Bad debts	6,483
Extraordinary maintenance	48,533
Housing assistance payments	5,385,177
Depreciation	<u>639,698</u>
TOTAL OPERATING EXPENSES	<u>7,520,300</u>
NET OPERATING INCOME	66,130
 NON-OPERATING REVENUE (EXPENSES)	
Interest income	38,286
Loss on sale of properties	<u>(5,982)</u>
NET INCOME	98,434
RETAINED EARNINGS AND OTHER CREDITS, BEGINNING	13,230,276
PRIOR PERIOD ADJUSTMENTS/EQUITY TRANSFERS	<u>(495,734)</u>
RETAINED EARNINGS AND OTHER CREDITS, BEGINNING RESTATED	<u>12,734,542</u>
RETAINED EARNINGS AND OTHER CREDITS, ENDING	<u><u>\$ 12,832,976</u></u>

See accompanying notes to the general purpose financial statements

**Allen Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net operating income	\$	66,130
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		639,698
Loss on sale of properties		5,982
(Increase) decrease in:		
Receivables - net of allowance		187,496
Due from other programs		977,825
Inventories - net of allowance		(2,506)
Deferred charges and other assets		(30,743)
Increase (decrease) in:		
Accounts payable		(64,882)
Due to other programs		(977,825)
Intergovernmental payable		880
Accrued compensated absences		(3,768)
Tenant security deposits		2,306
FSS liability		78,143
Deferred credits and other liabilities		(855,125)
	NET CASH PROVIDED BY	
	OPERATING ACTIVITIES	23,611

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets		(592,967)
Proceeds from sale of properties		92,715

(DECREASE) IN CASH AND CASH EQUIVALENTS (476,641)

CASH AND CASH EQUIVALENTS, BEGINNING 2,146,923

CASH AND CASH EQUIVALENTS, ENDING \$ 1,670,282

See accompanying notes to the general purpose financial statements

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Allen Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States 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 Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements comply with the provision of 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 its 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 the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. 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.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The 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. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2002 totaled \$38,286. The interest income earned on the general fund investments is required to be returned to HUD and this amount was \$4,750 for the year ended June 30, 2002.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

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.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables – net of allowance

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. The allowance for receivables and mortgage receivables was \$10 and \$124,861 at June 30, 2002, respectively.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,500 at June 30, 2002.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended June 30, 2002. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- **Government-mandated nonexchange transactions:** occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

3. CASH AND INVESTMENTS

Cash

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable 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 monies which 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.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

3. CASH AND INVESTMENTS - CONTINUED

Cash – Continued

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, but 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.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$1,670,282, which includes \$450 petty cash. The corresponding bank balances totaled \$1,731,164.

The following show the Authority's deposits (bank balances) in each category:

Category 1:	\$300,000 was covered by federal depository insurance
Category 2:	\$1,431,164 was covered by specific collateral pledged by the financial institution 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 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 principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or 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 specific 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 had investments of certificates of deposits that exceeded three months in the amount of \$216,349 at June 30, 2002.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A 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 B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The investments of the Authority are classified as Category A.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

5. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverages and no settlements exceeded insurance coverage during the past three years.

6. FIXED ASSETS

The following is a summary:

Land	\$ 970,922
Buildings	16,265,947
Furniture and equipment - dwellings	32,088
Furniture and equipment - administrative	335,439
Leasehold improvements	43,914
	<u>17,648,310</u>
	<u>(6,693,264)</u>
	<u>\$ 10,955,046</u>

The following is a summary of changes:

	Balance June 30, 2001	Additions / Reclass	Deletions / Corrections	Balance June 30, 2002
Land	\$ 970,922	\$ -	\$ -	\$ 970,922
Buildings	15,972,596	444,139	150,788	16,265,947
Furniture and equipment - dwellings	32,088	-	-	32,088
Furniture and equipment - administrative	383,860	111,834	160,255	335,439
Leasehold improvements	6,920	36,994	-	43,914
TOTAL FIXED ASSETS	<u>\$ 17,366,386</u>	<u>\$ 592,967</u>	<u>\$ 311,043</u>	<u>\$ 17,648,310</u>

The depreciation expense for the year ended June 30, 2002 was \$639,698.

7. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

All of the Authority's full-time employees participate in a retirement system which are cost-sharing, multiple-employer defined benefit pension plans.

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

The Authority contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

7. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll, 9.25 percent to fund the pension and 4.3 percent to fund health care. The 2000 and 1999 employer contribution rates were 10.84 and 13.55 percent. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's required contributions to the PERS of Ohio for the years ending June 30, 2002, 2001 and 2000, were \$94,201, \$94,695 and \$91,698, respectively. The full amount has been contributed for 2000 and 2001. Eighty-nine percent (89%) has been contributed for 2002, with the remainder being reported as a liability within the enterprise fund.

8. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units the rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for the year.

A portion of each employer's contribution to PERS is set aside for funding of postretirement healthcare. The ORC provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The portion of the employer contribution rate used to fund healthcare was 5.11 percent of covered payroll in each year prior to January 1, 1998. During 1997, PERS adopted a new calculation methodology for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions equal to 4.3 percent of member-covered payroll are set aside to fund healthcare expenses. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. 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 unfounded 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 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

Allen Metropolitan Housing Authority
Notes To the general purpose financial statements
June 30, 2002

9. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

10. FDS SUBMITTED TO HUD

For the fiscal year ended June 30, 2002, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 13 - 16. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

11. RESTATEMENT OF EQUITY

It was determined that the following items were misstated at June 30, 2001:

	<u>Total</u>	<u>Net HUD PHA Contributions</u>	<u>Undesignated Retained Earnings</u>
Equity, Beginning of Year	\$ 13,230,276	\$ 10,691,564	2,538,712
Correction of receivables	(43,375)	-	(43,375)
Correction of fixed assets and accumulated depreciation	(124,861)	-	(124,861)
Allowance for mortgage receivable	7,567	7,567	-
Correction of payables	(12,866)	-	(12,866)
HUD corrections on Section 8 year end reports	(322,199)	-	(322,199)
Equity, Beginning of Year, Restated	<u>12,734,542</u>	<u>10,699,131</u>	<u>2,035,411</u>
Fixed asset additions from grants	514,292	-	514,292
Depreciation expense	(639,698)	(615,879)	(23,819)
Current year income	223,840	-	223,840
Equity, End of Year	<u>\$ 12,832,976</u>	<u>\$ 10,083,252</u>	<u>\$ 2,749,724</u>

Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2002

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.852 CIAP	14.871 Sect. 8 Hsg Choice VO	14.182 Sect. 8 New Cons Prgm	14.856 Sect. 8 Mod Rehab	14.854 Drug Elimination	14.850B Develop	14.872 Capital Grant Fund	Business Activity Board Funds	TOTAL
ASSETS											
111	Cash - unrestricted	\$ 613,208	\$ -	\$ 330,585	\$ 34,023	\$ 59,856	\$ -	\$ -	\$ -	\$ 24,194	\$ 1,061,866
113	Cash - other restricted	479,500	-	78,143	-	-	-	-	-	-	557,643
114	Cash - tenant security deposits	50,773	-	-	-	-	-	-	-	-	50,773
100	TOTAL CASH	<u>1,143,481</u>	<u>-</u>	<u>408,728</u>	<u>34,023</u>	<u>59,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,194</u>	<u>1,670,282</u>
122	Accounts receivable - HUD other proj	-	-	185,819	29,675	-	17,238	-	-	-	232,732
125	Accounts receivable - miscellaneous	2,454	-	-	-	-	-	-	-	-	2,454
126	A/R Tenants - dwelling rents	51	-	-	-	-	-	-	-	-	51
126.1	Allowance for doubtful accts	(10)	-	-	-	-	-	-	-	-	(10)
127	Notes receivable	124,861	-	-	-	-	-	-	-	-	124,861
127.1	Allowance for notes receivable	(124,861)	-	-	-	-	-	-	-	-	(124,861)
120	TOTAL ACCOUNTS RECEIVABLE	<u>2,495</u>	<u>-</u>	<u>185,819</u>	<u>29,675</u>	<u>-</u>	<u>17,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,227</u>
131	Investments - unrestricted	-	-	-	-	-	-	-	-	216,349	216,349
142	Prepaid expenses and other assets	88,529	-	-	-	-	-	-	-	-	88,529
143	Inventories	15,998	-	-	-	-	-	-	-	-	15,998
143.1	Allowance	(1,800)	-	-	-	-	-	-	-	-	(1,800)
144	Interprogram due from	17,238	1,859	-	-	-	-	64,272	-	-	83,369
150	TOTAL CURRENT ASSETS	<u>1,265,941</u>	<u>1,859</u>	<u>594,547</u>	<u>63,698</u>	<u>59,856</u>	<u>17,238</u>	<u>64,272</u>	<u>-</u>	<u>240,543</u>	<u>2,307,954</u>
161	Land	757,591	14,421	-	-	-	-	198,910	-	-	970,922
162	Buildings	13,279,921	573,980	-	-	-	-	2,339,041	73,005	-	16,265,947
163	Furniture and equipment - dwellings	-	10,088	-	-	-	-	22,000	-	-	32,088
164	Furniture and equipment - admin	213,928	25,029	62,445	-	-	-	-	34,037	-	335,439
165	Leasehold improvements	-	43,914	-	-	-	-	-	-	-	43,914
166	Accumulated depreciation	(6,060,669)	(51,363)	(39,150)	-	-	-	(536,116)	(5,966)	-	(6,693,264)
160	TOTAL FIXED ASSETS, NET	<u>8,190,771</u>	<u>616,069</u>	<u>23,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,023,835</u>	<u>101,076</u>	<u>-</u>	<u>10,955,046</u>
180	TOTAL NON-CURRENT ASSETS	<u>8,190,771</u>	<u>616,069</u>	<u>23,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,023,835</u>	<u>101,076</u>	<u>-</u>	<u>10,955,046</u>
190	TOTAL ASSETS	<u>\$ 9,456,712</u>	<u>\$ 617,928</u>	<u>\$ 617,842</u>	<u>\$ 63,698</u>	<u>\$ 59,856</u>	<u>\$ 17,238</u>	<u>\$ 2,088,107</u>	<u>\$ 101,076</u>	<u>\$ 240,543</u>	<u>\$ 13,263,000</u>

See independent auditors' report

**Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2002**

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.852 CIAP	14.871 Sect. 8 Hsg Choice VO	14.182 Sect. 8 New Cons Prgm	14.856 Sect. 8 Mod Rehab	14.854 Drug Elimination	14.850B Develop	14.872 Capital Grant Fund	Business Activity BoardFunds	TOTAL
	LIABILITIES										
312	Accounts payable <=90 days	\$ 16,725	\$ -	\$ 20,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,806
322	Accrued compensated absences	10,000	-	8,000	-	-	-	-	-	-	18,000
331	Accounts payable - HUD PHA programs	-	-	-	24,231	54,964	-	-	-	-	79,195
341	Tenant security deposits	45,904	-	-	-	-	-	-	-	-	45,904
342	Deferred revenue	510	1,859	-	-	-	-	64,272	-	-	66,641
347	Interprogram due to	66,131	-	-	-	-	17,238	-	-	-	83,369
310	TOTAL CURRENT LIABILITIES	139,270	1,859	28,081	24,231	54,964	17,238	64,272	-	-	329,915
353	Noncurrent liabilities - other	13,232	-	86,877	-	-	-	-	-	-	100,109
350	TOTAL NONCURRENT LIABILITIES	13,232	-	86,877	-	-	-	-	-	-	100,109
300	TOTAL LIABILITIES	152,502	1,859	114,958	24,231	54,964	17,238	64,272	-	-	430,024
513	TOTAL EQUITY	9,304,209	616,069	502,884	39,467	4,892	-	2,023,836	101,076	240,543	12,832,976
600	TOTAL LIABILITIES AND EQUITY	\$ 9,456,711	\$ 617,928	\$ 617,842	\$ 63,698	\$ 59,856	\$ 17,238	\$ 2,088,108	\$ 101,076	\$ 240,543	\$ 13,263,000

See independent auditors' report

Allen Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.852 CIAP	14.871 Sect. 8 Hsg Choice VO	14.182 Sect. 8 New Cons Prgm	14.856 Sect. 8 Mod Rehab	14.854 Drug Elimination	14.850B Develop	14.872 Capital Grant Fund	Business Activity Board Funds	TOTAL
REVENUE											
703	Net tenant revenue	\$ 112,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,591
704	Tenant Rental Revenue	11,446	-	-	-	-	-	-	-	-	11,446
705	TOTAL TENANT REVENUE	124,037	-	-	-	-	-	-	-	-	124,037
706	PHA HUD grants	824,080	20,137	4,040,750	1,526,097	409,536	33,143	13,575	88,616	-	6,955,934
706.1	Capital Grants	-	221,717	-	-	-	-	170,400	107,042	-	499,159
711	Investment income - unrestricted	22,765	-	2,633	1,450	5,554	-	-	-	5,884	38,286
715	Other Revenue	(5,982)	-	-	-	-	-	-	-	7,300	1,318
	TOTAL REVENUE	964,900	241,854	4,043,383	1,527,547	415,090	33,143	183,975	195,658	13,184	7,618,734
EXPENSES											
911	Administrative salaries	269,761	-	226,606	56,975	31,078	-	13,576	-	-	597,996
912	Auditing fees	3,070	-	4,570	1,120	525	-	-	-	-	9,285
914	Compensated absenses	(4,125)	-	357	-	-	-	-	-	-	(3,768)
915	Employee benefit contribution - admin	-	-	51,170	20,158	6,202	-	-	-	-	77,530
916	Other operating - administrative	22,834	-	78,409	30,860	9,431	-	-	3,203	2,139	146,876
924	Tenant services - other	2,645	-	-	-	-	-	-	-	-	2,645
931	Water	14,734	-	-	-	-	-	-	-	-	14,734
932	Electricity	25,667	-	-	-	-	-	-	-	-	25,667
933	Gas	16,663	-	-	-	-	-	-	-	-	16,663
941	Ord maintenance/operation - labor	133,593	-	-	-	-	-	-	-	-	133,593
942	Ord maintenance/operation - materials	64,095	-	-	-	-	-	-	11,192	-	75,287
943	Ord maintenance/operation - cont costs	48,381	20,137	7,061	2,781	856	-	-	34,221	-	113,437
945	Emp benefit contrib - ord maintenance	95,329	-	-	-	-	-	-	-	-	95,329
952	Protective services - other cont costs	-	-	-	-	-	33,143	-	-	-	33,143

See independent auditors' report

Allen Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2002

Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.852 CIAP	14.871 Sect. 8 Hsg Choice VO	14.182 Sect. 8 New Cons Prgm	14.856 Sect. 8 Mod Rehab	14.854 Drug Elimination	14.850B Develop	14.872 Capital Grant Fund	Business Activity Board Funds	State/Local	TOTAL
	EXPENSES - CONTINUED											
961	Insurance premiums	87,953	-	-	-	-	-	-	-	-	-	\$ 87,953
963	PILOT	14,039	-	-	-	-	-	-	-	-	-	14,039
964	Bad debts - tenant rents	6,483	-	-	-	-	-	-	-	-	-	6,483
969	TOTAL OPERATING EXPENSES	801,122	20,137	368,173	111,894	48,092	33,143	13,576	48,616	2,139	-	1,446,892
970	EXCESS OPERATING REVENUE OVER EXPENSES	163,778	221,717	3,675,210	1,415,653	366,998	-	170,399	147,042	11,045	-	6,171,842
971	Extraordinary maintenance	48,533	-	-	-	-	-	-	-	-	-	48,533
973	Housing Assistance Payments	-	-	3,609,098	1,413,973	362,106	-	-	-	-	-	5,385,177
974	Depreciation expense	519,511	23,404	5,716	-	-	-	85,101	5,966	-	-	639,698
900	TOTAL EXPENSES	1,369,166	43,541	3,982,987	1,525,867	410,198	33,143	98,677	54,582	2,139	-	7,520,300
	EXCESS OF REVENUE											
1000	OVER EXPENSES	(364,266)	198,313	60,396	1,680	4,892	-	85,298	101,076	11,045	-	98,434
1103	Beginning equity	9,849,577	410,189	445,168	357,306	-	-	1,938,538	-	-	229,498	13,230,276
1104	Prior period adj/equity transfers	(181,102)	7,567	(2,680)	(319,519)	-	-	-	-	229,498	(229,498)	(495,734)
	ENDING EQUITY	\$ 9,304,209	\$ 616,069	\$ 502,884	\$ 39,467	\$ 4,892	\$ -	\$ 2,023,836	\$ 101,076	\$ 240,543	\$ -	\$ 12,832,976

See independent auditors' report

**Allen Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
Year Ended June 30, 2002**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850A	\$ 824,080
Public and Indian Housing CIAP	14.852	241,854
Public and Indian Housing Drug Elimination Program	14.854	33,143
Public Housing Capital Fund	14.872	195,658
Public Housing Development	14.850B	183,975
Housing Assistance Payments:		
Annual Contribution -		
Housing Choice Vouchers	14.871	4,040,750
Section 8 Moderate Rehabilitation	14.856	409,536
Total Cluster		4,450,286
Section 8 New Construction and Substantial Rehabilitation	14.182	1,526,097
Total - All Programs		\$ 7,455,093

See independent auditors' report



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

Board of Directors
Allen Metropolitan Housing Authority
Lima, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Allen Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued our report thereon dated September 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
September 20, 2002



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

Board of Directors
Allen Metropolitan Housing Authority
Lima, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Allen Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2002. Allen 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 each of its major federal programs is the responsibility of Allen Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Allen Metropolitan Housing 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; 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 Allen 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 Allen Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Allen Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Allen Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Allen Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the board of directors, management, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**Jones, Cochenour & Co.
September 20, 2002**

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505**

**Allen Metropolitan Housing Authority
June 30, 2002**

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Housing Choice Vouchers and Mod Rehab (Cluster) CFDA #14.871 and #14.856 New Construction Program CFDA #14.182
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

**Allen Metropolitan Housing Authority
June 30, 2002**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended June 30, 2002.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2002.



**Auditor of State
Betty Montgomery**

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ALLEN METROPOLITAN HOUSING AUTHORITY

ALLEN 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
JANUARY 30, 2003**