



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**PERRY METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Board of Directors
Perry Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Perry Metropolitan Housing Authority, Perry County, prepared by Jones, Cochenour & Co. for the audit period January 1, 2001 through December 31, 2001. 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 Perry Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 23, 2002

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**PERRY METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Perry Metropolitan Housing Authority, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Perry 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 Perry Metropolitan Housing Authority, as of December 31, 2001, 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 March 29, 2002 on our consideration of Perry 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 Perry 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.
March 29, 2002

Perry Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
December 31, 2001

ASSETS

| | | |
|--|----|----------------------------|
| Cash and cash equivalents | \$ | 459,847 |
| Investments | | 78,000 |
| Receivables - net of allowance | | 8,779 |
| Due from other funds | | 13,655 |
| Inventories - net of allowance | | 10,398 |
| Deferred charges and other assets | | 2,639 |
| Fixed assets - net of accumulated depreciation | | <u>4,119,516</u> |
| TOTAL ASSETS | | <u>\$ 4,692,834</u> |

LIABILITIES, RETAINED EARNINGS AND OTHER CREDITS

| | | |
|---|----|----------------------------|
| Accounts payable | \$ | 16,942 |
| Due to other funds | | 13,655 |
| Intergovernmental payables | | 51,745 |
| Accrued compensated absences | | 22,990 |
| Tenant security deposits | | 24,248 |
| Deferred credits and other liabilities | | <u>16,510</u> |
| TOTAL LIABILITIES | | 146,090 |
| TOTAL RETAINED EARNINGS AND OTHER CREDITS | | <u>4,546,744</u> |
| TOTAL LIABILITIES, RETAINED EARNINGS AND OTHER CREDITS | | <u>\$ 4,692,834</u> |

See accompanying notes to the general purpose financial statements

Perry Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

| | |
|---|----------------------------|
| OPERATING REVENUE | |
| Tenant revenue | \$ 245,560 |
| Program operating grants/subsidies | <u>1,251,441</u> |
| TOTAL OPERATING REVENUE | 1,497,001 |
| OPERATING EXPENSES | |
| Administrative | 272,200 |
| Tenant services | 570 |
| Utilities | 91,385 |
| Maintenance | 149,218 |
| General | 32,124 |
| Bad debts | 9,565 |
| Housing assistance payments | 639,964 |
| Depreciation | <u>271,194</u> |
| TOTAL OPERATING EXPENSES | <u>1,466,220</u> |
| NET OPERATING INCOME | 30,781 |
| NON-OPERATING REVENUE | |
| Interest income | 21,756 |
| Gain on sale of fixed assets | <u>500</u> |
| TOTAL NON-OPERATING REVENUE | <u>22,256</u> |
| NET INCOME | 53,037 |
| RETAINED EARNINGS AND OTHER CREDITS, BEGINNING | 4,497,237 |
| PRIOR PERIOD ADJUSTMENTS | <u>(3,530)</u> |
| RETAINED EARNINGS AND OTHER CREDITS, ENDING | <u>\$ 4,546,744</u> |

See accompanying notes to the general purpose financial statements

**Perry Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|----|-----------------|
| Cash received from HUD | \$ | 1,162,653 |
| Cash received from tenants | | 268,867 |
| Cash payments for housing assistance payments | | (639,964) |
| Cash payments for administrative | | (277,130) |
| Cash payments for other operating expenses | | (345,051) |
| Cash payments to HUD and other governments | | <u>(14,807)</u> |

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** 154,568

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | | |
|-------------------------------|--|-----------|
| Acquisition of capital assets | | (271,990) |
|-------------------------------|--|-----------|

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|-------------------|--|---------------|
| Investment income | | <u>21,756</u> |
|-------------------|--|---------------|

DECREASE IN CASH AND CASH EQUIVALENTS (95,666)

CASH AND CASH EQUIVALENTS, BEGINNING 555,513

CASH AND CASH EQUIVALENTS, ENDING \$ 459,847

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:**

| | | |
|--|----|-----------------|
| Net operating income | \$ | 30,781 |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation | | 271,194 |
| Prior period adjustments | | (3,530) |
| (Increase) decrease in: | | |
| Intergovernmental receivables | | |
| Receivables - net of allowance | | 23,307 |
| Due from other funds | | 1,685 |
| Inventories - net of allowance | | 1,044 |
| Deferred charges and other assets | | 255 |
| Increase (decrease) in: | | |
| Accounts payable | | (2,483) |
| Due to other funds | | (1,685) |
| Intergovernmental payable | | (88,788) |
| Accrued compensated absences | | 4,930 |
| Tenant security deposits | | 1,479 |
| Deferred credits and other liabilities | | <u>(83,621)</u> |

**NET CASH PROVIDED
BY OPERATING ACTIVITIES** \$ 154,568

See accompanying notes to the general purpose financial statements

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Perry 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.

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

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 2). Investments are valued at market value. Interest income earned in fiscal year 2001 for both programs totaled \$21,756. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$1,450 for the year ended December 31, 2001.

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.

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

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 uncollectable receivables was \$675 at December 31, 2001.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,300 at December 31, 2001.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended December 31, 2001. 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).

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

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.

2. 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.

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

2. CASH AND INVESTMENTS - 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 \$537,847. The corresponding bank balances totaled \$544,536.

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

| | |
|-------------|---|
| Category 1: | \$152,150 was covered by federal depository insurance |
| Category 2: | \$392,386 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 with original maturities that exceeded three months, in the amount of \$78,000 at December 31, 2001, which is included in the deposit and bank balance amount.

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.

3. 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.

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

4. 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.

5. FIXED ASSETS

The following is a summary:

| | |
|--|-----------------------------------|
| Land | \$ 250,335 |
| Buildings | 5,455,315 |
| Furniture and equipment - dwellings | 20,970 |
| Furniture and equipment - administrative | 173,208 |
| Leasehold improvements | <u>1,712,640</u> |
| | 7,612,468 |
| Accumulated depreciation | <u>(3,492,952)</u> |
| NET FIXED ASSETS | <u><u>\$ 4,119,516</u></u> |

The following is a summary of changes:

| | Balance Dec 31, 2000 | Additions / Reclass | Deletions / Corrections | Balance Dec 31, 2001 |
|---|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Land | \$ 242,669 | \$ 7,666 | \$ - | \$ 250,335 |
| Buildings | 5,269,305 | 372,062 | 186,052 | 5,455,315 |
| Furniture and equipment - dwellings | 20,970 | - | - | 20,970 |
| Furniture and equipment - administrative | 160,096 | 25,012 | 11,900 | 173,208 |
| Leasehold improvements | <u>1,659,337</u> | <u>77,803</u> | <u>24,500</u> | <u>1,712,640</u> |
| TOTAL FIXED ASSETS | <u><u>\$ 7,352,377</u></u> | <u><u>\$ 482,543</u></u> | <u><u>\$ 222,452</u></u> | <u><u>\$ 7,612,468</u></u> |

The depreciation expense for the year ended December 31, 2001 was \$271,194.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtaining by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 9.565 percent through December 31. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$28,780, \$22,177, and \$29,827, respectively. The full amount has been contributed for 2000 and 2001. Ninety-one percent (91%) has been contributed for 2001, with the remainder being reported as a liability within the enterprise fund.

Perry Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten 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 as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increased. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 401,339. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

8. RETAINED EARNINGS AND OTHER CREDITS/PRIOR PERIOD ADJUSTMENTS:

| | <u>Total</u> | <u>Net HUD PHA Contributions</u> | <u>Retained Earnings</u> |
|--|---------------------|--------------------------------------|------------------------------|
| Balance as of December 31, 2000 | \$ 4,497,237 | \$ 4,082,551 | \$ 414,686 |
| Net loss as of December 31, 2001 | 53,037 | (260,645) | 313,682 |
| Correction of HUD report | 1,546 | - | 1,546 |
| Correction of fixed assets | 667 | 667 | - |
| Deferred revenue not recorded properly in prior years | <u>(5,743)</u> | <u>(5,743)</u> | <u>-</u> |
| Balance as of December 31, 2001 | <u>\$ 4,546,744</u> | <u>\$ 3,816,830</u> | <u>\$ 729,914</u> |

9. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2001, 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 audited version of the FDS schedules are on pages 12-15. 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.

Perry Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

| FDS Line Item No. | Account Description | 14.850 Public & Indian Hsg | 14.850 Public & Indian Hsg | 14.872 Capital Fund | 14.871 Section 8 Vouchers | 14.872 Capital Fund | 14.182 Section 8 NC/SR | TOTAL |
|-------------------------|--------------------------------------|----------------------------------|----------------------------------|------------------------|---------------------------------|------------------------|------------------------------|---------------------|
| ASSETS | | | | | | | | |
| 111 | Cash - unrestricted | \$ 265,203 | \$ - | \$ - | \$ 133,163 | \$ - | \$ 52,150 | \$ 450,516 |
| 113 | Cash - other restricted | - | - | - | 9,331 | - | - | 9,331 |
| 100 | TOTAL CASH | 265,203 | - | - | 142,494 | - | 52,150 | 459,847 |
| 122 | Accounts receivable - HUD other proj | - | - | - | - | 3,791 | - | 3,791 |
| 126 | A/R Tenants - dwelling rents | 2,657 | - | - | - | - | - | 2,657 |
| 126.1 | Allowance for doubtful accts | (675) | - | - | - | - | - | (675) |
| 128 | Fraud recovery | - | - | - | 15,596 | - | - | 15,596 |
| 128.1 | Allowance for doubtful accts | - | - | - | (13,755) | - | - | (13,755) |
| 129 | Accrued interest receivable | 1,165 | - | - | - | - | - | 1,165 |
| 120 | TOTAL ACCOUNTS RECEIVABLE | 3,147 | - | - | 1,841 | 3,791 | - | 8,779 |
| 131 | Investments - unrestricted | 78,000 | - | - | - | - | - | 78,000 |
| 142 | Prepaid expenses and other assets | 2,639 | - | - | - | - | - | 2,639 |
| 143 | Inventories | 11,698 | - | - | - | - | - | 11,698 |
| 143.1 | Allowance for obsolete inventory | (1,300) | - | - | - | - | - | (1,300) |
| 144 | Interprogram due from | 11,933 | 1,722 | - | - | - | - | 13,655 |
| 150 | TOTAL CURRENT ASSETS | 371,320 | 1,722 | - | 144,335 | 3,791 | 52,150 | 573,318 |
| 161 | Land | 157,684 | 92,651 | - | - | - | - | 250,335 |
| 162 | Buildings | 3,834,797 | 1,272,087 | 239,824 | 29,361 | 79,246 | - | 5,455,315 |
| 163 | Furniture and equipment - dwellings | 7,311 | - | 13,659 | - | - | - | 20,970 |
| 164 | Furniture and equipment - admin | 103,653 | 6,064 | 30,195 | 24,243 | 9,053 | - | 173,208 |
| 165 | Leasehold improvements | 1,212,176 | 434,647 | 65,817 | - | - | - | 1,712,640 |
| 166 | Accumulated depreciation | (3,110,060) | (333,015) | (30,183) | (17,520) | (2,174) | - | (3,492,952) |
| 160 | TOTAL FIXED ASSETS, NET | 2,205,561 | 1,472,434 | 319,312 | 36,084 | 86,125 | - | 4,119,516 |
| 180 | TOTAL NON-CURRENT ASSETS | 2,205,561 | 1,472,434 | 319,312 | 36,084 | 86,125 | - | 4,119,516 |
| 190 | TOTAL ASSETS | <u>\$ 2,576,881</u> | <u>\$ 1,474,156</u> | <u>\$ 319,312</u> | <u>\$ 180,419</u> | <u>\$ 89,916</u> | <u>\$ 52,150</u> | <u>\$ 4,692,834</u> |

See independent auditors' report

Perry Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

| FDS Line Item No. | Account Description | 14.850 Public & Indian Hsg | 14.850 Public & Indian Hsg | 14.872 Capital Fund | 14.871 Section 8 Vouchers | 14.872 Capital Fund | 14.182 Section 8 NC/SR | TOTAL |
|-------------------------|-------------------------------------|----------------------------------|----------------------------------|------------------------|---------------------------------|------------------------|------------------------------|---------------------|
| LIABILITIES | | | | | | | | |
| 312 | Accounts payable <=90 days | \$ 16,942 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,942 |
| 321 | Accrued wages/payroll taxes | 6,959 | - | - | - | - | - | 6,959 |
| 322 | Accrued compensated absences | 11,457 | - | - | 4,574 | - | - | 16,031 |
| 331 | Accounts payable - HUD PHA programs | - | - | - | 33,938 | - | 3,000 | 36,938 |
| 333 | Accounts payable - other govt | 14,807 | - | - | - | - | - | 14,807 |
| 341 | Tenant security deposits | 24,248 | - | - | - | - | - | 24,248 |
| 342 | Deferred revenue | 3,511 | 1,722 | - | 2,895 | - | - | 8,128 |
| 347 | Interprogram due to | 1,722 | - | - | 8,142 | 3,791 | - | 13,655 |
| 310 | TOTAL CURRENT LIABILITIES | 79,646 | 1,722 | - | 49,549 | 3,791 | 3,000 | 137,708 |
| 350 | TOTAL NONCURRENT LIABILITIES | - | - | - | 8,382 | - | - | 8,382 |
| 300 | TOTAL LIABILITIES | 79,646 | 1,722 | - | 57,931 | 3,791 | 3,000 | 146,090 |
| 513 | TOTAL EQUITY | 2,497,235 | 1,472,434 | 319,312 | 122,488 | 86,125 | 49,150 | 4,546,744 |
| 600 | TOTAL LIABILITIES AND EQUITY | \$ 2,576,881 | \$ 1,474,156 | \$ 319,312 | \$ 180,419 | \$ 89,916 | \$ 52,150 | \$ 4,692,834 |

See independent auditors' report

Perry Metropolitan Housing Authority
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

| FDS Line Item No. | Account Description | 14.850 Public & Indian Hsg | 14.850 Public & Indian Hsg | 14.872 Capital Fund | 14.871 Section 8 Vouchers | 14.872 Capital Fund | 14.182 Section 8 NC/SR | TOTAL |
|-------------------------|---------------------------------------|----------------------------------|----------------------------------|------------------------|---------------------------------|------------------------|------------------------------|------------|
| REVENUE | | | | | | | | |
| 703 | Net tenant revenue | \$ 239,459 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 239,459 |
| 704 | Tenant revenue - other | 6,101 | - | - | - | - | - | 6,101 |
| 705 | TOTAL TENANT REVENUE | 245,560 | - | - | - | - | - | 245,560 |
| 706 | PHA HUD grants | 207,575 | 2,653 | 19,926 | 692,900 | 15,605 | 40,792 | 979,451 |
| 706.1 | Capital contributions | - | 51,923 | 131,768 | - | 88,299 | - | 271,990 |
| 711 | Investment income - unrestricted | 13,325 | - | - | 7,779 | - | 652 | 21,756 |
| 716 | Gain on sale of fixed assets | 500 | - | - | - | - | - | 500 |
| | TOTAL REVENUE | 466,960 | 54,576 | 151,694 | 700,679 | 103,904 | 41,444 | 1,519,257 |
| EXPENSES | | | | | | | | |
| 911 | Administrative salaries | 102,066 | - | - | 59,370 | - | 2,472 | 163,908 |
| 912 | Auditing fees | 2,092 | - | - | 1,741 | - | 351 | 4,184 |
| 914 | Compensated absenses | 3,083 | - | - | 794 | - | - | 3,877 |
| 915 | Employee benefit contribution - admin | 37,690 | - | - | 8,911 | - | 498 | 47,099 |
| 916 | Other operating - administrative | 33,904 | 157 | 7,850 | 10,356 | 534 | 331 | 53,132 |
| 924 | Tenant services - other | 570 | - | - | - | - | - | 570 |
| 931 | Water | 32,878 | - | - | - | - | - | 32,878 |
| 932 | Electricity | 30,585 | - | - | - | - | - | 30,585 |
| 933 | Gas | 730 | - | - | - | - | - | 730 |
| 938 | Other utilities | 27,192 | - | - | - | - | - | 27,192 |
| 941 | Ord maintenance/op - labor | 56,338 | - | - | - | 5,242 | - | 61,580 |
| 942 | Ord maintenance/op - materials | 22,018 | 2,496 | 11,276 | - | 4,689 | - | 40,479 |
| 943 | Ord maintenance/op - cont costs | 19,083 | - | 800 | - | 5,140 | - | 25,023 |
| 945 | Emp benefit contrib - ord main | 22,136 | - | - | - | - | - | 22,136 |

See independent auditors' report

Perry Metropolitan Housing Authority
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

| FDS Line Item No. | Account Description | 14.850 Public & Indian Hsg | 14.850 Public & Indian Hsg | 14.872 Capital Fund | 14.871 Section 8 Vouchers | 14.872 Capital Fund | 14.182 Section 8 NC/SR | TOTAL |
|-------------------------|---|----------------------------------|----------------------------------|------------------------|---------------------------------|------------------------|------------------------------|------------------|
| | EXPENSES - CONTINUED | | | | | | | |
| 961 | Insurance premiums | \$ 17,317 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,317 |
| 963 | PILOT | 14,807 | - | - | - | - | - | 14,807 |
| 964 | Bad debts - tenant rents | 2,344 | - | - | 7,221 | - | - | 9,565 |
| 969 | TOTAL OPERATING EXPENSES | 424,833 | 2,653 | 19,926 | 88,393 | 15,605 | 3,652 | 555,062 |
| 970 | EXCESS OPERATING REVENUE OVER EXPENSES | 42,127 | 51,923 | 131,768 | 612,286 | 88,299 | 37,792 | 964,195 |
| 973 | Housing Assistance Payments | - | - | - | 601,153 | - | 38,811 | 639,964 |
| 974 | Depreciation expense | 170,373 | 75,311 | 18,175 | 1,539 | 2,174 | 3,622 | 271,194 |
| 900 | TOTAL EXPENSES | 595,206 | 77,964 | 38,101 | 691,085 | 17,779 | 46,085 | 1,466,220 |
| | EXCESS OF REVENUE OVER EXPENSES | (128,246) | (23,388) | 113,593 | 9,594 | 86,125 | (4,641) | 53,037 |
| 1103 | Beginning equity | 2,427,959 | 1,501,565 | 401,693 | 133,565 | - | 236,295 | 4,701,077 |
| 1104 | Prior period adj/equity transfers | 197,522 | (5,743) | (195,974) | (20,671) | - | (182,504) | (207,370) |
| | ENDING EQUITY | \$ 2,497,235 | \$ 1,472,434 | \$ 319,312 | \$ 122,488 | \$ 86,125 | \$ 49,150 | 4,546,744 |

See independent auditors' report

**Perry Metropolitan Housing Authority
Cost Certification of Modernization Project
December 31, 2001**

OH16-P034-913:

| | |
|--------------------------------|----------------------|
| Management improvements | \$ 15,398 |
| Administration | 658 |
| Fees and costs | 15,000 |
| Site improvement | 26,146 |
| Dwelling structures | 156,480 |
| Nondwelling equipment | <u>26,318</u> |

TOTAL EXPENDED **\$ 240,000**

TOTAL RECEIVED **\$ 240,000**

1. The actual modernization cost certificate was signed on July 9, 2001.
2. All costs have been paid through December 31, 2001 and there are no outstanding liabilities.
3. The final costs on the certificate agrees to the Authority's records.

See independent auditors' report

**Perry Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
December 31, 2001**

| | <u>FEDERAL CFDA NUMBER</u> | <u>FUNDS EXPENDED</u> |
|---|------------------------------------|----------------------------|
| <u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u> | | |
| PHA Owned Housing: | | |
| Public and Indian Housing | 14.850 | \$ 262,151 |
| Public Housing Capital Fund | 14.872 | 255,598 |
| Housing Assistance Payments: | | |
| Annual Contribution - | | |
| Section 8 Housing Choice Vouchers | 14.871 | 692,900 |
| Section 8 - NC/SR | 14.182 | <u>40,792</u> |
| Total - All Programs | | <u>\$ 1,251,441</u> |

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
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Perry Metropolitan Housing Authority as of and for the year ended December 31, 2001, and have issued our report thereon dated March 29, 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 Perry 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 Perry 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.
March 29, 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
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Perry 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 December 31, 2001. Perry 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 Perry Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Perry 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 Perry 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 Perry Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Perry 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 December 31, 2001.

Internal Control Over Compliance

The management of Perry 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 Perry 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.
March 29, 2002

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

**Perry Metropolitan Housing Authority
December 31, 2001**

| |
|--|
| 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): | Public & Indian Housing CFDA #14.850 Capital Fund CFDA #14.872 |
| Dollar Threshold: Type A/B Programs | \$300,000 |
| Low Risk Auditee? | Yes |

OMB Circular A-133 § .505 - Continued

**Perry Metropolitan Housing Authority
December 31, 2001**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2001.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PERRY METROPOLITAN HOUSING AUTHORITY

PERRY 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
AUGUST 15, 2002**