

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
CRAWFORD METROPOLITAN HOUSING AUTHORITY
APRIL 1, 2005 - MARCH 31, 2006



**Auditor of State
Betty Montgomery**

Board of Directors
Crawford Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Crawford Metropolitan Housing Authority, Crawford County, prepared by Wilson, Shannon & Snow, Inc., for the audit period April 1, 2005 through March 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 20, 2006

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CRAWFORD METROPOLITAN HOUSING AUTHORITY
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Board of Directors
Crawford Metropolitan Housing Authority
645 West Harding Way
Galion, Ohio 44833

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Crawford Metropolitan Housing Authority, Crawford County, Ohio (the Authority) as of and for the fiscal year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Crawford Metropolitan Housing Authority, Crawford County, as of March 31, 2006 and the changes in financial position and its cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 8, the Authority restated net assets for reclassification of certain accounts. In addition, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as disclosed in Note 9.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards Expenditures as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Supplemental Financial Data Schedules, as required by the U.S. Department of Housing and Urban Development are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Wilson, Shannon & Sons, Inc." The signature is written in a cursive style.

Newark, Ohio
July 18, 2006

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Crawford Metropolitan Housing Authority's (the Authority's) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2006, the Authority's net assets increased by \$40,657 (or 17.57%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Restated Net Assets for fiscal year 2005 were \$231,458 and net assets for fiscal year 2006 were \$272,115.

- The revenue decreased by \$42,629 (or 3.19%) during fiscal year 2006, and was \$1,337,266 and \$1,379,895 for fiscal year 2005 and fiscal year 2006, respectively.

- The total expenses of the Authority increased by \$26,813 (or 2.04%). Total expenses were \$1,312,425 and \$1,339,238 for fiscal year 2005 and fiscal year 2006, respectively.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

USING THIS ANNUAL REPORT

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A)”, “Basic Financial Statements”, and “Other Required Supplementary Information”:

MD&A

~ Management’s Discussion
And Analysis –pgs 3-10 ~

Basic Financial Statements

~ Financial Statements – pgs 11-13 ~
~ Notes to the Basic Financial Statements – pg 14~

Other Required Supplementary Information

~ Required Supplementary Information - none~
(Other than MD&A)

The primary focus of the Authority’s financial statements is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Assets”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have any outstanding debt.

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of “Net Assets Invested in Capital Assets”, or “Restricted Net Assets”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as grant revenue, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue, such as investment income.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

Finally, Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

The Authority's Fund

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector.

The fund maintained by the Authority is required by the Department of Housing and Urban Development.

Business-Type Fund

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year.

STATEMENT OF NET ASSETS

	<u>2006</u>	Restated <u>2005</u>
Current and Other Assets	\$ 305,982	\$ 250,249
Capital Assets	<u>1,218</u>	<u>2,718</u>
Total Assets	<u>307,200</u>	<u>252,967</u>
Current Liabilities	5,060	3,844
Non-Current Liabilities	<u>30,025</u>	<u>17,665</u>
Total Liabilities	<u>35,085</u>	<u>21,509</u>
Net Assets:		
Invested in Capital Assets	1,218	2,718
Unrestricted	<u>270,897</u>	<u>228,740</u>
Total Net Assets	<u>\$ 272,115</u>	<u>\$ 231,458</u>

For more detailed information see page 11 for the Statement of Net Assets.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$36,640 in fiscal year 2006. This difference mostly represents the current year surplus which increased current assets (primarily cash and investments). Liabilities increased by \$13,576 (after the restatement to deferred revenue, as described in Note 8) in fiscal year 2006 due to an increase in non-current liabilities for fraud recovery. This account increased as a result of new technology employed by the Authority to capture unreported income in a more timely manner; as a result, they are able to identify and make claim to unreported income penalties due to the Authority.

Capital assets decreased during fiscal year 2006 from \$2,718 to \$1,218. The decrease is attributed to the current year depreciation of \$1,500. For more detail see "Capital Assets and Debt Administration" on page 9.

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets March 31, 2005 (as restated, see Note 8)	\$ 228,740
Results of Operations	\$ 40,657
Adjustments:	
Depreciation (1)	1,500
Adjusted Results from Operations	<u>42,157</u>
Unrestricted Net Assets March 31, 2006	<u>\$ 270,897</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

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**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	<u>2006</u>	<u>2005</u>
Revenues		
HUD PHA Operating Grants	\$ 1,371,452	\$ 1,334,142
Interest	3,013	1,664
Other Revenues	<u>5,430</u>	<u>1,460</u>
Total Revenue	<u>1,379,895</u>	<u>1,337,266</u>
Expenses		
Administrative Salaries and Benefits	141,895	130,040
Maintenance	2,748	2,007
General	7,833	6,689
Housing Assistance Payments	1,185,262	1,171,799
Depreciation	<u>1,500</u>	<u>1,890</u>
Total Expenses	<u>1,339,238</u>	<u>1,312,425</u>
Net Increase	\$ <u>40,657</u>	\$ <u>24,841</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

HUD PHA Operating Grants and Housing Assistance Payments increased slightly because of a higher leasing rate than last year.

The \$40,657 surplus is made up of a \$40,433 increase to Undesignated HAP funds and a \$224 surplus from administrative operations.

Administrative expenses increase was caused by an additional contract cost for inspections, a raise in wages given to all employees, and an increase in health insurance costs.

Most other expenses increased moderately due to inflation.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2006, the Authority had \$1,218 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>
Equipment – Administrative	\$ 21,478	\$ 21,478
Accumulated Depreciation	(20,260)	(18,760)
Total	\$ <u>1,218</u>	\$ <u>2,718</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

CHANGE IN CAPITAL ASSETS

	<u>Business Type Activities</u>
Beginning Balance	\$ 2,718
Depreciation	(1,500)
Ending Balance	\$ <u>1,218</u>

There were no major additions or disposals during fiscal year 2006.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(UNAUDITED)**

Debt Outstanding

As of March 31, 2006, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Crawford Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
STATEMENTS OF NET ASSETS
MARCH 31, 2006

Assets

Current Assets

Cash and Cash Equivalents	\$ 265,258
Accounts Receivable	137
Investment	20,000
Prepaid Items	<u>1,494</u>
 Total Current Assets	 <u>286,889</u>

Non-Current Assets

Accounts Receivable -Fraud Recovery	19,093
Capital Assets:	
Furniture and Equipment	21,478
Accumulated Depreciation	<u>(20,260)</u>
Total Capital Assets	<u>1,218</u>
 Total Non-Current Assets	 <u>20,311</u>

Total Assets

307,200

Liabilities

Current Liabilities

Accounts Payable	2,420
Accrued Wages and Payroll Taxes	907
Accrued Compensated Absences	<u>1,733</u>
 Total Current Liabilities	 <u>5,060</u>

Non-Current Liabilities

Accrued Compensated Absences	10,932
Other Non-Current Liabilities	<u>19,093</u>
 Total Non-Current Liabilities	 <u>30,025</u>

Total Liabilities

35,085

Net Assets

Invested in Capital Assets	1,218
Unrestricted	<u>270,897</u>

Total Net Assets

\$ 272,115

The notes to the basic financial statements are an integral part of the statements.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Operating Revenues		
HUD Grants		\$ 1,371,452
Other Revenues		<u>5,430</u>
Total Operating Revenue		<u>1,376,882</u>
Operating Expenses		
Housing Assistance Payments	\$ 1,185,262	
Administrative Salaries	54,789	
Employee Benefits	25,369	
Other Administrative Expense	61,737	
Material and Labor - Maintenance	2,748	
Depreciation	1,500	
General	<u>7,833</u>	
Total Operating Expenses		<u>1,339,238</u>
Operating Income		<u>37,644</u>
Nonoperating Revenues		
Interest		<u>3,013</u>
Change in Net Assets		40,657
Net Assets at April 1, 2005 (Restated, see Note 8)		<u>231,458</u>
Net Assets at March 31, 2006		<u><u>\$ 272,115</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR NEDED MARCH 31, 2006**

Cash flows from operating activities:

Cash received from HUD	\$ 1,371,452
Cash received from other sources	10,464
Cash payments to employees for services	(78,425)
Cash payments for good or services - HUD	(1,185,262)
Cash payments for goods or services	(76,695)
	<u>41,534</u>

Net cash provided by operating activities

41,534

Cash flows from investing activities:

Interest	3,013
	<u>3,013</u>

Net cash provided by investing activities

3,013

Net change in cash and cash equivalents

44,547

Cash and cash equivalents at April 1, 2005

220,711

Cash and cash equivalents at March 31, 2006

\$ 265,258

Cash flows from operating activities:

Operating income	\$ 37,644
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,500
Changes in assets and liabilities	
Increase in accounts receivable	(11,454)
Decrease in prepaid items	268
Increase in accounts payable	407
Increase in accrued wages and payroll taxes	1,784
Increase in other liabilities	11,385
	<u>41,534</u>

Net cash provided by operating activities

\$ 41,534

Noncash operating activities:

Net effect of the prior period adjustments to surplus grant revenue	\$ <u><u>94,231</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Crawford Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. 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 basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, 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.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 housing program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

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

Enterprise Fund – The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body 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.

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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the 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 assets life, are not capitalized. The following are the useful lives used for depreciation purposes:

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Computer hardware	3
Computer software	3

Cash and Cash Equivalents

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

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. 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 current liability.

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.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full. Receivables are presented as gross on the balance sheet.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in a non-interest bearing account. Security shall be furnished for all accounts in the Authority's name.

Cash and cash equivalents included in the Authority's cash position at March 31, 2006 are as follows:

Demand deposits:

Bank balance - Checking	\$ 269,784
Items-in-transit	<u>(4,551)</u>
Carrying balance	\$ <u>265,233</u>

Of the fiscal year-end cash balance, \$100,000 was covered by federal deposit insurance and the remaining balance of \$165,233 was covered by pledged securities held by a third-party trustee maintaining collateral for all public funds on deposit. In addition, \$25 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net assets.

At March 31, 2006, the Authority owned a certificate of deposit with a carrying value of \$20,000. This amount was fully insured by federal deposit insurance.

Based on the Authority having only demand deposits at March 31, 2006, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2006, the Authority contracted with Northland Insurance Company for public officials and employment practices liability; and United Ohio Insurance for general insurance, property, fire, electronic equipment, automobile insurance, and additional blanket liability insurance.

Public officials liability and employment practices liability insurance covered by Northland Insurance Company each carries a \$1,000 deductible. Insurance covered by United Ohio Insurance each carries a \$250 deductible.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)**

4. CAPITAL ASSETS

The following is a summary of capital assets at March 31, 2006:

	<u>Balance at April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at March 31, 2006</u>
Furniture and equipment	\$ 21,478	\$ -	\$ -	\$ 21,478
Accumulated depreciation	(18,760)	(1,500)	-	(20,260)
Total capital assets, net	\$ <u>2,718</u>	\$ (1,500)	\$ -	\$ <u>1,218</u>

5. DEFINED BENEFIT PENSION PLANS

All employees participate in the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

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 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to OPERS are equal to 100% of the dollar amount billed (13.55% of covered payroll). The Authority's required contributions to OPERS for the years ended March 31, 2004, 2005, and 2006 were \$7,009, \$7,206, and \$6,819, respectively, which are equal to the required contributions for each year.

6. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12 "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers"*.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

6. POSTEMPLOYMENT BENEFITS - CONTINUED

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004 (the latest information available), include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

7. RELATED PARTY TRANSACTIONS

The Authority has one resident board member who receives housing assistance payments. For fiscal year 2006, indirect housing assistance payments to a landlord on behalf of this member totaled \$3,393. These transactions were handled at arms-length. The board member went through the approval and recertification process in accordance with HUD guidelines.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006
(CONTINUED)

8. PRIOR PERIOD ADJUSTMENT

At year end March 31, 2005, the Department of Housing and Urban Development had not yet settled the method for accounting for unused advances in grants to the Authority. The Authority recorded the advance as deferred revenue in accordance with guidance previously prescribed by HUD. Per Public and Indian Housing Notice 2006-03, all accounts receivable due from HUD or accounts payable due HUD should be recorded to an Undesignated HAP fund account which is a component of Unrestricted Net Assets. The following illustrates this effect:

Net assets at April 1, 2005	\$137,227
Adjustments to Reclassify Grant Surplus Received	<u>94,231</u>
Net Assets at April 1, 2005, as restated	<u>\$231,458</u>

9. CHANGE IN ACCOUNTING PRINCIPLES

The Authority has implemented GSB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB has no impact on the Authority's financial position or results of operations.

10. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at March 31, 2006.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

CRAWFORD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
MARCH 31, 2006

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers
	Current Assets	
	Cash	
111	Cash - Unrestricted	\$ 265,258
100	Total Cash	<u>265,258</u>
	Accounts Receivable	
125	Miscellaneous	4
129	Accrued Interest Receivable	<u>133</u>
120	Total Accounts Receivable	<u>137</u>
	Investments and Other Assets	
131	Unrestricted Investments	20,000
142	Prepaid Items	<u>1,494</u>
	Total Investments and Other Prepaid Items	<u>21,494</u>
150	Total Current Assets	<u>286,889</u>
	Non-Current Assets	
128	Fraud Recovery	19,093
	Capital Assets:	
164	Furniture and Equipment - Administration	21,478
166	Accumulated Depreciation	<u>(20,260)</u>
160	Total Capital Assets, net of accumulated depreciation	<u>1,218</u>
180	Total Non-Current Assets	<u>20,311</u>
190	Total Assets	<u>307,200</u>
	Current Liabilities	
312	Accounts Payable	2,420
321	Accrued Wages and Payroll Taxes	907
322	Accrued Compensated Absences	<u>1,733</u>
310	Total Current Liabilities	<u>5,060</u>
	Non-Current Liabilities	
353	Non-Current Liabilities - Other	19,093
354	Accrued Compensated Absences - Non-Current	<u>10,932</u>
350	Total Non-Current Liabilities	<u>30,025</u>
300	Total Liabilities	<u>35,085</u>
	Net Assets	
508.1	Invested in Capital Assets	1,218
512.1	Unrestricted Net Assets	<u>270,897</u>
	Total Net Assets	<u>272,115</u>
600	Total Liabilities and Net Assets	<u>\$ 307,200</u>

CRAWFORD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers
	Revenue	
706	HUD Grants	\$ 1,371,452
711	Investment Income - Unrestricted	3,013
714	Fraud Recovery	5,230
715	Other	200
	Total Revenue	<u>1,379,895</u>
	Expenses	
911	Administrative Salaries	54,789
912	Auditing Fees	6,107
914	Compensated Absences	1,733
915	Employee Benefit Contribution - Administrative	23,636
916	Other Operating - Administrative	55,630
942	Ordinary Maintenance and Operation - Materials and Other	2,748
961	Insurance Premiums	7,833
	Total Operating Expenses	<u>152,476</u>
970	Excess Operating Revenue Over Operating Expenses	<u>1,227,419</u>
	Other Expenses	
973	Housing Assistance Payments	1,185,262
974	Depreciation Expense	1,500
	Total Other Expenses	<u>1,186,762</u>
900	Total Expenses	<u>1,339,238</u>
1000	Excess of Revenues over Expenses	40,657
1103	Net Assets at April 1, 2005	137,227
1104	Prior Period Adjustment	94,231
	Net Assets at March 31, 2006	<u>\$ 272,115</u>

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

<u>Federal Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,339,238
Total Federal Award Expenditures		<u>\$ 1,339,238</u>

Notes to the Federal Schedule

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



Report On Internal Control Over Financial Reporting and On Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Directors
Crawford Metropolitan Housing Authority
645 West Harding Way
Galion, Ohio 44833

We have audited the financial statements of the Crawford Metropolitan Housing Authority, Crawford County, Ohio (the Authority) as of and for the fiscal year ended March 31, 2006 and have issued our report thereon dated July 18, 2006. As disclosed within Note 9, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and restated net assets as disclosed in Note 8. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Board of Directors
Report On Internal Control Over Financial Reporting
and On Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page 2

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.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
July 18, 2006



Report on Compliance with Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Crawford Metropolitan Housing Authority
645 West Harding Way
Galion, Ohio 44833

Compliance

We have audited the compliance of Crawford Metropolitan Housing Authority, Crawford County, Ohio (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the fiscal year ended March 31, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended March 31, 2006.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Internal Control Over Compliance

The management of the 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 the 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the 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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
July 18, 2006

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
CRAWFORD COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Section 8 Housing Choice Vouchers/CFDA 14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CRAWFORD METROPOLITAN HOUSING AUTHORITY
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



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Betty Montgomery**

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CRAWFORD METROPOLITAN HOUSING AUTHORITY

CRAWFORD 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
NOVEMBER 9, 2006**