

Parma Public Housing Agency  
General Purpose Financial Statements  
For the Year Ended December 31, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of City Council

We have reviewed the Independent Auditor's Report of the Parma Public Housing Agency, City of Parma, Cuyahoga County, prepared by Salvatore Consiglio, CPA, Inc. 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 Parma Public Housing Agency, City of Parma 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

September 27, 2002

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# Parma Public Housing Agency

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## SALVATORE CONSIGLIO, CPA, INC.

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### Independent Auditors' Report

To The City Council  
City of Parma, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, 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 City of Parma, Ohio, and management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, are intended to present the financial position and result of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Parma, Ohio, that is attributable to the transactions of the Department.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Department of Parma Public Housing Agency, City of Parma, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 11, 2002, on my consideration of Parma Public Housing Agency, Ohio's internal control over financial reporting and my 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 result of our audit.

My 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 general purpose financial statements of the Parma Public Housing Agency, Ohio. 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 general purpose financial statements. The combining financial data ("FDS") schedule, and the PHA's Statement and Certification of Actual Modernization Cost are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic general purpose financial statements taken as a whole.



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Salvatore Consiglio  
Certified Public Accountant

September 11, 2002

Parma Public Housing Program  
 Combined Balance Sheet  
 Proprietary Fund Type  
 Enterprise Fund  
 December 31, 2001

**ASSETS**

|   |                               |
|---|-------------------------------|
| Cash and Cash Equivalents   | \$ 306,961                    |
| Accounts Receivable – HUD   | 69,460                        |
| Accounts Receivable Miscellaneous - Net of Allowance<br>For Doubtful Accounts | 7,583                         |
| Accounts Receivable Tenants - Net of Allowance for<br>Doubtful Accounts       | 2,340                         |
| Prepaid Expenses  | 2,878                         |
| Interprogram Due From   | 187,192                       |
| Fixed Assets - Net of Accumulated Depreciation                                | <u>2,281,263</u>              |
| <br>TOTAL ASSETS  | <br><u><u>\$2,857,677</u></u> |

**LIABILITIES AND FUND EQUITY**

|                                       |                                |
|---------------------------------------|--------------------------------|
| LIABILITIES:                          |                                |
| Accounts Payable                      | \$ 18,021                      |
| Accounts Payable – HUD                | 10,090                         |
| Accrued Compensated Absences          | 31,056                         |
| Tenant Security Deposits              | 10,637                         |
| Interprogram Due To                   | <u>187,192</u>                 |
| <br>TOTAL LIABILITIES                 | <br><u>256,996</u>             |
| FUND EQUITY:                          |                                |
| Total Contributed Capital             | 2,211,979                      |
| Retained Earnings - Unrestricted      | <u>388,702</u>                 |
| <br>TOTAL FUND EQUITY                 | <br><u>2,600,681</u>           |
| <br>TOTAL LIABILITIES AND FUND EQUITY | <br><u><u>\$ 2,857,677</u></u> |

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Parma Public Housing Agency  
 Combined Statement of Revenue, Expenses and Change in Fund Equity  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended December 31, 2001

| <b><u>REVENUES</u></b>  |                                  |
|---|----------------------------------|
| Net Tenant Rental Revenue   | \$ 124,106                       |
| Grant Revenue   | 2,472,412                        |
| Investment Income   | 8,089                            |
| Other Revenue   | <u>27,787</u>                    |
| <b>TOTAL REVENUES</b>   | <b><u>2,632,394</u></b>          |
| <b><u>EXPENSES</u></b>  |                                  |
| Administrative Expenses   | 342,250                          |
| Utilities Expenses  | 76,593                           |
| Ordinary Maintenance and Operation  | 165,006                          |
| Protective Services   | 21,489                           |
| General Expenses  | 21,020                           |
| Housing Assistance Expenses   | 1,907,723                        |
| Depreciation Expense  | <u>100,666</u>                   |
| <b>TOTAL EXPENSES</b>   | <b><u>2,634,747</u></b>          |
| <b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)<br/>TOTAL EXPENSES</b> | <b>(2,353)</b>                   |
| Beginning Fund Equity   | 2,596,787                        |
| Prior Period Adjustments  | <u>6,247</u>                     |
| <b>ENDING FUND EQUITY</b>   | <b><u><u>\$2,600,681</u></u></b> |

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Parma Public Housing Agency  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Enterprise Fund  
 For The Year Ended December 31, 2001

|   |                  |
|---|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                    |                  |
| Net Operating Income/(Loss)   | (\$ 2,353)       |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities |                  |
| - Depreciation  | 100,666          |
| - (Increases) Decreases in Accounts Receivable - HUD                            | (781)            |
| - (Increases) Decreases in Accounts Receivable                                  | 21,957           |
| - (Increases) Decreases in Prepaid Expenses                                     | 35               |
| - Increases (Decreases) Accounts Payable  | (32,512)         |
| - Increases (Decreases) Accounts Payable HUD                                    | (393,379)        |
| - Increases (Decreases) Accrues Compensated Absences                            | (5,324)          |
| - Increases (Decreases) Tenant Security Deposits                                | 2                |
| - Increases (Decreases) Deferred Grant Revenue                                  | 9,631            |
| - HUD adjustment for Administration Fee Earned in 12/31/00 (Note 8)             | (6,247)          |
|   | <hr/>            |
| Total Adjustments   | (305,952)        |
|   | <hr/>            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                | <b>(308,305)</b> |
|   | <hr/>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                    |                  |
| - Purchase of Fixed Assets  | (81,077)         |
| - Proceeds from Sale of Assets  | 150              |
| - Proceeds from Insurance for Casualty Loss                                     | 22,991           |
|   | <hr/>            |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                    | <b>(57,936)</b>  |
|   | <hr/>            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | <b>(366,241)</b> |
|   | <hr/>            |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                            | <b>673,202</b>   |
|   | <hr/>            |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                  | <b>\$306,961</b> |
|   | <hr/> <hr/>      |

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, have been prepared in conformity with generally accepted accounting principles (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 Department's accounting policies are described below.

**Reporting Entity**

The Department of Parma Public Housing Agency, City of Parma, Ohio, was created by the Codified Ordinances of the City of Parma, Chapter 2101, Ordinance 66-85 passed on March 20, 1985. The Department of Parma Public Housing Agency, City of Parma, Ohio, 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 Department of Parma Public Housing Agency, City of Parma, Ohio, depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements are intended to present the financial position and result of operations and cash flows of only that portion of the financial reporting entity of the City of Parma, Ohio, that is attributable to the transactions of the Department of the Public Housing Agency. Since the general purpose financial statements constitute less than a fund, there are no component units as defined in GASB 14 which are included in the Agency reporting entity.

**Fund Accounting**

The Department of Parma Public Housing Agency, City of Parma, Ohio, uses the proprietary fund to report on its financial position and the results of its operations for the Public 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.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Department of Parma Public Housing Agency, City of Parma, Ohio, uses the proprietary category for its Public Housing Agency Programs.

**Proprietary Fund Types**

Proprietary funds are used to account for the Parma Public Housing Agency, Ohio'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 enterprise 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.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued**

**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 Department of Parma Public Housing Agency, City of Parma, Ohio, 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.

**Investment**

Investment are restricted by the provision of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2000 totaled \$8,089.

**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.

**Cash and Cash Equivalent**

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

**Budgetary Accounting**

The Department 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 Department.

**Estimates**

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

**Compensated Absences**

The Department 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 Department for years of service are included in the calculation of the compensated absence accrual amount.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences** (Cont'd)

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.

**2. CASH AND INVESTMENTS**

HUD Handbook 7475.1 Chapter 4 Section 1 authorizes the PHA to make investments in:

Direct Obligations of the Federal Government;  
Obligations of Federal Government Agencies;  
Securities of Government-Sponsored Agencies; and  
Demand and Savings Deposits and Certificates of Deposits.

**Deposits:** The carrying amount of Parma Public Housing Agency, Ohio's totaled \$306,961. This balance includes \$300 of petty cash. The corresponding bank balances totaled \$316,960. Federal Depository insurance covered \$209,631 of the bank balance. The remaining balance of \$107,330 was covered by pooled securities pledged by the Depositories. Parma Public Housing Agency, Ohio, did not have any investments at December 31, 2001.

**3. CONTRACT SERVICES**

Parma Public Housing Agency, Ohio, contracts with the City of Parma to provide services for the housing Department. The Department does not have any employees; instead, services are subcontracted from the City of Parma.

**4. RISK MANAGEMENT**

The Department of Parma Public Housing Agency, City of Parma, Ohio, is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2001, the Parma Public Housing Agency, Ohio's contracted with The Ohio Plan Government Risk Management for liability coverage of \$3,000,000 in aggregate, automobile coverage of \$1,000,000, and property coverage of \$4,310,000.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**4. RISK MANAGEMENT (Continued)**

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.

**5. FIXED ASSETS**

The Following is a summary:

|                                  |                               |
|----------------------------------|-------------------------------|
| Land                             | \$13,000                      |
| Building                         | 3,205,233                     |
| Furniture, Equipment & Machinery | 95,573                        |
| Leasehold Improvements           | 156,516                       |
| Accumulated Depreciation         | <u>(1,189,059)</u>            |
| <br>NET FIXED ASSETS             | <br><u><u>\$2,281,263</u></u> |

The Following is a summary of changes:

| <u>ASSETS</u>                    | <u>Balance<br/>12/31/00</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>12/31/01</u> |
|----------------------------------|-----------------------------|------------------|------------------|-----------------------------|
| Land                             | \$ 13,000                   | \$ -0-           | \$ -0-           | \$13,000                    |
| Building                         | \$ 3,205,233                | \$ -0-           | \$ -0-           | \$3,205,233                 |
| Furniture, Equipment & Machinery | \$ 115,319                  | \$ 39,037        | \$ 58,783        | \$95,573                    |
| Leasehold Improvements           | \$ 114,476                  | \$ 42,040        | \$ -0-           | \$156,516                   |
| Accumulations<br>Depreciation    | (\$1,147,177)               | (\$ 100,666)     | \$ 58,784        | (\$1,189,059)               |

The depreciation expense for the year ended December 31, 2001 was \$ 100,666.

**6. DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All employees of the City of Parma participate in the Public Employees Retirement System of Ohio (PERS), the Public Housing Agency reimburses the City for the employer share of PERS earned. PERS is 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 obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**6. DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the Department was 6.54 percent of cover payroll, reduced from 9.35 percent. In 2001 the required rate is back to 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Department's required contributions to PERS for the years 2001, 2000 and 1999 were \$18,804, \$14,330, and \$20,233, respectively. The full amount has been contributed through the City of Parma.

**7. POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on the Department granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care for 2001. 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; 4.2 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 for inflation (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 increases. 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.

Parma Public Housing Agency  
Notes to the General Purpose Financial Statements  
December 31, 2001

**7. POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
(Continued)

The number of active contributing participants was 401,339. The Department's actual contributions for 2001, which were used to fund OPEB, were \$18,804. The actual contribution and the required contribution amounts are the same. PERS's net assets available for payments 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.

In 2001, 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. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$6,247 represents HUD adjustments made for 2000 administration fees earned.

Parma Public Housing Agency  
 Schedule of Federal Award Expenditures  
 For the Year Ended December 31, 2001

| <b>FEDERAL GRANTOR / PASS THROUGH<br/>GRANTOR PROGRAM TITLES</b>   | <b>CFDA<br/>NUMBER</b> | <b>EXPENDITURES</b> |
|--|------------------------|---------------------|
| U.S. Department of Housing and Urban Development<br>Direct Program |                        |                     |
| Annual Contribution Contract C-                                    |                        |                     |
| Housing Assistance Payment Program                                 |                        |                     |
| - Low Rent Public Housing  | 14.850a                | \$136,682           |
| - Comprehensive Improvement Assistance Program                     | 14.852                 | 53,332              |
| - Section 8 Rental Voucher Program                                 | 14.855                 | 2,168,436           |
| - Public Housing Capital Fund Program                              | 14.872                 | <u>113,962</u>      |
| Total Expenditure of Federal Award                                 |                        | <u>\$2,472,412</u>  |

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

To The City Council  
City of Parma, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, as of and for the year ended December 31, 2001, and have issued my report thereon dated September 11, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

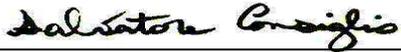
As part of obtaining reasonable assurance about whether the Department of Parma Public Housing Agency, City of Parma, Ohio's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Parma Public housing Agency, Ohio, in a separate letter dated September 11, 2002.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Department of Parma Public Housing Agency, City of Parma, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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 component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the general purpose financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



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Salvatore Consiglio  
Certified Public Accountant

September 11, 2002

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

To The City Council  
City of Parma, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

#### **Compliance**

I have audited the compliance of the Department of Parma Public Housing Agency, City of Parma, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2001. Parma Public Housing Agency, Ohio major federal programs are identified in the Summary of Auditor's result 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 the Department of Parma Public Housing Agency, City of Parma, Ohio's management. My responsibility is to express an opinion on the Department of Parma Public Housing Agency, City of Parma, Ohio's compliance based on my audit.

I conducted my 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 I 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 Department of Parma Public Housing Agency, City of Parma, Ohio's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Department of Parma Public Housing Agency, City of Parma, Ohio's compliance with those requirements.

In my opinion, the Department of Parma Public Housing Agency, City of Parma, Ohio, 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 the Department of Parma Public Housing Agency, City of Parma, Ohio, 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 my audit, I considered the Department of Parma Public Housing Agency, City of Parma, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the City Council, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



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Salvatore Consiglio  
Certified Public Accountant

September 11, 2002

Parma Public Housing Agency  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2001

|                                 |
|---------------------------------|
| 1. SUMMARY OF AUDITOR'S 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):   | CFDA #14.855 Section 8<br>Rental Voucher Program |
| Dollar Threshold: Type A/B Programs  | Type A: > \$300,000<br>Type B: All Others        |
| Low Risk Auditee?  | Yes  |

Parma Public Housing Agency  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2001

2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

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

3. FINDINGS REALTED TO FEDERAL AWARDS

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

Parma Public Housing Agency  
Schedule of Prior Audit Findings  
December 31, 2001

The audit report for the fiscal year ending December 31, 2000 contained not audit finding.

Parma Public Housing Agency  
PHA's Statement and Certification of Actual Modernization Cost  
December 31, 2001

Comprehensive Improvement Assistance Program Grant Number OH12P07390399

1. The Actual Modernization Costs are as follows:

|                                    |                              |
|------------------------------------|------------------------------|
| Operation                          | \$6,000                      |
| Management Improvement             | 20                           |
| Administration                     | 610                          |
| Site Improvement                   | 6,941                        |
| Dwelling Equipment                 | 53,400                       |
| Dwelling Equipment - Nonexpendable | 38,016                       |
| Nondwelling Structures             | 6,945                        |
| Nondwelling Equipment              | <u>5,725</u>                 |
| <br>TOTAL EXPENSES                 | <br><u><u>\$117,657</u></u>  |
| <br>TOTAL RECEIPTS                 | <br><u><u>\$ 117,657</u></u> |

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on October 29, 2001.
4. The final costs on the certification agree to the Department's records.

Parma Public Housing Agency  
 Combined Balance Sheet  
 FDS Schedule Submitted To REAC  
 Proprietary Fund Type  
 Enterprise Fund  
 December 31, 2001

| FDS Line<br>Item<br>No.        | Account Description  | Low Rent<br>Public<br>Housing<br>14.850 | Sect. 8<br>Rental<br>Voucher<br>Program<br>14.855 | Sect. 8<br>Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852 | Capital Fund | TOTAL     |
|--------------------------------|--|---|---|---|----------------|--------------|-----------|
| <b>ASSETS:</b>                 |  |   |   |   |                |              |           |
| CURRENT ASSETS:                |  |   |   |   |                |              |           |
| Cash:                          |  |   |   |   |                |              |           |
| 111                            | Cash - unrestricted  | \$110,459                               | \$166,173   | \$-   | \$-            | \$-          | \$276,632 |
| 113                            | Cash – other restricted                                      | 0                                       | 9,631   | -   | -              | -            | 9,631     |
| 114                            | Cash - tenant security deposits                              | 20,698                                  | -   | -   | -              | -            | 20,698    |
| 100                            | Total cash   | 131,157                                 | 175,804   | -   | -              | -            | 306,961   |
| Accounts and notes receivable: |  |   |   |   |                |              |           |
| 122                            | Accounts receivable – HUD other projects                     | 19,931                                  | -   | -   | -              | 49,529       | 69,460    |
| 125                            | Accounts receivable – miscellaneous                          | 7,583                                   | -   | -   | -              | -            | 7,583     |
| 126                            | Accounts receivable- tenants rents                           | 5,221                                   | -   | -   | -              | -            | 5,221     |
| 126.1                          | Allowance for doubtful accounts – rent                       | -4,005                                  | -   | -   | -              | -            | -4,005    |
| 128                            | Fraud recovery   | -                                       | 2,247   | -   | -              | -            | 2,247     |
| 128.1                          | Allowance for doubtful account – fraud                       | -                                       | -1,123  | -   | -              | -            | -1,123    |
| 120                            | Total receivable, net of allowances for<br>doubtful accounts | 28,730                                  | 1,124   | -   | -              | 49,529       | 79,383    |
| 142                            | Prepaid expenses and other asses                             | 2,878                                   | -   | -   | -              | -            | 2,878     |
| 144                            | Interprogram - due from                                      | 102,886                                 | 84,306  | -   | -              | -            | 187,192   |
| 150                            | TOTAL CURRENT ASSETS   | 265,651                                 | 261,234   | -   | -              | 49,529       | 576,414   |

Parma Public Housing Agency  
 Combined Balance Sheet  
 FDS Schedule Submitted To REAC  
 Proprietary Fund Type  
 Enterprise Fund  
 December 31, 2001

| FDS Line<br>Item<br>No. | Account Description                                    | Low Rent<br>Public<br>Housing<br>14.850 | Sect. 8<br>Rental<br>Voucher<br>Program<br>14.855 | Sect. 8<br>Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852         | Capital Fund           | TOTAL                     |
|-------------------------|--|---|---|---|------------------------|------------------------|---------------------------|
| NONCURRENT ASSETS:      |  |   |   |   |                        |                        |                           |
| Fixed assets:           |  |   |   |   |                        |                        |                           |
| 161                     | Land   | 13,000                                  | -   | -   | -                      | -                      | 13,000                    |
| 162                     | Buildings  | 3,205,233                               | -   | -   | -                      | -                      | 3,205,233                 |
| 163                     | Furniture, equipment & machinery –<br>dwellings        | -                                       | -   | -   | 38,016                 | -                      | 38,016                    |
| 164                     | Furniture, equipment & machinery –<br>administration   | 22,690                                  | 23,142  | -   | 11,725                 | -                      | 57,557                    |
| 165                     | Leasehold improvements                                 | 114,475                                 | -   | -   | 12,041                 | 30,000                 | 156,516                   |
| 166                     | Accumulated depreciation                               | -1,168,892                              | -11,005   | -   | -8,162                 | -1,000                 | -1,189,059                |
| 160                     | Total fixed assets, net of accumulated<br>depreciation | <u>2,186,506</u>                        | <u>12,137</u>                                     | <u>-</u>  | <u>53,620</u>          | <u>29,000</u>          | <u>2,281,263</u>          |
| 180                     | TOTAL NONCURRENT ASSETS                                | <u>2,186,506</u>                        | <u>12,137</u>                                     | <u>-</u>  | <u>53,620</u>          | <u>29,000</u>          | <u>2,281,263</u>          |
| 190                     | <b>TOTAL ASSETS</b>                                    | <u><u>\$2,452,157</u></u>               | <u><u>\$273,371</u></u>                           | <u><u>\$-</u></u>                                     | <u><u>\$53,620</u></u> | <u><u>\$78,529</u></u> | <u><u>\$2,857,677</u></u> |

**Parma Public Housing Agency**  
 Combine Balance Sheet  
 FDS Schedule Submitted to REAC  
 Proprietary Fund Type  
 Enterprise Fund  
 December 31, 2001

| FDS Line<br>Item<br>No.        | Account Description                          | Low Rent<br>Public<br>Housing<br>14.850 | Sect. 8<br>Rental<br>Voucher<br>Program<br>14.855 | Sect. 8<br>Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852 | Capital Fund  | TOTAL          |
|--------------------------------|--|---|---|---|----------------|---------------|----------------|
| <b>LIABILITIES AND EQUITY:</b> |  |   |   |   |                |               |                |
| <b>LIABILITES</b>              |  |   |   |   |                |               |                |
| <b>CURRENT LIABILITES</b>      |  |   |   |   |                |               |                |
| 312                            | Accounts payable < 90 days                   | \$3,250                                 | \$5,140   | \$-   | \$-            | \$-           | \$8,390        |
| 322                            | Accrued compensated absences - current       | 5,453                                   | 5,362   | -   | -              | -             | 10,815         |
| 331                            | Accounts Payable – HUD PHA Programs          | -                                       | 10,090  | -   | -              | -             | 10,090         |
| 341                            | Tenant security deposits                     | 10,637                                  | -   | -   | -              | -             | 10,637         |
| 345                            | Other current liabilities                    | -                                       | 9,631   | -   | -              | -             | 9,631          |
| 347                            | Interprogram - due to                        | 84,306                                  | 53,357  | -   | -              | 49,529        | 187,192        |
| 310                            | <b>TOTAL CURRENT LIABILITIES</b>             | <b>103,646</b>                          | <b>83,580</b>                                     | <b>-</b>  | <b>-</b>       | <b>49,529</b> | <b>236,755</b> |
| 354                            | Accrued compensated absences –<br>noncurrent | 13,062                                  | 7,179   | -   | -              | -             | 20,241         |
| 350                            | <b>TOTAL NONCURRENT LIABILITES</b>           | <b>13,062</b>                           | <b>7,179</b>                                      | <b>-</b>  | <b>-</b>       | <b>-</b>      | <b>20,241</b>  |
| 300                            | <b>TOTAL LIABILITIES</b>                     | <b>116,708</b>                          | <b>90,759</b>                                     | <b>-</b>  | <b>-</b>       | <b>49,529</b> | <b>256,996</b> |

Parma Public Housing Agency  
 Combine Balance Sheet  
 FDS Schedule Submitted to REAC  
 Proprietary Fund Type  
 Enterprise Fund  
 Year Ended December 31, 2001

| FDS Line<br>Item<br>No. | Account Description                         | Low Rent<br>Public<br>Housing<br>14.850 | Sect. 8<br>Rental<br>Voucher<br>Program<br>14.855 | Sect. 8<br>Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852 | Capital Fund | TOTAL       |
|-------------------------|---|---|---|---|----------------|--------------|-------------|
| <b>EQUITY:</b>          |   |   |   |   |                |              |             |
| Contributed Capital:    |   |   |   |   |                |              |             |
| 504                     | Net HUD PHA contributions                   | 2,205,299                               | -   | -   | 6,680          | -            | 2,211,979   |
| 508                     | Total contributed capital                   | 2,205,299                               | -   | -   | 6,680          | -            | 2,211,979   |
| 512                     | Undesignated fund balance/retained earnings | 130,150                                 | 182,612   | -   | 46,940         | 29,000       | 388,702     |
| 513                     | <b>TOTAL EQUITY</b>                         | 2,335,449                               | 182,612   | -   | 53,620         | 29,000       | 2,600,681   |
| 600                     | <b>TOTAL LIABILITIES AND EQUITY</b>         | \$2,452,157                             | \$273,371   | \$-   | \$53,620       | \$78,529     | \$2,857,677 |

Parma Public Housing Agency  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2001

| FDS Line<br>Item<br>No. | Account Description                               | Low Rent<br>Public<br>Housing<br>14.850 | Sect. 8<br>Rental<br>Voucher<br>Program<br>14.855 | Sect. 8<br>Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852 | Capital Fund   | TOTAL            |
|-------------------------|---|---|---|---|----------------|----------------|------------------|
| <b>REVENUE:</b>         |   |   |   |   |                |                |                  |
| 703                     | Net tenant rental revenue                         | \$124,106                               | \$0   | \$0   | \$0            | \$0            | \$124,106        |
| 706                     | HUD PHA operating grants                          | 136,682                                 | 2,168,436   | 0   | 3,275          | 83,962         | 2,392,355        |
| 706.1                   | Capital grant                                     | 0                                       | 0   | 0   | 50,057         | 30,000         | 80,057           |
| 711                     | Investment income – unrestricted                  | 2,154                                   | 5,935   | 0   | 0              | 0              | 8,089            |
| 714                     | Fraud recovery                                    | 0                                       | 1,303   | 0   | 0              | 0              | 1,303            |
| 715                     | Other revenue                                     | 2,863                                   | 0   | 0   | 0              | 0              | 2,863            |
| 716                     | Gain/Loss on Sale of Assets                       | 630                                     | 0   | 0   | 0              | 0              | 630              |
| <b>700</b>              | <b>TOTAL REVENUE</b>                              | <b>266,435</b>                          | <b>2,175,674</b>                                  | <b>0</b>  | <b>53,332</b>  | <b>113,962</b> | <b>2,609,403</b> |
| <b>EXPENSES:</b>        |   |   |   |   |                |                |                  |
| Administrative:         |   |   |   |   |                |                |                  |
| 911                     | Administrative salaries                           | 66,474                                  | 72,301  | 0   | 0              | 0              | 138,775          |
| 912                     | Auditing fees                                     | 4,800                                   | 2,200   | 0   | 0              | 0              | 7,000            |
| 914                     | Compensated absences                              | 10,754                                  | 8,895   | 0   | 0              | 0              | 19,649           |
| 915                     | Employee benefit contributions-<br>administrative | 25,092                                  | 21,574  | 0   | 0              | 0              | 46,666           |
| 916                     | Other operating- administrative                   | 11,801                                  | 116,605   | 0   | 610            | 1,144          | 130,160          |
| Utilities:              |   |   |   |   |                |                |                  |
| 931                     | Water   | 32,931                                  | 0   | 0   | 0              | 0              | 32,931           |
| 932                     | Electricity                                       | 6,982                                   | 0   | 0   | 0              | 0              | 6,982            |

Parma Public Housing Agency  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2001

| FDS Line |   | Low Rent<br>Public<br>Housing | Sect. 8<br>Rental<br>Voucher<br>Program | Sect. 8<br>Rental<br>Certificate<br>Program | CIAP          | Capital<br>Fund | TOTAL            |
|----------|---|-------------------------------|---|---|---------------|-----------------|------------------|
| Item No. | Account Description   | 14.850                        | 14.855                                  | 14.857                                      | 14.852        |                 |                  |
| 933      | Gas   | 36,680                        | 0                                       | 0   | 0             | 0               | 36,680           |
|          | Ordinary maintenance & operation:                           |                               |   |   |               |                 |                  |
| 942      | Ordinary maintenance and operations -<br>materials & other  | 7,870                         | 0                                       | 0   | 0             | 0               | 7,870            |
| 943      | Ordinary maintenance and operations –<br>contract costs     | 92,842                        | 0                                       | 0   | 2,665         | 61,629          | 157,136          |
| 952      | Protective Services – other contract<br>costs               | 300                           | 0                                       | 0   | 0             | 21,189          | 21,489           |
| 961      | Insurance premiums  | 13,511                        | 0                                       | 0   | 0             | 0               | 13,511           |
| 964      | Bad debt - tenant rents                                     | 5,228                         | 0                                       | 0   | 0             | 0               | 5,228            |
| 966      | Bad debt – other  | 2,281                         | 0                                       | 0   | 0             | 0               | 2,281            |
| 969      | <b>TOTAL OPERATING EXPENSES</b>                             | <b>317,546</b>                | <b>221,575</b>                          | <b>0</b>                                    | <b>3,275</b>  | <b>83,962</b>   | <b>626,358</b>   |
| 970      | <b>EXCESS OPERATING REVENUE<br/>OVER OPERATING EXPENSES</b> | <b>-51,111</b>                | <b>1,954,099</b>                        | <b>0</b>                                    | <b>50,057</b> | <b>30,000</b>   | <b>1,983,045</b> |
| 972      | Casualty losses – noncapitalized                            | -22,991                       | 0                                       | 0   | 0             | 0               | -22,991          |
| 973      | Housing assistance payments                                 | 0                             | 1,907,723                               | 0   | 0             | 0               | 1,907,723        |
| 974      | Depreciation expense  | 89,713                        | 4,018                                   | 0   | 5,935         | 1,000           | 100,666          |
| 900      | <b>TOTAL EXPENSES</b>                                       | <b>384,268</b>                | <b>2,133,316</b>                        | <b>0</b>                                    | <b>9,210</b>  | <b>84,962</b>   | <b>2,611,756</b> |

Parma Public Housing Agency  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2001

| FDS Line |   | Low Rent                    | Sect. 8                                | Sect. 8                                    |                 |                 |                    |
|----------|---|-----------------------------|--|--|-----------------|-----------------|--------------------|
| Item No. | Account Description   | Public<br>Housing<br>14.850 | Rental<br>Voucher<br>Program<br>14.855 | Rental<br>Certificate<br>Program<br>14.857 | CIAP<br>14.852  | Capital Fund    | TOTAL              |
| 1000     | <b>EXCESS (DEFICIENCY) OF<br/>TOTAL REVENUE OVER (UNDER)<br/>TOTAL EXPENSES</b> | -117,833                    | 42,358                                 | 0  | 44,122          | 29,000          | (2,353)            |
| 1103     | Beginning equity  | 2,453,282                   | 268,278                                | -134,271                                   | 9,498           | 0               | 2,596,787          |
| 1104     | Prior period adjustments and equity<br>transfers                                | 0                           | -128,024                               | 134,271                                    | 0               | 0               | 6,247              |
|          | <b>ENDING RETAINED EARNINGS</b>   | <u>\$2,335,449</u>          | <u>\$182,612</u>                       | <u>\$0</u>                                 | <u>\$53,620</u> | <u>\$29,000</u> | <u>\$2,600,681</u> |
|          | <b>MEMO ACCOUNT<br/>INFORMATION:</b>  |                             |  |  |                 |                 |                    |
| 1112     | Depreciation "add back"   | \$87,761                    | \$0                                    | \$0  | \$2,818         | \$0             | \$90,579           |
| 1113     | Maximum annual contributions<br>commitment (per ACC)                            | 0                           | 2,212,045                              | 0  | 0               | 0               | 2,212,045          |
| 1114     | Prorata maximum annual contributions<br>applicable to a period less 12 months   | 0                           | 0                                      | 0  | 0               | 0               | 0                  |
| 1115     | Contingency reserve, ACC program  | 0                           | 522,414                                | 0  | 0               | 0               | 522,414            |
| 1116     | Total annual contributions available  | <u>0</u>                    | <u>2,734,459</u>                       | <u>0</u>                                   | <u>0</u>        | <u>0</u>        | <u>2,734,459</u>   |
| 1120     | Unit months available   | 708                         | 6,024                                  | 0  | 0               | 0               | 6,732              |
| 1121     | Number of unit months leased  | 668                         | 5,303                                  | 0  | 0               | 0               | 5,971              |





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140  
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Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**PARMA PUBLIC HOUSING AGENCY**

**CUYAHOGA 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  
OCTOBER 10, 2002**