

Parma Public Housing Agency  
Financial Statements  
For the Year Ended December 31, 2004





**Auditor of State  
Betty Montgomery**

City Council, City of Parma  
Parma Public Housing Authority  
5983 W. 54th Street, Room 124  
Parma, Ohio 44159

We have reviewed the *Independent Auditor's Report* of the Parma Public Housing Authority, Cuyahoga County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 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

August 30, 2005

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# Parma Public Housing Agency

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6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-  
9237  
[sconsilgio@aol.com](mailto:sconsilgio@aol.com)

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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 Financial Statements of the Department of Parma Public Housing, City of Parma, Ohio, as of and for the year ended December 31, 2004 as listed in the table of contents. These Financial Statements are the responsibility of the City of Parma, Ohio, and management. My responsibility is to express an opinion on these 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 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 Financial Statements of the Department of Parma Public Housing, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Department of Parma Public Housing, City of Parma, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 31, 2005, on my consideration of Department of Parma Public Housing, City of Parma, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the Financial Statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the Financial Statements of the Department of Parma Public Housing, City of Parma, 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 Financial Statements. The combining financial data ("FDS") schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic Financial Statements and, in my opinion, is fairly presented in all material respect in relation to the basic Financial Statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

March 31, 2005

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2004**

**Unaudited**

The Parma Public Housing Agency ("the Agency") 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 13).

**FINANCIAL HIGHLIGHTS**

- The Agency's net assets decreased by \$38 thousand (or 2.0 %) during 2004, including Results from Operations of \$46 thousand loss, plus Prior Year Adjustments of \$8 thousand. Since the Agency engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$2431 thousand and \$2393 thousand for 2003 and 2004 respectively.
  
- Revenues increased by \$627 thousand (or 16.0%) during 2004, and were \$4083 thousand and \$4710 thousand for 2003 and 2004 respectively. The Agency also recovered \$130,869 from a former embezzlement which is recorded under Special Items.
  
- The total expenses of all Agency programs increased by \$626 thousand (or 15.0%). Total expenses were \$4,261 thousand and \$4,887 Thousand for 2003 and 2004 respectively.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**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 ~

**Basic Financial Statements**

~ Authority-wide Financial Statements – pgs 13-15 ~

**Other Required Supplementary Information**

~ Required Supplementary Information - pg 22-26~  
(other than the MD&A)

The primary focus of the Agency’s financial statements is on both the Agency as a whole (Agency-wide) and the major individual funds. Both perspectives (agency-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Agency to Agency) and enhance the Agency’s accountability.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**Agency-Wide Financial Statements**

The Agency-wide financial statements (see pgs 13-15) 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 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, Net of Related Debt: 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.

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

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

The Agency-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 rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

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, a 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.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**Fund Financial Statements**

The Agency consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**The Agency's Programs**

**Business Type Funds**

**Conventional Public Housing** – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**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 and 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 household income.

**Other Non-major Funds** – The agency had no other Non-major Funds during 2004.

**AGENCY-WIDE STATEMENTS**

**Statement of Net Assets**

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2004**

**Unaudited**

**TABLE 1**

**STATEMENT OF NET ASSETS**

|  | <b>2004</b><br><b>(in thousands</b><br><b>of dollars)</b> | <b>Restated</b><br><b>2003</b><br><b>(in thousands</b><br><b>of dollars)</b> |
|--|---|--|
| Current and Other Assets                           | \$ 357  | \$ 521   |
| Capital Assets                                     | 2165  | 2160   |
| Total Assets                                       | \$2,522   | \$2,651  |
| Current Liabilities                                | \$116   | \$233  |
| Long-Term Liabilities                              | 13  | 18   |
| Total Liabilities                                  | \$129   | \$251  |
| Net Assets:  |   |  |
| Invested in Capital Assets,<br>Net of Related Debt | \$2,165   | \$2,160  |
| Restricted   | 23  | - 0 -  |
| Unrestricted                                       | 205   | 270  |
| Total Net Assets                                   | \$2,393   | \$2,430  |

Note: The 2003 current assets and current liabilities were restated to eliminate the interprogram due to/from to be consistent with 2004 reporting.

**Major Factors Affecting the Statement of Net Assets**

During 2004, current and other assets were decreased by \$164 thousand, and current liabilities were decreased by \$117 thousand. The current and other assets, primarily cash and investments, decreased because of change in receivables from HUD. Current liabilities decreased because of change in payables to other governments.

Capital assets did not change significantly, increasing from \$2,160 thousand to \$2,165 thousand. The \$5 thousand increase may be attributed primarily to increase in Leasehold Improvements (\$105 thousand) less current year depreciation and amortization (\$115 thousand) plus small purchases in equipment (\$17) less disposal of assets (\$13). For more detail see "Capital Assets and Debt Administration" below.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**TABLE 2**

**CHANGE OF UNRESTRICTED NET ASSETS**

Table 2 presents details on the change in Unrestricted Net Assets

|                                   | <b>Thousands of<br/>Dollars</b> |
|-----------------------------------|---------------------------------|
| Unrestricted Net Assets 12/31/03  | \$270                           |
| Results of Operations             | ( 46)                           |
| Adjustments:                      |                                 |
| Depreciation (1)                  | 115                             |
| Gain from sale of assets          | 3                               |
| Capital Expenditures (2)          | (122)                           |
| Transfer to Restricted Net Assets | (23)                            |
| Prior Year Adjustments            | 8                               |
|                                   | 8                               |
| Unrestricted Net Assets 12/31/04  | \$205                           |

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

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

(3) Twenty three thousand of Results Restricted Net Assets is restricted for Capital Expenditures and is a result of monies recovered from a prior embezzlement.

While the results of operations are 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.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**TABLE 3**

**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.

|                                  | <b>2004<br/>(thousands of<br/>dollars)</b> | <b>2003<br/>(thousands of<br/>dollars)</b> |
|----------------------------------|--|--|
| <b>Revenues</b>                  |  |  |
| Tenant Revenue – Rents and Other | \$ 100                                     | \$109                                      |
| Operating Subsidies and Grants   | 4,595                                      | 3,960                                      |
| Capital Grants                   | 0  | 0  |
| Investment Income                | 3  | 5  |
| Other Revenues                   | 12   | 9  |
| Special Items                    | 131  | 0  |
| <br>                             |  |  |
| Total Revenue                    | 4,841                                      | 4,083                                      |
| <br><b>Expenses</b>              |  |  |
| Administrative                   | 601  | 570  |
| Tenant Services                  | 0  | 0  |
| Utilities                        | 81   | 70   |
| Maintenance                      | 63   | 139  |
| Protective Services              | 1  | 2  |
| General                          | 27   | 39   |
| Housing Assistance Payments      | 3,999                                      | 3,329                                      |
| Depreciation                     | 115  | 112  |
| Total Expenses                   | 4,887                                      | 4,261                                      |
| <br>                             |  |  |
| Net Increase                     | \$ (46)                                    | \$ (178)                                   |

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

Tenant revenue was down during 2004 in comparison to 2003. The decrease was due primarily to decreases in tenant income. Operating Subsidies and Grants increased. The increase was due primarily to an increase in Section 8 Vouchers. Additionally, \$131 thousand was recovered from a previous embezzlement. Per HUD's instructions, \$108 thousand was spent as Capital Funds and \$23 thousand restricted for future capital expenditures.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

Most expenses increased moderately due to inflation, except for Maintenance and Outside Management Fees. Maintenance costs decreased due to Capital expenditures and Outside Management Fees decreased due to training of agency personnel. Housing Assistance Payments increased due to additional rent up of 202 units of opt out received in 2003. In addition, the Agency rented units to more low income households, which increased Housing Assistance Payments as well as the associated HUD revenue. Utility cost increased due to increased rates charged by local utility companies. Compensated Absences expenses are higher because of a reduction taken in 2003.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year end, the Agency had \$2165 thousand invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$5 thousand or 1% from the end of last year.

**TABLE 4**

**CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

|                                | <b>Business-type<br/>Activities</b>        |  |
|--------------------------------|--|--|
|                                | <b>2004<br/>(thousands of<br/>dollars)</b> | <b>2003<br/>(thousands of<br/>dollars)</b> |
| Land and land rights           | \$ 13                                      | \$ 13                                      |
| Buildings & Leasehold Improvmt | 3,535                                      | 3,431                                      |
| Equipment – Administrative     | 89   | 84   |
| Equipment – Dwelling           | 38   | 38   |
| Accumulated Depreciation       | (1,510)                                    | (1,406)                                    |
| Total                          | \$2165                                     | \$2160                                     |

The following reconciliation summarizes the change in Capital Assets.

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**TABLE 5**

**CHANGE IN CAPITAL ASSETS  
(IN THOUSANDS)**

|                               | <b>Business Type<br/>Activities</b> |
|-------------------------------|-------------------------------------|
| Beginning Balance             | \$2,160                             |
| Additions, Net of Retirements | 120                                 |
| Depreciation and Amortization | (115)                               |
| Ending Balance                | \$2,165                             |

Major capital expenditures during 2004 were \$105,000 for complete roof replacement and a small amount of equipment purchases less disposal of an automobile.

**Debt Outstanding**

As of year-end, the Agency had no debt (bonds, Notes, etc.) outstanding.

**TABLE 6**

**OUTSTANDING DEBT, AT YEAR-END  
(IN THOUSANDS)**

|                      | Totals |      |
|----------------------|--------|------|
|                      | 2004   | 2003 |
| <u>Business Type</u> |        |      |
| Energy Program       | \$ 0   | \$ 0 |
| Capital Improvements | 0      | 0    |
| Total                | \$ 0   | \$ 0 |

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2004**

**Unaudited**

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Lev Kulchytsky, Executive Director of the Parma Public Housing Agency, at (440) 885-8157. Specific requests may be submitted to the Parma Public Housing Agency, 5983 W. 54<sup>th</sup> St., Parma, OH 44129.

**PARMA PUBLIC HOUSING AGENCY**  
**Statement of Net Assets**  
**Proprietary Fund Type**  
**December 31, 2004**

**ASSETS**

**Current assets**

|                             |                |
|-----------------------------|----------------|
| Cash and cash equivalents   | \$327,569      |
| Receivables, net            | 29,038         |
| <b>Total current assets</b> | <b>356,607</b> |

**Noncurrent assets**

|                               |                    |
|-------------------------------|--------------------|
| Capital assets:               |                    |
| Land                          | 13,000             |
| Building and equipment        | 3,662,847          |
| Less accumulated depreciation | (1,510,758)        |
| Capital assets, net           | 2,165,089          |
| <b>Total assets</b>           | <b>\$2,521,696</b> |

**LIABILITIES**

**Current liabilities**

|                                  |                |
|----------------------------------|----------------|
| Accounts payable                 | \$15,470       |
| Accrued liabilities              | 30,285         |
| Intergovernmental payables       | 17,064         |
| Tenant security deposits         | 11,537         |
| Other current liabilities        | 41,617         |
| <b>Total current liabilities</b> | <b>115,973</b> |

**Noncurrent liabilities**

|  |                  |
|--|------------------|
| Accrued compensated absences non-current | 12,630           |
| <b>Total noncurrent liabilities</b>      | 12,630           |
| <b>Total liabilities</b>                 | <b>\$128,603</b> |

**NET ASSETS**

|   |                    |
|---|--------------------|
| Invested in capital assets, net of related debt | \$2,165,089        |
| Restricted net assets                           | 22,772             |
| Unrestricted net assets                         | 205,232            |
| <b>Total net assets</b>                         | <b>\$2,393,093</b> |

The accompanying notes to the Financial Statements are an integral part of these statements.

**PARMA PUBLIC HOUSING AGENCY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund Type**  
**For the Year Ended December 31, 2004**

**OPERATING REVENUES**

|                                 |                         |
|---------------------------------|-------------------------|
| Tenant Revenue                  | \$100,078               |
| Government operating grants     | 4,594,591               |
| Other revenue                   | 9,079                   |
| <b>Total operating revenues</b> | <b><u>4,703,748</u></b> |

**OPERATING EXPENSES**

|                                 |                         |
|---------------------------------|-------------------------|
| Administrative                  | 601,442                 |
| Tenant services                 | 100                     |
| Utilities                       | 80,328                  |
| Maintenance                     | 63,243                  |
| Protective services             | 1,020                   |
| General                         | 26,801                  |
| Housing assistance payment      | 3,999,042               |
| Depreciation                    | 114,842                 |
| <b>Total operating expenses</b> | <b><u>4,886,818</u></b> |
| <b>Operating income (loss)</b>  | <b><u>(183,070)</u></b> |

**NONOPERATING REVENUES (EXPENSES)**

|  |                                  |
|--|----------------------------------|
| Interest and investment revenue                  | 2,907                            |
| Miscellaneous revenue                            | 3,257                            |
| <b>Total nonoperating revenues (expenses)</b>    | <b><u>6,164</u></b>              |
| Income (loss) before contributions and transfers | (176,906)                        |
| <br>   |                                  |
| Special items (gain/loss)                        | <u>130,869</u>                   |
| Change in net assets                             | (46,037)                         |
| Total net assets - beginning                     | 2,430,636                        |
| Prior period adjustment                          | 8,494                            |
| <b>Total net assets - ending</b>                 | <b><u><u>\$2,393,093</u></u></b> |

The accompanying notes to the Financial Statements are an integral part of these statements.

**PARMA PUBLIC HOUSING AGENCY**  
**Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the Year Ended September 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |             |
|--|-------------|
| Operating grants received                        | \$4,741,255 |
| Tenant revenue received                          | 96,093      |
| Other revenue received                           | 17,229      |
| Interest earned                                  | 2,907       |
| Funds recovered from fraud investigation         | 130,869     |
| General and administrative expenses paid         | (890,524)   |
| Housing assistance payments                      | (3,999,042) |
| Net cash provided (used) by operating activities | 98,787      |

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

|  |           |
|--|-----------|
| Proceeds from sale of capital asset                        | 5,872     |
| Property and equipment purchased                           | (122,409) |
| Net cash provided (used) by capital and related activities | (116,537) |

|   |          |
|---|----------|
| Net increase (decrease) in cash               | (17,750) |
| Cash and cash equivalents - Beginning of year | 345,319  |

|   |           |
|---|-----------|
| Cash and cash equivalents - End of year | \$327,569 |
|---|-----------|

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

|   |            |
|---|------------|
| Net Operating Income (Loss)   | (\$46,037) |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities |            |
| - Depreciation  | 114,842    |
| - Gain from sale of capital asset   | (3,257)    |
| - (Increases) Decreases in Accounts Receivable                                  | 155,817    |
| - Increases (Decreases) in Accounts Payable                                     | 7,462      |
| - Increases (Decreases) in Accounts Payable - Intergovernmental                 | (147,388)  |
| - Increases (Decreases) in Accrued Expenses Payable                             | 12,071     |
| - Increases (Decreases) in Other Liabilities                                    | 4,389      |
| - Increases (Decreases) in Tenant Security Deposits                             | 888        |
| Net cash provided by operating activities                                       | \$98,787   |

The accompanying notes to the Financial Statements are an integral part of these statements.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The Financial Statements of the Department of Parma Public Housing, 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, 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, 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, City of Parma, Ohio, depends on the subsidies from HUD to operate.

The accompanying 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 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, 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, 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 Department of Parma Public Housing, City of Parma, 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

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

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

been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Department of Parma Public Housing, 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**

Investments are restricted by the provision of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2004 totaled \$2,907.

**Capital Assets**

Capital 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 maturities of three months or less.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**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.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

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

**Estimates**

The preparation of 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.

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 Department of Parma Public Housing, City of Parma, Ohio's totaled \$327,569. This balance includes \$400 of petty cash. The corresponding bank balances totaled \$369,058. Federal Depository insurance covered \$235,623 of the bank balance. The remaining balance of \$133,435 was covered by securities pledged by the Depositories. Department of Parma Public Housing, City of Parma, Ohio, did not have any investments at December 31, 2004.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

**3. MANAGEMENT STAFF**

The management staffs operating the Department of Parma Public Housing are employees of the City of Parma. The Department does not have any employees; the City invoices the Agency for staff payroll and benefits.

**4. RISK MANAGMENT**

The Department of Parma Public Housing, 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 2004, the Department of Parma Public Housing, City of Parma, Ohio's contracted with the Housing Authority Risk Retention Group, Inc. for liability coverage of \$2,000,000 in aggregate, and \$1,000,000 for each occurrence.

Settled claims have not exceeded this coverage in any of the last three years.

**5. CAPITAL ASSETS**

The Following is a summary:

|                                  |                           |
|----------------------------------|---------------------------|
| Land                             | \$13,000                  |
| Building                         | 3,205,233                 |
| Furniture, Equipment & Machinery | 127,337                   |
| Leasehold Improvements           | 330,277                   |
| Accumulated Depreciation         | <u>(1,510,758)</u>        |
| <b>NET CAPITAL ASSETS</b>        | <u><b>\$2,165,089</b></u> |

The Following is a summary of changes:

| <u>ASSETS</u>                       | <u>Balance<br/>12/31/03</u> | <u>Additions</u>        | <u>Deletions</u>       | <u>Balance<br/>12/31/04</u> |
|-------------------------------------|-----------------------------|-------------------------|------------------------|-----------------------------|
| Land                                | \$13,000                    | \$0                     | \$0                    | \$13,000                    |
| Building                            | 3,205,233                   | 0                       | 0                      | 3,205,233                   |
| Furniture, Equipment &<br>Machinery | 122,797                     | 17,611                  | 13,071                 | 127,337                     |
| Leasehold Improvements              | <u>225,479</u>              | <u>104,798</u>          | <u>0</u>               | <u>330,277</u>              |
| <b>Total</b>                        | <u><b>\$3,566,509</b></u>   | <u><b>\$122,409</b></u> | <u><b>\$13,071</b></u> | <u><b>\$3,675,847</b></u>   |

The depreciation expense for the year ended December 31, 2004 was \$114,842.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

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

All City employees participate in the Public Employees Retirement System of Ohio (OPERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. OPERS provide basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. OPERS issue 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.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Agency's required reimbursement to City of Parma for contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$31,982, \$29,128, and \$27,556, respectively. The full amount has been reimbursed to the City.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2004 was 5.0 percent of covered payroll, which amounted to \$11,801. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2004**

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

(Continued)

rate for 2002 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

**8. PRIOR PERIOD ADJUSTMENT**

The PHA recorded \$8,494 as a prior period adjustment in the Housing Choice Voucher Program. This amount represented funds recovered of defalcation investigation.

**9. SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

**PARMA PUBLIC HOUSING AGENCY**  
**Schedule of Expenditure of Federal Award**  
**For the Year Ended December 31, 2004**

| <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 |                        |                           |
| - Low Rent Public Housing  | 14.850a                | \$170,952                 |
| - Housing Choice Vouchers  | 14.871                 | <u>4,423,639</u>          |
| Total Expenditure of Federal Award                                 |                        | <u><u>\$4,594,591</u></u> |

Parma Public Housing Agency  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
December 31, 2004

| Line Item No. | Account Description  | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total         |
|---------------|--|-------------------------|-------------------------|-------------------------------------|---------------|
| 111           | Cash - Unrestricted  | \$185,398               | \$61,091                | \$0                                 | \$246,489     |
| 112           | Cash - Restricted - Modernization and Development          | \$22,772                | \$0                     | \$0                                 | \$22,772      |
| 113           | Cash - Other Restricted                                    | \$0                     | \$41,617                | \$0                                 | \$41,617      |
| 114           | Cash - Tenant Security Deposits                            | \$16,691                | \$0                     | \$0                                 | \$16,691      |
| 100           | Total Cash   | \$224,861               | \$102,708               | \$0                                 | \$327,569     |
| 122           | Accounts Receivable - HUD Other Projects                   | \$0                     | \$23,918                | \$0                                 | \$23,918      |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | \$7,410                 | \$0                     | \$0                                 | \$7,410       |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | (\$2,326)               | \$0                     | \$0                                 | (\$2,326)     |
| 126.2         | Allowance for Doubtful Accounts - Other                    | \$0                     | \$0                     | \$0                                 | \$0           |
| 128           | Fraud Recovery   | \$0                     | \$497                   | \$0                                 | \$497         |
| 128.1         | Allowance for Doubtful Accounts - Fraud                    | \$0                     | (\$461)                 | \$0                                 | (\$461)       |
| 120           | Total Receivables, net of allowances for doubtful accounts | \$5,084                 | \$23,954                | \$0                                 | \$29,038      |
| 144           | Interprogram Due From                                      | \$1,696                 | \$214,007               | \$0                                 | \$215,703     |
| 150           | Total Current Assets                                       | \$231,641               | \$340,669               | \$0                                 | \$572,310     |
| 161           | Land   | \$13,000                | \$0                     | \$0                                 | \$13,000      |
| 162           | Buildings  | \$3,205,233             | \$0                     | \$0                                 | \$3,205,233   |
| 163           | Furniture, Equipment & Machinery - Dwellings               | \$38,239                | \$0                     | \$0                                 | \$38,239      |
| 164           | Furniture, Equipment & Machinery - Administration          | \$54,302                | \$34,796                | \$0                                 | \$89,098      |
| 165           | Leasehold Improvements                                     | \$225,479               | \$0                     | \$104,798                           | \$330,277     |
| 166           | Accumulated Depreciation                                   | (\$1,489,146)           | (\$18,119)              | (\$3,493)                           | (\$1,510,758) |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation        | \$2,047,107             | \$16,677                | \$101,305                           | \$2,165,089   |
| 180           | Total Non-Current Assets                                   | \$2,047,107             | \$16,677                | \$101,305                           | \$2,165,089   |
| 190           | Total Assets   | \$2,278,748             | \$357,346               | \$101,305                           | \$2,737,399   |
| 312           | Accounts Payable <= 90 Days                                | \$9,526                 | \$5,944                 | \$0                                 | \$15,470      |
| 321           | Accrued Wage/Payroll Taxes Payable                         | \$3,536                 | \$8,327                 | \$0                                 | \$11,863      |
| 322           | Accrued Compensated Absences - Current Portion             | \$4,924                 | \$10,298                | \$0                                 | \$15,222      |
| 331           | Accounts Payable - HUD PHA Programs                        | \$0                     | \$249                   | \$0                                 | \$249         |
| 333           | Accounts Payable - Other Government                        | \$9,287                 | \$7,528                 | \$0                                 | \$16,815      |
| 341           | Tenant Security Deposits                                   | \$11,537                | \$0                     | \$0                                 | \$11,537      |
| 345           | Other Current Liabilities                                  | \$0                     | \$41,617                | \$0                                 | \$41,617      |
| 346           | Accrued Liabilities - Other                                | \$0                     | \$3,200                 | \$0                                 | \$3,200       |
| 347           | Interprogram Due To  | \$214,007               | \$1,696                 | \$0                                 | \$215,703     |



Parma Public Housing Agency  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
December 31, 2004

| Line Item No. | Account Description                                       | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total       |
|---------------|---|-------------------------|-------------------------|-------------------------------------|-------------|
| 703           | Net Tenant Rental Revenue                                 | \$98,245                | \$0                     | \$0                                 | \$98,245    |
| 704           | Tenant Revenue - Other                                    | \$1,833                 | \$0                     | \$0                                 | \$1,833     |
| 705           | Total Tenant Revenue                                      | \$100,078               | \$0                     | \$0                                 | \$100,078   |
| 706           | HUD PHA Operating Grants                                  | \$170,952               | \$4,423,639             | \$0                                 | \$4,594,591 |
| 711           | Investment Income - Unrestricted                          | \$780                   | \$2,127                 | \$0                                 | \$2,907     |
| 713.1         | Cost of Sale of Assets                                    | \$0                     | \$0                     | \$0                                 | \$0         |
| 714           | Fraud Recovery  | \$0                     | \$214                   | \$0                                 | \$214       |
| 715           | Other Revenue   | \$8,865                 | \$0                     | \$0                                 | \$8,865     |
| 716           | Gain/Loss on Sale of Fixed Assets                         | \$0                     | \$3,257                 | \$0                                 | \$3,257     |
| 700           | Total Revenue   | \$280,675               | \$4,429,237             | \$0                                 | \$4,709,912 |
| 911           | Administrative Salaries                                   | \$73,684                | \$162,343               | \$0                                 | \$236,027   |
| 912           | Auditing Fees   | \$4,878                 | \$4,878                 | \$0                                 | \$9,756     |
| 913           | Outside Management Fees                                   | \$2,361                 | \$84,601                | \$0                                 | \$86,962    |
| 914           | Compensated Absences                                      | \$3,129                 | \$22,979                | \$0                                 | \$26,108    |
| 915           | Employee Benefit Contributions - Administrative           | \$36,072                | \$62,112                | \$0                                 | \$98,184    |
| 916           | Other Operating - Administrative                          | \$29,810                | \$114,595               | \$0                                 | \$144,405   |
| 924           | Tenant Services - Other                                   | \$100                   | \$0                     | \$0                                 | \$100       |
| 931           | Water   | \$33,973                | \$0                     | \$0                                 | \$33,973    |
| 932           | Electricity   | \$8,422                 | \$0                     | \$0                                 | \$8,422     |
| 933           | Gas   | \$37,933                | \$0                     | \$0                                 | \$37,933    |
| 942           | Ordinary Maintenance and Operations - Materials and Other | \$8,919                 | \$0                     | \$0                                 | \$8,919     |
| 943           | Ordinary Maintenance and Operations - Contract Costs      | \$50,625                | \$400                   | \$3,299                             | \$54,324    |
| 952           | Protective Services - Other Contract Costs                | \$1,020                 | \$0                     | \$0                                 | \$1,020     |
| 961           | Insurance Premiums  | \$23,350                | \$3,607                 | \$0                                 | \$26,957    |
| 964           | Bad Debt - Tenant Rents                                   | \$340                   | \$0                     | \$0                                 | \$340       |
| 966           | Bad Debt - Other  | \$0                     | (\$496)                 | \$0                                 | (\$496)     |
| 969           | Total Operating Expenses                                  | \$314,616               | \$455,019               | \$3,299                             | \$772,934   |
| 970           | Excess Operating Revenue over Operating Expenses          | (\$33,941)              | \$3,974,218             | (\$3,299)                           | \$3,936,978 |
| 973           | Housing Assistance Payments                               | \$0                     | \$3,999,042             | \$0                                 | \$3,999,042 |
| 974           | Depreciation Expense                                      | \$103,765               | \$7,584                 | \$3,493                             | \$114,842   |
| 900           | Total Expenses  | \$418,381               | \$4,461,645             | \$6,792                             | \$4,886,818 |
| 1001          | Operating Transfers In                                    | \$0                     | \$0                     | \$0                                 | \$0         |

Parma Public Housing Agency  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
December 31, 2004

| Line Item No. | Account Description  | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total       |
|---------------|--|-------------------------|-------------------------|-------------------------------------|-------------|
| 1002          | Operating Transfers Out  | \$0                     | \$0                     | \$0                                 | \$0         |
| 1008          | Special Items (net gain/loss)  | \$22,772                | \$0                     | \$108,097                           | \$130,869   |
| 1010          | Total Other Financing Sources (Uses)   | \$22,772                | \$0                     | \$108,097                           | \$130,869   |
|               |  |                         |                         |                                     |             |
| 1000          | Excess (Deficiency) of Operating Revenue Over (Under) Expenses                         | (\$114,934)             | (\$32,408)              | \$101,305                           | (\$46,037)  |
|               |  |                         |                         |                                     |             |
| 1103          | Beginning Equity   | \$2,029,776             | \$302,401               | \$98,459                            | \$2,430,636 |
| 1104          | Prior Period Adjustments, Equity Transfers and Correction of Errors                    | \$98,459                | \$8,494                 | (\$98,459)                          | \$8,494     |
|               | Ending Equity  | \$2,013,301             | \$278,487               | \$101,305                           | \$2,393,093 |
|               |  |                         |                         |                                     |             |
| 1113          | Maximum Annual Contributions Commitment (Per ACC)                                      | \$0                     | \$4,117,183             | \$0                                 | \$4,117,183 |
| 1114          | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | \$0                     | \$0                     | \$0                                 | \$0         |
| 1115          | Contingency Reserve, ACC Program Reserve   | \$0                     | \$306,044               | \$0                                 | \$306,044   |
| 1116          | Total Annual Contributions Available   | \$0                     | \$4,423,227             | \$0                                 | \$4,423,227 |
|               |  |                         |                         |                                     |             |
| 1120          | Unit Months Available  | 708                     | 8,904                   | 0                                   | 9,612       |
| 1121          | Number of Unit Months Leased   | 677                     | 8,730                   | 0                                   | 9,407       |



6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF 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 financial statements of the Department of Parma Public Housing, City of Parma, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated March 31, 2005. 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 Department of the Parma Public Housing, City of Parma, Ohio's 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*.

**Internal Control Over Financial Reporting**

In planning and performing my audit, Department of the Parma Public Housing, 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 basic 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 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. 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, CPA, Inc.

March 31, 2005



6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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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, 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, 2004. The Department of Parma Public Housing, City of Parma, 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, City of Parma, Ohio's management. My responsibility is to express an opinion on the Department of Parma Public Housing, 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, 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, City of Parma, Ohio's compliance with those requirements.

In my opinion, the Department of Parma Public Housing, 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, 2004.

### Internal Control Over Compliance

The management of the Department of Parma Public Housing, 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, 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 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, CPA, Inc.

March 31, 2005

Parma Public Housing Agency  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2004

|                                 |
|---------------------------------|
| 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 # 14.850 & 14.871 Low Rent Public Housing and Housing Choice Voucher |
| Dollar Threshold: Type A/B Programs  | Type A: > \$300,000<br>Type B: All Others                                 |
| Low Risk Auditee?  | No  |

|   |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS |
|---|

There are no Findings or questioned costs for the year ended December 31, 2004.

|                                       |
|---------------------------------------|
| 3. FINDINGS REALTED TO FEDERAL AWARDS |
|---------------------------------------|

There are no Findings or questioned costs for the year ended December 31, 2004.

Parma Public Housing Agency  
 Schedule of Prior Audit Findings  
 December 31, 2004

The following are the status of the December 31, 2003 audit findings.

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Fully Corrected?</b> | <b>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b> |
|-----------------------|---|-------------------------|--|
| GAS-2003-1            | Department failed to properly obtain Authorization from Board of Controls for some purchases over \$5,000.  | Yes                     | Finding no longer valid. No exception noted during audit period.   |
| GAS-2003-2            | A physical inventory was not performed for fiscal year 2003   | Yes                     | Finding no longer valid. Physical inventory was performed.   |
| FED-2003-1            | Audit procedures revealed that the Agency did not perform interviews of contractors' staff to ascertain that proper prevailing wage rates were paid per Davis Bacon Act requirement | Yes                     | Finding no longer valid. Staff received training on Davis Bacon Act requirement. No contracts were awarded during audit period.  |
| FED-2003-2            | 3 of 25 reviewed did not document that rent reasonableness was performed.   | Yes                     | Finding no longer valid. No exception noted during audit period.   |



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PARMA PUBLIC HOUSING AUTHORITY  
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  
DECEMBER 30, 2005**