

Parma Public Housing Agency  
Financial Statements  
For the Year Ended December 31, 2003





**Auditor of State  
Betty Montgomery**

City Council  
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, 2003 to December 31, 2003. 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

January 5, 2005

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# Parma Public Housing Agency

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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, 2003 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, 2003, 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.

As described in Note 1 of the basic financial statements, the Department adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2003. This results in a change to the Department’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 30, 2004, 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 and 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 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.

July 30, 2004

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**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 15).

**FINANCIAL HIGHLIGHTS**

- The Agency's net assets decreased by \$174 thousand (or 7.0 %) during 2003, including Results from Operations of \$178 thousand loss, plus Prior Year Adjustments of \$4 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 \$2,430 thousand and \$2,604 thousand for 2003 and 2002 respectively.
- Revenues increased by \$673 thousand (or 20.0%) during 2003, and were \$4,083 thousand and \$3,410 thousand for 2003 and 2002 respectively.
- The total expenses of all Agency programs increased by \$855 thousand (or 25.0%). Total expenses changed to \$4,261 thousand from \$3,406 thousand for 2003 and 2002 respectively.

**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":

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

The Department of Parma Public Housing (PPHA) is currently in the midst of reorganization. This process involves creating and implementing various changes in the way the Agency has operated in the past. Current restructuring efforts will bring the Agency into compliance with HUD regulations in 2004. The following changes have been put into place at the Agency in 2004:

1. The Agency began an aggressive restructuring in December 2003. This restructuring was initiated by the City as a result of the Agencies troubled status and the fraud committed by the previous Program Manager in 2002. This restructuring involved the termination of the old jobs positions, development of a new organizational chart that clearly defines staff responsibility and the implementation of new job descriptions, which are more accurate and in line with employee responsibilities. These revisions reflect current operations, policies, procedures and guidelines established by HUD. The job descriptions were approved by Board of Commissioners on 4/5/04. In line with this restructuring, a new Executive Director – Lev Kulchytsky was hired on 2/2/2004. Prior to joining the City of Parma Administration, Mr. Kulchytsky served as an Auditor for the State of Ohio.
2. The PPHA has developed and implemented a Procurement Policy that complies with the procurement requirements of 24 CFR 85.36. This policy incorporates Notices 91-0003 ADM along with state and local requirements. This policy was approved by Council on 4/6/04.
3. The City along with the Agency developed and submitted to HUD a repayment plan for the fraud committed in 2002. HUD approved the repayment plan and the City is currently on track to repay HUD by the end of 2004.
4. In accordance with 24 CFR Part 968.240 and 24 CFR 85.20(b)(3), the Housing Agency implemented controls and an accountability process over all receipts, property and other assets. In addition to this, the PHA now reviews each contractor's request and approves the payment only after inspecting and accepting the work.
5. Thorough staff training was provided for all individual job assignments, policies, procedures and CFR guidelines.
6. The PPHA developed and implemented a corrective action plan that addresses all SEMAP deficiencies identified by HUD in 2002.
7. The HA Administrative plan revised and approved by Board of Commissioners on 1/20/2004. The purpose of the plan is to establish policies for the Housing Choice Voucher Program (Section 8) in a manner consistent with HUD requirements and the PHA's Mission statement.

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

8. Resident Advisory Board established.
9. The PPHA developed an Agency plan for PPHA fiscal year 2004 & 2005 in cooperation with the Resident Advisory Board. The Agency Plan describes the goals and policies for Public Housing and Section 8 programs. The Agency also completed their five year plan (2005-2009).
10. PPHA has implemented and trained its employees on a program of Expanding Housing Opportunities – this plan includes a demographic analysis of Cuyahoga County which shows the areas of concentration of high, moderate and low income households in the metropolitan area.
11. The Housing Authority has implemented a monthly on-going SEMAP audit process. SEMAP is a tool that allows the Agency to monitor the Housing Agencies performance of the Section 8 program. SEMAP audits are conducted by the Program Administrator on a monthly basis. These performance reports are disseminated monthly to the Housing Board by the Executive Director. Great strides have been made in this area to help the agency get out of troubled status. May and June 2004 SEMAP indicators are showing us that the Agency has begun its road to recovery.
12. Staff was thoroughly trained on SEMAP.
13. The Agency also has implemented and utilizes various performance and production systems to assess its current operations and performance. The systems allow the Agency to target and improve upon deficient systems.
14. A database was created and implemented to track how long it takes the Agency to lease a unit after its vacancy.
15. The Agency developed a system to track and report on all MASS indicators of PHAS. This provides the Agency with information as to the monthly status of how the Public Housing units at Chevybrook are functioning.
16. The PPHA's eviction record keeping has been revised. As of 2004, a comprehensive report identifies the status of payment, eviction and audit process.
17. Monthly production and performance reports are being created to help provide data on voucher issuance, success rates, initial inspections, and moves, leasing and contracting process.
18. Tenant selection and assignment plan restructured in a manner that it is consistent with compliance and HUD requirements. Procedures have been implemented for admission to the program and opening the waiting list through lease-up.

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

19. The Agency implemented a new rent reasonableness system that is in compliance with HUD requirements.
20. Admissions – The agency has revised the pre-application and application forms.
21. The Agency has created various tools to monitor the progress of applicants through proper screening and verification at lease-up. The Agency has also increased its efforts in anti-fraud activities.
22. The Agency has constructed and implemented a new in-house procurement system.
23. The HA has revised information packets provided to new Public Housing residents in 2004.
24. The Agency has established policies and procedures which dictate comprehensive criminal screening and document retention.
25. The Agency purged the waiting lists in June 2004.
26. The PPHA has established appropriate quality and audit procedures which control the selection of families using the lottery system.
27. Started screening zero income applicants on a quarterly basis.
28. Took aggressive measures to remediate situation with PIH 2004-7.
29. Started rent reasonableness reviews in 2004. This process involved not allowing the rent to owner (initial and increases) to exceed reasonable level. If the owner will not accept reasonable rent, tenant is issued a new voucher and HAP contract is terminated when tenant moves. The Agency also implemented a tenant file checklist which will help in determining rents and proper certification.
30. The Agency increased minimum rent from \$25 to \$50 (effective September 13, 2004).
31. Implemented community service program at Public Housing in 2004. As of August 1, 2004, there are 25 residents from Chevybrook who are performing community service.
32. The Agency opened the waiting list for Public Housing in July 21, 2004. Lottery was conducted on July 28.
33. Preventative maintenance is being rolled out at Chevybrook Estates.
34. A Resident Council was established on 3/1/04. Council has had five meetings. The

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

Council provides residents of Chevybrook with the ability to participate in the operation of the program.

35. The PPHA has revised the Admissions and Continued Occupancy Policy (ACOP) to bring it into compliance with federal regulations and practice. This was sent to and approved by the Board on 1/20/2004.
36. The Agency implemented an HQS inspection tracking system. It has also continuing on-site quality audits conducted to verify that HQS inspections are complete and being done correctly.
37. CGI is conducting quarterly audits throughout fiscal year 2004. These audits let us know how the Agency is doing throughout the quarter. The audit is done by request.
38. Customer service survey forms have been made available to all residents of Chevybrook and the Section 8 program.
39. The PPHA has conducted on site reviews of Chevybrook Estates.
40. Various capital improvement projects started in August 2004. New roofs will be placed on all ten buildings at Chevybrook.

During FY 2004 the Agency continued to utilize the services of CGI for assessment and implementation of both the Public Housing and the Housing Choice Voucher programs. PPHA ended its training and technical assistance contract with CGI in June 2004.

In the upcoming year, PPHA plans on making a number of capital improvements at the Public Housing site, Chevybrook Estates. PPHA has developed its Capital Improvement plan on a recently conducted inspection with a REAC certified inspector. These improvements are detailed in the Capital Fund 5 Year Plan.

PPHA has a very busy and exciting year ahead. PPHA management and staff are looking forward to another successful year, concentrating on continuing improvement in operations and service delivery to the public and working on becoming a high performer in the future.

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

Basic Financial Statements

~ **Authority-wide Financial Statements – pgs 15-18** ~

Other Required Supplementary Information

~ **Required Supplementary Information pg 27-32**~  
**(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.

**Agency-Wide Financial Statements**

The Agency-wide financial statements (see pgs 15-18) 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, equals "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:

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

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.

**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 funds 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 Funds**

Conventional Public Housing – Under the Conventional Public Housing Program, the Agency 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

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2003**

**Unaudited**

Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Agency 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.

Capital Fund Program (CFP) – This is the current primary funding source for the Agency physical and management improvements. While the formula funding methodology used for Comprehensive Improvement Agency Program was revised to CFP, funds are still provided by formula allocation and based on size and age of the units. The Agency had no capital fund activities during the fiscal year.

Other Non-major Funds – The agency had no other Non-major Funds during 2003.

**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.

**TABLE 1**

**STATEMENT OF NET ASSETS**

|                          | 2003<br>(Thousands) | 2002<br>(Thousands) |
|--------------------------|---------------------|---------------------|
| Current and Other Assets | \$ 535              | \$ 673              |
| Capital Assets           | 2,160               | 2,261               |
| Total Assets             | \$2,695             | \$2,934             |
| Current Liabilities      | \$246               | \$318               |
| Long-Term Liabilities    | 18                  | 12                  |
| Total Liabilities        | 264                 | 330                 |

**PARMA PUBLIC HOUSING AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended December 31, 2003**

**Unaudited**

**TABLE 1**

**STATEMENT OF NET ASSETS (CONTINUED)**

|  | 2003<br>(Thousands) | 2002<br>(Thousands) |
|--|---------------------|---------------------|
| Net Assets:  |                     |                     |
| Invested in Capital Assets,<br>Net of Related Debt | 2,160               | 2,260               |
| Restricted   | - 0 -               | - 0 -               |
| Unrestricted                                       | 271                 | 344                 |
| Total Net Assets                                   | 2,431               | 2,604               |
| Total Liabilities and Net Assets                   | \$2,695             | \$2,934             |

(The 2002 amounts were adjusted to include inter program due to/from to be consistent with 2003 amounts, and also restated to comply with GASB 34).

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

During 2003, current and other assets were decreased by \$138 thousand, and current liabilities were decreased by \$72 thousand. The current and other assets, primarily cash and investments, decreased because of decrease in receivables from HUD and Interprogram. Current liabilities decreased because of decrease in Interprogram payables.

Capital assets did not change significantly, decreasing from \$2,261 thousand to \$2,160 thousand. The \$100 thousand decrease may be attributed primarily to current year depreciation and amortization (\$112 thousands). For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2**

**CHANGE OF UNRESTRICTED NET ASSETS**

|                                  | 2003<br>(Thousands) |
|----------------------------------|---------------------|
| Unrestricted Net Assets 12/31/02 | \$343               |
| Results of Operations            | (178)               |
| Adjustments:                     |                     |
| Depreciation (1)                 | 112                 |
| Adjusted Results from Operations | (66)                |
| Capital Expenditures (2)         | (11)                |
| Prior Year Adjustments           | 4                   |
| Unrestricted Net Assets 12/31/03 | \$270               |

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2003**

**Unaudited**

(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

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.

**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.

|                                  | 2003<br>(Thousands) | 2002<br>(Thousands) |
|----------------------------------|---------------------|---------------------|
| Revenues                         |                     |                     |
| Tenant Revenue – Rents and Other | \$ 109              | \$116               |
| Operating Subsidies and Grants   | 3,960               | 3,217               |
| Capital Grants                   | 0                   | 67                  |
| Investment Income                | 5                   | 3                   |
| Other Revenues                   | 9                   | 7                   |
| Total Revenue                    | 4,083               | 3,410               |
| Expenses                         |                     |                     |
| Administrative                   | 570                 | 391                 |
| Tenant Services                  | 0                   | 0                   |
| Utilities                        | 70                  | 54                  |
| Maintenance                      | 139                 | 219                 |
| Protective Services              | 2                   | 10                  |
| General                          | 39                  | 19                  |
| Housing Assistance Payments      | 3,329               | 2,605               |
| Depreciation                     | 112                 | 108                 |
| Total Expenses                   | 4,261               | 3,406               |
| Net Increase                     | \$ (178)            | \$ 4                |

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2003**

**Unaudited**

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

Tenant revenue was down during 2003 in comparison to 2002. The tenant revenue decrease was due primarily to decreases in tenant income. Operating Subsidies and Grants increased. The increase in subsidies and grants was due primarily to an increase in Section 8 Vouchers.

Most expenses increased moderately due to inflation, except for Maintenance. Maintenance costs decreased due to Capital Grant expenditures in previous years. Housing Assistance Payments increased due to an additional 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year end, the Agency had \$2,160 thousand invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$100 thousand or 5% from the end of last year.

**TABLE 4**

**CAPITAL ASSETS AT YEAR-END**

|                            | Business-type       |                     |
|----------------------------|---------------------|---------------------|
|                            | 2003<br>(Thousands) | 2002<br>(Thousands) |
| Land and land rights       | \$ 13               | \$ 13               |
| Buildings & Improvements   | 3,431               | 3,431               |
| Equipment – Administrative | 84                  | 73                  |
| Equipment – Dwelling       | 38                  | 38                  |
| Accumulated Depreciation   | (1,406)             | (1,295)             |
|                            |                     |                     |
| Total                      | \$2,160             | \$2,260             |

**PARMA PUBLIC HOUSING AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended December 31, 2003**

**Unaudited**

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5**

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

|                               | <u>Business Type</u>  |
|-------------------------------|-----------------------|
| Beginning Balance             | \$2,260               |
| Additions, Net of Retirements | 12                    |
| Depreciation and Amortization | <u>(112)</u>          |
| Ending Balance                | <u><u>\$2,160</u></u> |

There were no major capital expenditures during 2003. There was a small amount of equipment purchases.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provide 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 Department of Parma Public Housing, at (440) 885-8157. Specific requests may be submitted to the Department of Parma Public Housing, 5983 W. 54<sup>th</sup> St., Parma, OH 44129.

**PARMA PUBLIC HOUSING AGENCY**  
**Statement of Net Assets**  
**Proprietary Fund Type – Enterprise Fund**  
**December 31, 2003**

*ASSETS*

|                                      |                                  |
|--------------------------------------|----------------------------------|
| <b>Current assets</b>                |                                  |
| Cash and cash equivalents            | \$293,292                        |
| Restricted cash and cash equivalents | 52,027                           |
| Receivables, net                     | 176,361                          |
| Interprogram due from                | 13,406                           |
| <b>Total current assets</b>          | <u><b>535,086</b></u>            |
| <br>                                 |                                  |
| <b>Noncurrent assets</b>             |                                  |
| Capital assets:                      |                                  |
| Land                                 | 13,000                           |
| Building and equipment               | 3,553,509                        |
| Less accumulated depreciation        | <u>(1,406,372)</u>               |
| <b>Total noncurrent assets</b>       | <u><b>2,160,137</b></u>          |
| <br>                                 |                                  |
| <b>Total assets</b>                  | <u><u><b>\$2,695,223</b></u></u> |

*LIABILITIES*

|  |                              |
|--|------------------------------|
| <b>Current liabilities</b>               |                              |
| Accounts payable                         | \$8,008                      |
| Accrued liabilities                      | 12,531                       |
| Intergovernmental payables               | 164,452                      |
| Tenant security deposits                 | 10,649                       |
| Other current liabilities                | 37,228                       |
| Interprogram due to                      | 13,406                       |
| <b>Total current liabilities</b>         | <u><b>246,274</b></u>        |
| <br>                                     |                              |
| <b>Noncurrent liabilities</b>            |                              |
| Accrued compensated absences non-current | <u>18,313</u>                |
| <b>Total noncurrent liabilities</b>      | <u><b>18,313</b></u>         |
| <br>                                     |                              |
| <b>Total liabilities</b>                 | <u><u><b>264,587</b></u></u> |

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

**PARMA PUBLIC HOUSING AGENCY**  
**Statement of Net Assets**  
**Proprietary Fund Type – Enterprise Fund**  
**Continued**  
**December 31, 2003**

***NET ASSETS***

|   |                                  |
|---|----------------------------------|
| Invested in capital assets, net of related debt | 2,160,137                        |
| Unrestricted net assets                         | <u>270,499</u>                   |
| <b>Total net assets</b>                         | <b><u>2,430,636</u></b>          |
| <b>Total Liabilities and Net Assets</b>         | <b><u><u>\$2,695,223</u></u></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 – Enterprise Funds**  
**For the Year Ended December 31, 2003**

***OPERATING REVENUES***

|                             |           |
|-----------------------------|-----------|
| Tenant Revenue              | \$108,843 |
| Government operating grants | 3,960,319 |
| Other revenue               | 8,853     |

|                                 |                         |
|---------------------------------|-------------------------|
| <b>Total operating revenues</b> | <b><u>4,078,015</u></b> |
|---------------------------------|-------------------------|

***OPERATING EXPENSES***

|                            |           |
|----------------------------|-----------|
| Administrative             | 569,720   |
| Utilities                  | 70,325    |
| Maintenance                | 138,941   |
| Protective services        | 1,720     |
| General                    | 39,565    |
| Housing assistance payment | 3,328,942 |
| Depreciation               | 111,827   |

|                                 |                         |
|---------------------------------|-------------------------|
| <b>Total operating expenses</b> | <b><u>4,261,040</u></b> |
|---------------------------------|-------------------------|

|                                |                         |
|--------------------------------|-------------------------|
| <b>Operating income (loss)</b> | <b><u>(183,025)</u></b> |
|--------------------------------|-------------------------|

***NONOPERATING REVENUES (EXPENSES)***

|                                 |       |
|---------------------------------|-------|
| Interest and investment revenue | 5,291 |
|---------------------------------|-------|

|   |                     |
|---|---------------------|
| <b>Total nonoperating revenues (expenses)</b> | <b><u>5,291</u></b> |
|---|---------------------|

|                              |           |
|------------------------------|-----------|
| Change in net assets         | (177,734) |
| Total net assets – beginning | 2,604,354 |
| Prior Period Adjustments     | 4,016     |

|                                  |                                  |
|----------------------------------|----------------------------------|
| <b>Total net assets – ending</b> | <b><u><u>\$2,430,636</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 – Enterprise Funds**  
**For the Year Ended December 31, 2003**

**Cash Flows from Operating Activities:**

|                                      |                |
|--------------------------------------|----------------|
| Cash received from tenants           | \$108,629      |
| Cash received from HUD               | 4,157,056      |
| Cash paid to suppliers and employees | (700,261)      |
| Cash Paid for Housing Assistance     | (3,328,942)    |
|                                      | <u>236,482</u> |

Net cash provided by operating activities

236,482

**Cash Flows from Capital Activities:**

|                                  |               |
|----------------------------------|---------------|
| Property and equipment purchased | 11,390        |
|                                  | <u>11,390</u> |

Net cash used for Capital Activities

11,390

Net Increase (Decrease) in Cash

225,092

Cash and cash equivalents - Beginning of Year

120,227

Cash and cash equivalents - End of Year

\$345,319

**Reconciliation of Net Income to Cash Provided by Operating Activities:**

|            |             |
|------------|-------------|
| Net income | (\$177,734) |
|------------|-------------|

**Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:**

|   |              |
|---|--------------|
| Depreciation                                  | 111,827      |
| (Increase) Decrease in accounts receivable    | 198,577      |
| (Increase) Decrease in prepaid expenses       | 3,150        |
| Increase (Decrease) in current liabilities    | 93,855       |
| Increase (Decrease) in noncurrent liabilities | 6,807        |
|   | <u>6,807</u> |

Net cash provided by operating activities

\$236,482

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, 2003**

**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.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Department's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Department has elected to implement GASB 34 early, in the current fiscal year.

**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.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2003**

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

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 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 2003 totaled \$5,291.

**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.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2003**

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

**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.

**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.

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2003**

**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 \$345,319. This balance includes \$300 of petty cash. The corresponding bank balances totaled \$396,406. Federal Depository insurance covered \$227,936 of the bank balance. The remaining balance of \$168,470 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, 2003.

**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 2003, the Department of Parma Public Housing, City of Parma, 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 \$3,803,815.

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 | 122,797                   |
| Leasehold Improvements           | 225,479                   |
| Accumulated Depreciation         | <u>(1,406,372)</u>        |
| NET FIXED ASSETS                 | <u><u>\$2,160,137</u></u> |

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2003**

**5. FIXED ASSETS (Continued)**

The Following is a summary of changes:

| <u>ASSETS</u>                       | <u>Balance<br/>12/31/02</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>12/31/03</u> |
|-------------------------------------|-----------------------------|------------------|------------------|-----------------------------|
| Land                                | \$13,000                    | \$0              | \$0              | \$13,000                    |
| Building                            | 3,205,233                   | 0                | 0                | 3,205,233                   |
| Furniture, Equipment &<br>Machinery | 111,407                     | 11,390           | 0                | 122,797                     |
| Leasehold Improvements              | 225,479                     | 0                | 0                | 225,479                     |
| <b>Total</b>                        | <b>\$3,555,119</b>          | <b>\$11,390</b>  | <b>\$ 0</b>      | <b>\$3,566,509</b>          |

The depreciation expense for the year ended December 31, 2003 was \$111,827.

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

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

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 PERS for the years ended December 31, 2003, 2002 and 2001 were \$29,128, \$27,556, and \$18,804, respectively. The full amount has been reimbursed to the City for 2002 and 2001. Only \$19,013 was reimbursed to the City for 2003, with the remainder being reported as a liability with the enterprise fund.

**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

**PARMA PUBLIC HOUSING AGENCY**  
**Notes to the Financial Statements**  
**December 31, 2003**

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

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 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$10,749. 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, 2001. 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 rate for 2001 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 0.51 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 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

**8. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$4,016 represents HUD adjustments made for 2002 administration fees earned.

**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**  
**Notes to the Financial Statements**  
**December 31, 2003**

**10. CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2003 the Agency implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

|  | Contributed<br>Capital | Retained<br>Earnings | Invested in<br>Capital<br>Assets, Net<br>Of Debt | Unrestricted<br>Net Assets | Total       |
|--|------------------------|----------------------|--|----------------------------|-------------|
| Beginning Balance                            | \$2,211,979            | \$392,375            | \$0  | \$0                        | \$2,604,354 |
| Reclassification- GASB 34                    | (2,211,979)            | (392,375)            | 2,260,575  | 343,779                    | 0           |
| Restated Beginning Balance                   | 0                      | 0                    | 2,260,575  | 343,779                    | 2,604,354   |
| Fixed Assets Addition                        | 0                      | 0                    | 11,390   | 0                          | 11,390      |
| Unrestricted Assets used for<br>Fixed Assets |                        |                      |  | (11,390)                   | (11,390)    |
| Depreciation Expense                         | 0                      | 0                    | (111,828)  | 0                          | (111,828)   |
| Current Year Income                          | 0                      | 0                    | 0  | (61,890)                   | (61,890)    |
| Ending Net Assets                            | \$0                    | \$0                  | \$2,160,137                                      | \$270,499                  | \$2,430,636 |

**PARMA PUBLIC HOUSING AGENCY**  
**Schedule of Expenditure of Federal Award**  
**For the Year Ended December 31, 2003**

| <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                | \$146,972                 |
| - Housing Choice Vouchers  | 14.871                 | <u>3,813,347</u>          |
| Total Expenditure of Federal Award                                 |                        | <u><u>\$3,960,319</u></u> |

Parma Public Housing Agency  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type - Enterprise Fund  
December 31, 2003

| Line Item No. | Account Description  | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total     |
|---------------|--|-------------------------|-------------------------|-------------------------------------|-----------|
| 111           | Cash – Unrestricted  | \$67,807                | \$225,485               | \$0                                 | \$293,292 |
| 113           | Cash - Other Restricted                                    | 0                       | 37,228                  | 0                                   | 37,228    |
| 114           | Cash - Tenant Security Deposits                            | 14,799                  | 0                       | 0                                   | 14,799    |
| 100           | Total Cash   | 82,606                  | 262,713                 | 0                                   | 345,319   |
| 122           | Accounts Receivable - HUD Other Projects                   | 0                       | 170,582                 | 0                                   | 170,582   |
| 125           | Accounts Receivable – Miscellaneous                        | 0                       | 3,969                   | 0                                   | 3,969     |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | 3,425                   | 0                       | 0                                   | 3,425     |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | (2,326)                 | 0                       | 0                                   | (2,326)   |
| 128           | Fraud Recovery   | 0                       | 1,421                   | 0                                   | 1,421     |
| 128.1         | Allowance for Doubtful Accounts – Fraud                    | 0                       | (710)                   | 0                                   | (710)     |
| 120           | Total Receivables, net of allowances for doubtful accounts | 1,099                   | 175,262                 | 0                                   | 176,361   |
| 144           | Interprogram Due From                                      | 1,120                   | 12,286                  | 0                                   | 13,406    |
| 150           | Total Current Assets                                       | 84,825                  | 450,261                 | 0                                   | 535,086   |
| 161           | Land   | 13,000                  | 0                       | 0                                   | 13,000    |
| 168           | Infrastructure   | 0                       | 0                       | 0                                   | 0         |
| 162           | Buildings  | 3,205,233               | 0                       | 0                                   | 3,205,233 |

Parma Public Housing Agency  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type  
Enterprise Fund  
December 31, 2003

| Line Item No. | Account Description                                 | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total       |
|---------------|---|-------------------------|-------------------------|-------------------------------------|-------------|
| 163           | Furniture, Equipment & Machinery – Dwellings        | 38,016                  | 0                       | 0                                   | 38,016      |
| 164           | Furniture, Equipment & Machinery - Administration   | 32,977                  | 37,304                  | 14,500                              | 84,781      |
| 165           | Leasehold Improvements                              | 126,517                 | 0                       | 98,962                              | 225,479     |
| 166           | Accumulated Depreciation                            | (1,370,378)             | (20,991)                | (15,003)                            | (1,406,372) |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation | 2,045,365               | 16,313                  | 98,459                              | 2,160,137   |
|               |   |                         |                         |                                     |             |
| 180           | Total Non-Current Assets                            | 2,045,365               | 16,313                  | 98,459                              | 2,160,137   |
|               |   |                         |                         |                                     |             |
| 190           | Total Assets  | \$2,130,190             | \$466,574               | \$98,459                            | \$2,695,223 |
|               |   |                         |                         |                                     |             |
| 312           | Accounts Payable <= 90 Days                         | \$1,300                 | \$6,708                 | \$0                                 | \$8,008     |
| 321           | Accrued Wage/Payroll Taxes Payable                  | 1,876                   | 3,498                   | 0                                   | 5,374       |
| 322           | Accrued Compensated Absences - Current Portion      | 4,649                   | 2,508                   | 0                                   | 7,157       |
| 331           | Accounts Payable - HUD PHA Programs                 | 0                       | 711                     | 0                                   | 711         |
| 333           | Accounts Payable - Other Government                 | 51,341                  | 112,400                 | 0                                   | 163,741     |
| 341           | Tenant Security Deposits                            | 10,649                  | 0                       | 0                                   | 10,649      |
| 345           | Other Current Liabilities                           | 0                       | 37,228                  | 0                                   | 37,228      |
| 347           | Interprogram Due To                                 | 12,286                  | 1,120                   | 0                                   | 13,406      |
| 310           | Total Current Liabilities                           | 82,101                  | 164,173                 | 0                                   | 246,274     |
|               |   |                         |                         |                                     |             |
|               |   |                         |                         |                                     |             |



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, 2003

| Line Item No. | Account Description                                       | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total     |
|---------------|---|-------------------------|-------------------------|-------------------------------------|-----------|
| 703           | Net Tenant Rental Revenue                                 | \$108,843               | \$0                     | \$0                                 | \$108,843 |
| 705           | Total Tenant Revenue                                      | 108,843                 | 0                       | 0                                   | 108,843   |
| 706           | HUD PHA Operating Grants                                  | 146,972                 | 3,813,347               | 0                                   | 3,960,319 |
| 711           | Investment Income – Unrestricted                          | 738                     | 4,553                   | 0                                   | 5,291     |
| 714           | Fraud Recovery  | 0                       | 3,361                   | 0                                   | 3,361     |
| 715           | Other Revenue   | 5,492                   | 0                       | 0                                   | 5,492     |
| 700           | Total Revenue   | 262,045                 | 3,821,261               | 0                                   | 4,083,306 |
| 911           | Administrative Salaries                                   | 75,980                  | 127,355                 | 0                                   | 203,335   |
| 912           | Auditing Fees   | 2,800                   | 2,800                   | 0                                   | 5,600     |
| 913           | Outside Management Fees                                   | 0                       | 170,755                 | 0                                   | 170,755   |
| 914           | Compensated Absences                                      | 14,059                  | (11,643)                | 0                                   | 2,416     |
| 915           | Employee Benefit Contributions – Administrative           | 20,213                  | 51,792                  | 0                                   | 72,005    |
| 916           | Other Operating – Administrative                          | 17,513                  | 98,096                  | 0                                   | 115,609   |
| 931           | Water   | 26,162                  | 0                       | 0                                   | 26,162    |
| 932           | Electricity   | 7,779                   | 0                       | 0                                   | 7,779     |
| 933           | Gas   | 36,384                  | 0                       | 0                                   | 36,384    |
| 942           | Ordinary Maintenance and Operations - Materials and Other | 10,329                  | 0                       | 0                                   | 10,329    |
| 943           | Ordinary Maintenance and Operations - Contract Costs      | 128,612                 | 0                       | 0                                   | 128,612   |

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, 2003

| Line Item No. | Account Description   | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total       |
|---------------|---|-------------------------|-------------------------|-------------------------------------|-------------|
| 952           | Protective Services - Other Contract Costs                          | 1,720                   | 0                       | 0                                   | 1,720       |
| 961           | Insurance Premiums  | 14,058                  | 2,588                   | 0                                   | 16,646      |
| 964           | Bad Debt - Tenant Rents   | 1,568                   | 0                       | 0                                   | 1,568       |
| 966           | Bad Debt – Other  | 19,931                  | 1,420                   | 0                                   | 21,351      |
| 969           | Total Operating Expenses  | 377,108                 | 443,163                 | 0                                   | 820,271     |
|               |   |                         |                         |                                     |             |
| 970           | Excess Operating Revenue over Operating Expenses                    | (115,063)               | 3,378,098               | 0                                   | 3,263,035   |
|               |   |                         |                         |                                     |             |
| 973           | Housing Assistance Payments   | 0                       | 3,328,942               | 0                                   | 3,328,942   |
| 974           | Depreciation Expense  | 97,303                  | 5,856                   | 8,668                               | 111,827     |
| 900           | Total Expenses  | 474,411                 | 3,777,961               | 8,668                               | 4,261,040   |
|               |   |                         |                         |                                     |             |
| 1000          | Excess (Deficiency) of Operating Revenue Over (Under) Expenses      | (212,366)               | 43,300                  | (8,668)                             | (177,734)   |
|               |   |                         |                         |                                     |             |
| 1103          | Beginning Equity  | 2,242,142               | 255,085                 | 107,127                             | 2,604,354   |
| 1104          | Prior Period Adjustments, Equity Transfers and Correction of Errors | 0                       | 4,016                   | 0                                   | 4,016       |
|               |   |                         |                         |                                     |             |
|               | Ending Equity   | \$2,029,776             | \$302,401               | \$98,459                            | \$2,430,636 |
|               |   |                         |                         |                                     |             |

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, 2003

| Line Item No. | Account Description  | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total       |
|---------------|--|-------------------------|-------------------------|-------------------------------------|-------------|
| 1113          | Maximum Annual Contributions Commitment (Per ACC)                                      | \$0                     | \$3,389,899             | \$0                                 | \$3,389,899 |
| 1114          | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | 0                       | 601,005                 | 0                                   | 601,005     |
| 1115          | Contingency Reserve, ACC Program Reserve   | 0                       | 320,211                 | 0                                   | 320,211     |
| 1116          | Total Annual Contributions Available   | \$0                     | \$4,311,115             | \$0                                 | \$4,311,115 |
| 1120          | Unit Months Available  | 708                     | 8,301                   | 0                                   | 9,009       |
| 1121          | Number of Unit Months Leased   | 671                     | 7,939                   | 0                                   | 8,610       |



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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, 2003, and have issued my report thereon dated July 30, 2004. 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, I considered the Department of 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 Financial Statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal controls over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involves matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Department of Parma Public Housing, City of Parma, Ohio's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2003-1 and GAS-2003-2.

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 misstatement 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above are a material weakness. I have noted other

matters involving the internal control over financial reporting that I have reported to management of the Department of Parma Public Housing, City of Parma, Ohio, in a separate letter dated July 30, 2004.

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.

A handwritten signature in black ink, reading "Salvatore Consiglio", is positioned above a horizontal line. A vertical line extends from the left side of the signature down to the horizontal line.

Salvatore Consiglio, CPA, Inc.

July 30, 2004



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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, 2003. 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.

As described in item FED-2003-1 and FED-2003-2 in the accompanying schedule of findings and questioned costs, the Department of Parma Public Housing, City of Parma, Ohio's did not comply with requirements regarding Davis Bacon Act and Special Test and Provisions that are applicable to its Low Rent Public Housing Program and the Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for the Department of Parma Public Housing, City of Parma, Ohio's to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, 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, 2003.

### 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.

July 30, 2004

Parma Public Housing Agency  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2003

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|  |   |
|--|---|
| 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)? | Yes   |
| 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   | Qualified   |
| Are there any reportable findings under § .510?  | Yes   |
| 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  |

|  |
|--|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> |
|--|

|                |            |
|----------------|------------|
| FINDING NUMBER | GAS-2003-1 |
|----------------|------------|

**Board of Control Authorization**

The Agency requires that for any purchases of \$5,000 and greater, proper authorization is obtained from Board of Controls.

The result of audit procedures revealed the purchases with the following contractors were made without proper authorization from Board of Controls:

- Geyer Painting & Decorating Co.
- Berea Carpet

Parma Public Housing Agency  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2003

In addition, the Agency did obtain price quotes and authorization from Board of Controls for the purchase of computers during the audit period. However, there was no documentation as to why Dell computers were selected over Hewlett-Packard, the lowest quote. Also, the Board of Control authorization was only for \$7,596, but the purchase was for \$9,445.

A review of controls implemented in 2004 addressed and resolved the errors noted above.

**Recommendation:**

Since controls have been implemented to resolve finding in 2004 fiscal year, no further recommendations are necessary.

**PPHA Response:**

Control was implemented in 2004. Mr. Lev Kulchysky, Executive Director, is responsible to ascertain that control was properly implemented.

|                |            |
|----------------|------------|
| FINDING NUMBER | GAS-2003-2 |
|----------------|------------|

**Property Management**

A proper property management system requires that a minimum once a year a physical inventory is performed to ascertain that assets are properly safeguarded and used for authorized purpose.

A physical inventory was not performed for fiscal year 2003. However, the Agency was in the process of performing an inventory during the fieldwork and was completed on August 19, 2004.

**Recommendation:**

Since controls have been implemented to resolve finding in 2004 fiscal year, no further recommendations are necessary.

**PPHA Response:**

Control was implemented in 2004. Mr. Lev Kulchysky, Executive Director, is responsible to ascertain that control was properly implemented.

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

|                |            |
|----------------|------------|
| FINDING NUMBER | FED-2003-1 |
|----------------|------------|

**Davis-Bacon Act**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850)**

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal awards must be paid wages not less than those established for the locality of the project by the Department of Labor.

Parma Public Housing Agency  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2003

Audit procedures revealed that the Agency did not perform interviews of contractors' staff to ascertain that proper prevailing wage rates were paid.

Recommendation:

The Authority must comply with the above regulations.

PPHA Response:

Controls have been implemented in 2004. PPHA feels that this finding is resolved in 2004. Mr. Lev Kulchysky, Executive Director, is responsible to ascertain that control was properly implemented.

|                |            |
|----------------|------------|
| FINDING NUMBER | FED-2003-2 |
|----------------|------------|

**Rent Reasonableness**

**U.S. Department of HUD**

**Housing Choice Voucher Program (CFDA # 14.871)**

A review of 23 tenant files revealed 3 errors where files did not document that rent reasonableness was performed.

24 CFR 982.507 requires that the PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units.

Recommendation:

The Agency must document that the landlord request for rent increase is reasonable.

PPHA Response:

Control was implemented in 2004. Mr. Lev Kulchysky, Executive Director, is responsible to ascertain that control was properly implemented.

Parma Public Housing Agency  
Schedule of Prior Audit Findings  
December 31, 2003

The following are the status of the December 31, 2002 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

| <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-2002-1            | Credit Card Use                 | Yes                     | Finding no longer valid. Controls over credit card usage have been implemented.  |
| GAS-2002-2            | Laundry Machine Coins           | Yes                     | Finding no longer valid. Auditor's recommendation was implemented. In addition, a video camera in the laundry room was installed.  |
| GAS-2002-3            | Authorization of Expenditure    | Yes                     | Finding no longer valid. All invoices are properly authorized and certified that contractor work was performed.  |
| GAS-2002-4            | Proper Supporting Documentation | Yes                     | Finding no longer valid. Proper supporting documentation is obtained.  |
| GAS-2002-5            | Property Management             | No                      | Finding was not corrected in 2003 and finding was repeated as GAS-2003-2. However, a physical inventory was performed and completed on August 19, 2004.  |
| GAS-2002-6            | Personnel Expenditures          | Yes                     | Finding no longer valid. A reconciliation with the City was performed and balance due paid.  |
| GAS-2002-7            | Procurement Procedures          | No                      | Finding was not corrected in 2003 and finding was repeated as GAS-2003-1. However, proper procedures is performed and documented with 2004 purchases.  |
| FED-2002-1            | Proper Supporting Documentation | No                      | Partially Corrected. No errors were noted during the audit period. However, the questioned cost has not been resolved with HUD as of the date of this report.  |
| FED-2002-2            | Allowable Expenditure           | No                      | Partially Corrected. No errors were noted during the audit period. However, the questioned cost has not been resolved with HUD as of the date of this report.  |
| FED-2002-3            | Credit Card Transaction         | No                      | Partially Corrected. No errors were noted during the audit period. However, the questioned cost has not been resolved with HUD as of the date of this report.  |
| FED-2002-4            | Rent Reasonableness             | No                      | Auditor recommendation was implemented. A data system was created and form documenting rent reasonableness was created. However, audit procedures still revealed 3 errors from 23 files reviewed during the audit. |

Parma Public Housing Agency  
 Schedule of Prior Audit Findings  
 Continued  
 December 31, 2003

| <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>                                |
|-----------------------|---------------------------|-------------------------|---|
| FED-2002-5            | Third Party Documentation | Yes                     | Finding no longer valid. Proper third party documentation was obtained and documented in tenant files.  |
| FED-2002-6            | Cash Management           | Yes                     | Finding no longer valid. Cash draws from HUD was properly managed.  |
| FED-2002-7            | Procurement               | Yes                     | Finding no longer valid. Purchases are properly documented and the process is properly supported.   |
| FED-2002-8            | Davis Bacon Act           | No                      | Finding was not corrected in 2003 and finding was repeated as FED-2003-1. However, procedures implemented in 2004 year appear to properly resolve this finding. |





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**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  
JANUARY 18, 2005**