

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
Single Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Directors
Parma Public Housing Agency
1440 Rockside Road, Suite 305
Parma, Ohio 44134

We have reviewed the *Independent Auditor's Report* of the Parma Public Housing Agency, Cuyahoga County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 12, 2014

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**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 FOR THE YEAR ENDED DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

May 21, 2014

Parma Public Housing Agency
Cuyahoga County
1440 Rockside Road, Suite 306
Parma, OH 44134

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Parma Public Housing Agency**, Cuyahoga County, Ohio (the Agency), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Agency's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parma Public Housing Agency, Cuyahoga County as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Agency's basic financial statements taken as a whole.

The supplemental financial data schedule presented on pages 21 through 23 presents additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The schedule of federal awards expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2014, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

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

Since the MD&A is designed to focus on the 2013 year's activities, resulting changes and currently known facts, please read it in conjunction with the Agency's financial statement.

Financial Highlights

- The Agency's net position decreased by \$360,445 or 13% during 2013, resulting from changes in operations. Since the Agency engages only in business-type activities, the increase is all in the category of business-type net position.
- Revenues decreased by \$188,071 or 0.5% during 2013.
- The total expenses of the Agency's programs increased by \$170,595 or 3%.

Overview of the Agency's Financial Statements

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

The Agency's financial statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Agency. The Statement is presented in the format where assets, minus liabilities, equal "net position", 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 Position (the "unrestricted net position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Agency. Net position (formerly equity) is reported in three broad categories:

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

Unrestricted Net Position: Consists of net position that do not meet the definition of "net investment in capital assets", or "restricted net position".

The Agency's financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an income statement). This Statement includes Operating Revenue, 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 Position is the "change in net position", which is similar to net income or loss.

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 Agency are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**PARMA PUBLIC HOUSING AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

The Agency's Programs

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 Operating Subsidy and Capital Grant funding to enable the Authority 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 Agency's properties.

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

The Agency's Statements

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

TABLE 1
STATEMENT OF NET POSITION

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Current Assets | \$ 723,238 | \$ 1,006,244 |
| Capital Assets | 1,838,709 | 1,905,496 |
| Total Assets | <u>2,561,947</u> | <u>2,911,740</u> |
| Current Liabilities | 99,650 | 84,438 |
| Long-Term Liabilities | 80,422 | 84,982 |
| Total Liabilities | <u>180,072</u> | <u>169,420</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 1,838,709 | 1,905,496 |
| Restricted Net Position | 87,722 | 301,487 |
| Unrestricted Net Position | 455,444 | 535,337 |
| Total Net Position | <u>2,381,875</u> | <u>2,742,320</u> |
| <i>Total Liabilities and Net Position</i> | <u>\$ 2,561,947</u> | <u>\$ 2,911,740</u> |

Major Factors Affecting the Statement of Net Position

During 2013, current and other assets decreased by \$283,006, and current liabilities increased by \$15,212. The change in current assets was mainly due to the change in cash. The current liabilities increase was minimum.

Capital assets decreased from \$1,905,496 in 2012 to \$1,838,709 in 2013. The \$66,787 decrease is contributed primarily to the current year additions of \$95,153, less current year depreciation expense of \$161,940. For more detail see "Capital Assets" presented later in this report.

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (UNAUDITED)**

The following table presents details on the change in unrestricted net position.

TABLE 2
 CHANGE OF UNRESTRICTED NET POSITION

| | | |
|---|-----------|----------------|
| Beginning Balance - December 31, 2012 | \$ | 535,337 |
| Results of Operation | | (360,445) |
| Adjustments: | | |
| Current Year Depreciation Expense (1) | | 161,940 |
| Capital Expenditure (2) | | (95,153) |
| Transfer to Restricted Net Position (3) | | <u>213,765</u> |
| Ending Balance - December 31, 2013 | <u>\$</u> | <u>455,444</u> |

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.
- (3) Net position related to excess housing assistance revenue on the Housing Choice Voucher program is now shown as restricted.

While the results of operations are a significant measure of the Agency's activities, the analysis of the changes in unrestricted net position provides a clearer presentation of financial position.

The following schedule compares the revenues and expenses for the current and previous fiscal year.

TABLE 3
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2013 | 2012 |
|-------------------------------------|---------------------|-------------------|
| Revenues: | | |
| Total Tenant Revenues | \$ 87,426 | \$ 86,383 |
| Operating Grants | 5,121,333 | 5,248,191 |
| Capital Grants | 22,823 | 108,385 |
| Investment Income | 238 | 653 |
| Other Revenue | <u>56,673</u> | <u>32,952</u> |
| Total Revenues | <u>5,288,493</u> | <u>5,476,564</u> |
| Expenses: | | |
| Administrative | 477,775 | 490,972 |
| Tenant Services | 40,392 | 40,392 |
| Utilities | 78,861 | 65,568 |
| Maintenance | 128,250 | 129,681 |
| Protective Services | 3,114 | 5,256 |
| General | 85,243 | 65,557 |
| Housing Assistance Payments | 4,673,363 | 4,526,743 |
| Depreciation | <u>161,940</u> | <u>154,174</u> |
| Total Expenses | <u>5,648,938</u> | <u>5,478,343</u> |
| Increase (Decrease) in Net Position | <u>\$ (360,445)</u> | <u>\$ (1,779)</u> |

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

Total revenue decreased by \$188,071 for the year. The revenue was \$5,476,564 in 2012 and \$5,288,493 in 2013. The decrease is mainly due to decrease in grant revenue received from HUD.

Total expenses increased by \$170,595 for the year. The increase was mainly due to the increase in housing assistance payments.

Capital Assets

As of year-end, the Agency had \$1,838,709 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$66,787 or 3.5% from the end of last year.

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Land and Land Rights | \$ 13,000 | \$ 13,000 |
| Buildings | 3,205,233 | 3,205,233 |
| Furniture, Equipment & Machinery - Dwelling | 102,226 | 102,226 |
| Furniture, Equipment & Machinery - Admin. | 162,354 | 178,283 |
| Leasehold Improvements | 1,012,471 | 967,417 |
| Construction in Progress | 22,823 | - |
| Accumulated Depreciation | <u>(2,679,398)</u> | <u>(2,560,663)</u> |
| Total | <u>\$ 1,838,709</u> | <u>\$ 1,905,496</u> |

The following reconciliation identifies the change in capital assets.

| | |
|---------------------------------------|---------------------|
| Beginning Balance - December 31, 2012 | \$ 1,905,496 |
| Current Year Additions | 95,153 |
| Current Year Depreciation Expense | <u>(161,940)</u> |
| Ending Balance - December 31, 2013 | <u>\$ 1,838,709</u> |

| | |
|-------------------------------|------------------|
| Current Year Additions: | |
| Flooring Replacement | \$ 45,054 |
| Computer Replacements | 7,404 |
| Software - HAP Direct Deposit | 2,160 |
| Vehicle | 17,712 |
| Construction in Progress | 22,823 |
| Total Current Year Additions | <u>\$ 95,153</u> |

Debt Outstanding

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

Economic Factors

Significant economic factors affecting the Agency are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development is projected to be 70-80% of expenditure level of that anticipated in 2013.
- 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.

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Financial Contact

The individual to be contacted regarding this report is Lev Kulchytsky, Executive Director of the Parma Public Housing Agency, at (216) 661-2015. Specific requests may be submitted to the Parma Public Housing Agency, 1440 Rockside Road, Suite 306, Parma, OH 44134.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

Assets

Current Assets:

| | | |
|--------------------------------------|----|----------------|
| Cash and Cash Equivalents | \$ | 555,550 |
| Restricted Cash and Cash Equivalents | | 152,976 |
| Receivables, Net | | 5,405 |
| Prepaid Expenses and Other Assets | | 9,307 |
| Total Current Assets | | 723,238 |

Non-Current Assets:

| | | |
|---|--|------------------|
| Nondepreciable Capital Assets | | 35,823 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | | 1,802,886 |
| Total Non-Current Assets | | 1,838,709 |

| | | |
|---------------------|-----------|------------------|
| Total Assets | \$ | 2,561,947 |
|---------------------|-----------|------------------|

Liabilities

Current Liabilities:

| | | |
|----------------------------------|----|---------------|
| Accounts Payable | \$ | 7,275 |
| Accrued Liabilities | | 19,848 |
| Tenant Security Deposits | | 12,058 |
| Other Current Liabilities | | 60,165 |
| Unearned Revenue | | 304 |
| Total Current Liabilities | | 99,650 |

Non-Current Liabilities:

| | | |
|--------------------------------------|--|---------------|
| Compensated Absences | | 27,250 |
| Other Non-Current Liabilities | | 53,172 |
| Total Non-Current Liabilities | | 80,422 |

| | | |
|--------------------------|--|----------------|
| Total Liabilities | | 180,072 |
|--------------------------|--|----------------|

Net Position:

| | | |
|----------------------------------|--|------------------|
| Net Investment in Capital Assets | | 1,838,709 |
| Restricted | | 87,722 |
| Unrestricted | | 455,444 |
| | | 2,381,875 |

| | | |
|---------------------------|--|------------------|
| Total Net Position | | 2,381,875 |
|---------------------------|--|------------------|

| | | |
|---|-----------|------------------|
| Total Liabilities and Net Position | \$ | 2,561,947 |
|---|-----------|------------------|

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

| | |
|--------------------------------------|---------------------|
| Operating Revenues: | |
| Tenant Rental Revenue | \$ 87,426 |
| HUD PHA Operating Grants | 5,121,333 |
| Other Revenue | 56,673 |
| Total Operating Revenues | <u>5,265,432</u> |
| Operating Expenses: | |
| Administrative | 477,775 |
| Tenant Services | 40,392 |
| Utilities | 78,861 |
| Maintenance | 128,250 |
| Protective Services | 3,114 |
| General | 85,243 |
| Housing Assistance Payments | 4,669,024 |
| HAP Portability-In | 4,339 |
| Depreciation | 161,940 |
| | <u>5,648,938</u> |
| Operating (Loss) | (383,506) |
| Other Non-Operating Revenues: | |
| HUD Capital Grants | 22,823 |
| Investment Income | 238 |
| Total Other Non-Operating Revenues | <u>23,061</u> |
| Change in Net Position | (360,445) |
| Net Position, Beginning of the Year | <u>2,742,320</u> |
| Net Position, End of Year | <u>\$ 2,381,875</u> |

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Operating Grants Received | \$ 5,121,657 |
| Tenant Revenue Received | 88,552 |
| Other Revenue Received | 56,673 |
| Housing Assistance Payments | (4,669,024) |
| General and Administrative Expenses Paid | (789,814) |
| NET CASH (USED IN) OPERATING ACTIVITIES | (191,956) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital Grant Funds Received | 22,823 |
| Property and Equipment Purchased | (95,153) |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (72,330) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest Earned | 238 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 238 |
| Net (Decrease) in Cash and Cash Equivalents | (264,048) |
| Cash and Cash Equivalents at Beginning of Year | 972,574 |
| Cash and Cash Equivalents at End of Year | \$ 708,526 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | |
| Operating Loss | \$ (383,506) |
| Adjustments: | |
| Depreciation | 161,940 |
| (Increase) Decrease in: | |
| Accounts Receivable, Net | 324 |
| Prepaid Assets | 18,634 |
| Increase (Decrease) in: | |
| Accounts Payable | 3,076 |
| Accrued Expenses Payable | (34,398) |
| Tenant Security Deposits | 1,126 |
| Compensated Absences Payable | (2,062) |
| Non-Current Liabilities | (2,498) |
| Other Liabilities | 45,408 |
| NET CASH (USED IN) OPERATING ACTIVITIES | \$ (191,956) |

See accompanying notes to the basic financial statements.

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Agency has no component units based on the above considerations, however, the Agency is reported as part of the City of Parma, Ohio’s reporting entity.

Basis of Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

The Agency uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Agency are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Agency finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Agency’s enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Agency considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

| | |
|-----------------------|----------|
| Buildings | 40 years |
| Building Improvements | 15 years |
| Land Improvements | 15 years |
| Furniture, Equipment | 7 years |
| Autos | 5 years |
| Computers | 3 years |

Capitalization of Interest

The Agency's policy is not to capitalize interest related to the construction or purchase of capital assets.

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

Compensated Absences

The Agency 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 Agency for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and (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 liability. Information regarding compensated absences is detailed in Note 7.

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2013, the Agency had undeposited cash on hand, including petty cash, of \$400.

At December 31, 2013, the carrying amount of the Agency's cash deposits was \$708,126 and the bank balance was \$564,022. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2013, deposits totaling \$366,361 were covered by Federal Depository Insurance and deposits totaling \$197,662 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Agency's name.

Custodial credit is the risk that, in the event of a bank failure, the Agency's deposits may not be returned. The Agency's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Agency.

Investments

The Agency does not have a formal investment policy. The Agency follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2013, the Agency had no investments.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Agency's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of the Agency's investments is in the table below. The Agency has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Concentration of Credit Risk

The Agency places no limit on the amount it may invest in any one insurer. The Agency's deposits in financial institutions represent 100 percent of its deposits.

Cash and investments at year-end were as follows:

| Cash and Investment Type | Fair Value | Investment Maturities (in Years) <1 |
|-----------------------------|------------|---|
| Carrying Amount of Deposits | \$ 708,126 | \$ 708,126 |
| Petty Cash | 400 | 400 |
| Total | \$ 708,526 | \$ 708,526 |

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$152,976 on the financial statements represents the following:

| | |
|--|------------|
| Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments | \$ 87,722 |
| FSS Escrow Funds | 53,196 |
| Tenant Security Deposits | 12,058 |
| Total | \$ 152,976 |

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2013 by class is as follows:

| | <u>1/1/2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2013</u> |
|---------------------------------------|---------------------|--------------------|------------------|---------------------|
| Capital Assets not Depreciated: | | | | |
| Land | \$ 13,000 | \$ - | \$ - | \$ 13,000 |
| Construction in Progress | - | 22,823 | - | 22,823 |
| Total Capital Assets not Depreciated | <u>13,000</u> | <u>22,823</u> | <u>-</u> | <u>35,823</u> |
| Capital Assets Depreciated: | | | | |
| Building | 3,205,233 | - | - | 3,205,233 |
| Furniture, Equipment - Dwelling | 102,226 | - | - | 102,226 |
| Furniture, Equipment - Admin. | 178,283 | 27,276 | (43,205) | 162,354 |
| Leasehold Improvements | 967,417 | 45,054 | - | 1,012,471 |
| Total Capital Assets Depreciated | <u>4,453,159</u> | <u>72,330</u> | <u>(43,205)</u> | <u>4,482,284</u> |
| Accumulated Depreciation: | | | | |
| Building | (1,963,192) | (80,131) | - | (2,043,323) |
| Furniture, Equipment - Dwelling | (56,537) | (2,660) | - | (59,197) |
| Furniture, Equipment - Admin. | (145,682) | (23,493) | 43,205 | (125,970) |
| Leasehold Improvements | (395,252) | (55,656) | - | (450,908) |
| Total Accumulated Depreciation | <u>(2,560,663)</u> | <u>(161,940)</u> | <u>43,205</u> | <u>(2,679,398)</u> |
| Total Capital Assets Depreciated, Net | <u>1,892,496</u> | <u>(89,610)</u> | <u>-</u> | <u>1,802,886</u> |
| Total Capital Assets | <u>\$ 1,905,496</u> | <u>\$ (66,787)</u> | <u>\$ -</u> | <u>\$ 1,838,709</u> |

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Agency participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 5: **DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM**
(Continued)

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Direct Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer rates were consistent across all three plans. The 2013 member contribution rates were 10.0% for members 14.0% for employers of covered payroll. The Agency's contribution for the years ended December 31, 2013, 2012, and 2011 amounted to \$48,216, \$48,973, and \$46,471, respectively. These costs have been charged to the employee fringe benefit account. All required contributions for the three years have been paid.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

The Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Agency contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Funding Policy (Continued)

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the employer contribution allocated to the health care plan was 1.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Agency contributions for the year ended December 31, 2013, 2012 and 2011, which were used to fund post-employment benefits, were \$3,389, \$13,992 and \$16,597, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 7: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees will earn 10 hours sick leave per month of service. Unused sick leave may be accumulated without limit. At the time of separation, union employees receive payment for thirty (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time earned must be used in the year earned without accumulation.

At December 31, 2013, the current portion is \$19,848 and the long term portion is \$27,250.

The following is a summary of changes in compensated absences for the year ended December 31, 2013.

| Balance 12/31/2012 | Amount Earned | Amount Used | Balance 12/31/2013 | Amount Due One Year |
|-----------------------|------------------|----------------|-----------------------|------------------------|
| \$ 51,021 | \$ 46,698 | \$ 50,621 | \$ 47,098 | \$ 19,848 |

NOTE 8: **INSURANCE**

The Agency is covered for property damage, general liability, automobile liability, law enforcement liability, public official's liability, and other crime liabilities through membership in the Housing Authority Risk Retention Group, Inc. (HARRG). HARRG is an insurance risk pool comprised of Public Housing Authorities, of which Parma Public Housing Agency is one. Deductibles and coverage limits are summarized below:

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 8: **INSURANCE** (Continued)

| <u>Type of Coverage</u> | <u>Deductible</u> | <u>Coverage Limits</u> |
|-------------------------|-------------------|-------------------------------------|
| Property | \$ 1,000 | \$ 5,631,788 |
| Boiler and Machinery | 250 | \$565,228 / Per Accident |
| General Liability | 500 | \$1,000,000 / \$2,000,000 |
| Automobile Liability | 500 | \$1,000,000 / \$2,000,000 |
| Public Officials | 500 | \$1,000,000 / \$2,000,000 |
| Business Computers | 500 | \$5,000 Software / \$7,500 Hardware |

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Agency is also fully insured through a premium payment plan with Aetna Health, Inc. for employee health care benefits.

NOTE 9: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Agency are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Agency at December 31, 2013.

Litigations and Claims

In the normal course of operations the Agency may be subject to litigation and claims. At December 31, 2013 the Agency was not involved in such matters.

Supplemental Financial Data

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
ACTUAL MODERNIZATION COST CERTIFICATE
FOR THE YEAR ENDED DECEMBER 31, 2013**

Modernization Project Number : OH12P073501-10

| | |
|---|----------------|
| Original Funds Approved: | \$ 96,527 |
| Funds Disbursed: | \$ 96,527 |
| Funds Expended (Actual Modernization Cost): | \$ 96,527 |
| Amount to be Recaptured: | Not Applicable |
| Excess of Funds Disbursed: | Not Applicable |

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2013**

| | Project Total | 14.871 Housing Choice Vouchers | Subtotal | ELIM | Total |
|--|---------------|-----------------------------------|---------------|------|---------------|
| 111 Cash - Unrestricted | \$112,029 | \$443,521 | \$555,550 | | \$555,550 |
| 113 Cash - Other Restricted | | \$140,893 | \$140,893 | | \$140,893 |
| 114 Cash - Tenant Security Deposits | \$12,058 | | \$12,058 | | \$12,058 |
| 115 Cash - Restricted for Payment of Current Liabilities | | \$25 | \$25 | | \$25 |
| 100 Total Cash | \$124,087 | \$1,292,965 | \$708,526 | | \$708,526 |
| 125 Accounts Receivable - Miscellaneous | | \$1,408 | \$1,408 | | \$1,408 |
| 126 Accounts Receivable - Tenants | \$5,529 | | \$5,529 | | \$5,529 |
| 126.1 Allowance for Doubtful Accounts - Tenants | (\$2,817) | | (\$2,817) | | (\$2,817) |
| 126.2 Allowance for Doubtful Accounts - Other | | | \$0 | | \$0 |
| 128 Fraud Recovery | | \$1,285 | \$1,285 | | \$1,285 |
| 128.1 Allowance for Doubtful Accounts - Fraud | | \$0 | \$0 | | \$0 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$2,712 | \$2,693 | \$5,405 | | \$5,405 |
| 142 Prepaid Expenses and Other Assets | \$765 | \$8,542 | \$9,307 | | \$9,307 |
| 150 Total Current Assets | \$127,564 | \$1,304,200 | \$723,238 | | \$723,238 |
| 161 Land | \$13,000 | | \$13,000 | | \$13,000 |
| 162 Buildings | \$3,205,233 | | \$3,205,233 | | \$3,205,233 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$102,226 | | \$102,226 | | \$102,226 |
| 164 Furniture, Equipment & Machinery - Administration | \$85,647 | \$76,707 | \$162,354 | | \$162,354 |
| 165 Leasehold Improvements | \$1,010,655 | \$1,816 | \$1,012,471 | | \$1,012,471 |
| 166 Accumulated Depreciation | (\$2,629,562) | (\$49,836) | (\$2,679,398) | | (\$2,679,398) |
| 167 Construction in Progress | \$22,823 | | \$22,823 | | \$22,823 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$1,810,022 | \$28,687 | \$1,838,709 | | \$1,838,709 |
| 180 Total Non-Current Assets | \$1,810,022 | \$28,687 | \$1,838,709 | | \$1,838,709 |
| 190 Total Assets | \$1,937,586 | \$1,332,887 | \$2,561,947 | | \$2,561,947 |
| 200 Deferred Outflow of Resources | \$0 | \$0 | \$0 | | \$0 |
| 290 Total Assets and Deferred Outflow of Resources | \$1,937,586 | \$1,332,887 | \$2,561,947 | | \$2,561,947 |
| 312 Accounts Payable <= 90 Days | \$3,625 | \$3,625 | \$7,250 | | \$7,250 |
| 322 Accrued Compensated Absences - Current Portion | \$3,964 | \$15,884 | \$19,848 | | \$19,848 |
| 331 Accounts Payable - HUD PHA Programs | | \$25 | \$25 | | \$25 |
| 341 Tenant Security Deposits | \$12,058 | | \$12,058 | | \$12,058 |
| 342 Unearned Revenue | \$304 | | \$304 | | \$304 |
| 345 Other Current Liabilities | \$38,595 | \$21,570 | \$60,165 | | \$60,165 |
| 310 Total Current Liabilities | \$58,546 | \$41,104 | \$99,650 | | \$99,650 |
| 353 Non-current Liabilities - Other | | \$53,172 | \$53,172 | | \$53,172 |
| 354 Accrued Compensated Absences - Non Current | \$26,380 | \$870 | \$27,250 | | \$27,250 |
| 350 Total Non-Current Liabilities | \$26,380 | \$54,042 | \$80,422 | | \$80,422 |
| 300 Total Liabilities | \$84,926 | \$95,146 | \$180,072 | | \$180,072 |
| 400 Deferred Inflow of Resources | \$0 | \$0 | \$0 | | \$0 |
| 508.4 Net Investment in Capital Assets | \$1,810,022 | \$28,687 | \$1,838,709 | | \$1,838,709 |
| 511.4 Restricted Net Position | | \$87,722 | \$87,722 | | \$87,722 |
| 512.4 Unrestricted Net Position | \$42,638 | \$412,806 | \$455,444 | | \$455,444 |
| 513 Total Equity - Net Assets / Position | \$1,852,660 | \$529,215 | \$2,381,875 | | \$2,381,875 |
| 600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position | \$1,937,586 | \$624,361 | \$2,561,947 | | \$2,561,947 |

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Project Total | 14.871 Housing Choice Vouchers | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|-------------|------|-------------|
| 70300 Net Tenant Rental Revenue | \$87,426 | | \$87,426 | | \$87,426 |
| 70400 Tenant Revenue - Other | | | \$0 | | \$0 |
| 70500 Total Tenant Revenue | \$87,426 | \$0 | \$87,426 | | \$87,426 |
| 70600 HUD PHA Operating Grants | \$251,792 | \$4,869,541 | \$5,121,333 | | \$5,121,333 |
| 70610 Capital Grants | \$22,823 | | \$22,823 | | \$22,823 |
| 71100 Investment Income - Unrestricted | \$195 | \$43 | \$238 | | \$238 |
| 71400 Fraud Recovery | | \$12,471 | \$12,471 | | \$12,471 |
| 71500 Other Revenue | \$23,334 | \$20,868 | \$44,202 | | \$44,202 |
| 70000 Total Revenue | \$385,570 | \$4,902,923 | \$5,288,493 | | \$5,288,493 |
| 91100 Administrative Salaries | \$75,858 | \$134,994 | \$210,852 | | \$210,852 |
| 91200 Auditing Fees | \$1,135 | \$10,211 | \$11,346 | | \$11,346 |
| 91500 Employee Benefit contributions - Administrative | \$30,754 | \$80,267 | \$111,021 | | \$111,021 |
| 91600 Office Expenses | \$16,785 | \$51,940 | \$68,725 | | \$68,725 |
| 91700 Legal Expense | | | \$0 | | \$0 |
| 91800 Travel | \$2,959 | \$6,142 | \$9,101 | | \$9,101 |
| 91900 Other | \$27,143 | \$39,587 | \$66,730 | | \$66,730 |
| 91000 Total Operating - Administrative | \$154,634 | \$323,141 | \$477,775 | | \$477,775 |
| 92100 Tenant Services - Salaries | | \$40,392 | \$40,392 | | \$40,392 |
| 92500 Total Tenant Services | \$0 | \$40,392 | \$40,392 | | \$40,392 |
| 93100 Water | \$21,621 | | \$21,621 | | \$21,621 |
| 93200 Electricity | \$11,926 | \$926 | \$12,852 | | \$12,852 |
| 93300 Gas | \$19,665 | | \$19,665 | | \$19,665 |
| 93600 Sewer | \$24,723 | | \$24,723 | | \$24,723 |
| 93000 Total Utilities | \$77,935 | \$926 | \$78,861 | | \$78,861 |
| 94100 Ordinary Maintenance and Operations - Labor | \$51,743 | | \$51,743 | | \$51,743 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$18,418 | | \$18,418 | | \$18,418 |
| 94300 Ordinary Maintenance and Operations Contracts | \$35,472 | | \$35,472 | | \$35,472 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$22,617 | | \$22,617 | | \$22,617 |
| 94000 Total Maintenance | \$128,250 | \$0 | \$128,250 | | \$128,250 |
| 95300 Protective Services - Other | \$3,114 | | \$3,114 | | \$3,114 |
| 95000 Total Protective Services | \$3,114 | \$0 | \$3,114 | | \$3,114 |
| 96110 Property Insurance | \$16,617 | | \$16,617 | | \$16,617 |
| 96120 Liability Insurance | | \$5,891 | \$5,891 | | \$5,891 |
| 96130 Workmen's Compensation | \$2,110 | \$3,302 | \$5,412 | | \$5,412 |
| 96100 Total insurance Premiums | \$18,727 | \$9,193 | \$27,920 | | \$27,920 |
| 96200 Other General Expenses | \$233 | \$1,674 | \$1,907 | | \$1,907 |
| 96210 Compensated Absences | \$18,709 | \$27,989 | \$46,698 | | \$46,698 |
| 96400 Bad debt - Tenant Rents | \$8,718 | | \$8,718 | | \$8,718 |
| 96000 Total Other General Expenses | \$27,660 | \$29,663 | \$57,323 | | \$57,323 |

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2013**

| | | | | |
|---|-------------|-------------|-------------|-------------|
| 96900 Total Operating Expenses | \$410,320 | \$403,315 | \$813,635 | \$813,635 |
| 97000 Excess of Operating Revenue over Operating Expenses | (\$24,750) | \$4,499,608 | \$4,474,858 | \$4,474,858 |
| 97300 Housing Assistance Payments | | \$4,669,024 | \$4,669,024 | \$4,669,024 |
| 97350 HAP Portability-In | | \$4,339 | \$4,339 | \$4,339 |
| 97400 Depreciation Expense | \$152,964 | \$8,976 | \$161,940 | \$161,940 |
| 90000 Total Expenses | \$563,284 | \$5,085,654 | \$5,648,938 | \$5,648,938 |
| 10010 Operating Transfer In | \$24,654 | | \$24,654 | (\$24,654) |
| 10020 Operating transfer Out | (\$24,654) | | (\$24,654) | \$24,654 |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | (\$177,714) | (\$182,731) | (\$360,445) | (\$360,445) |
| 11030 Beginning Equity | \$2,030,374 | \$711,946 | \$2,742,320 | \$2,742,320 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$0 | \$0 | \$0 | \$0 |
| Ending Equity | \$1,852,660 | \$529,215 | \$2,381,875 | \$2,381,875 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 |
| 11170 Administrative Fee Equity | | \$441,493 | \$441,493 | \$441,493 |
| 11180 Housing Assistance Payments Equity | | \$87,722 | \$87,722 | \$87,722 |
| 11190 Unit Months Available | 720 | 8,904 | 9,624 | 9,624 |
| 11210 Number of Unit Months Leased | 695 | 8,132 | 8,827 | 8,827 |
| 11270 Excess Cash | \$35,087 | | \$35,087 | \$35,087 |
| 11610 Land Purchases | \$0 | | \$0 | \$0 |
| 11620 Building Purchases | \$0 | | \$0 | \$0 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | \$0 | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$22,823 | | \$22,823 | \$22,823 |
| 11650 Leasehold Improvements Purchases | \$0 | | \$0 | \$0 |
| 11660 Infrastructure Purchases | \$0 | | \$0 | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | \$0 | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | \$0 | \$0 |

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2013**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|----------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| <i>Direct from the Agency:</i> | | |
| Housing Choice Vouchers | 14.871 | \$ 4,869,541 |
| Public and Indian Housing | 14.850 | 214,811 |
| Public Housing Capital Fund Program | 14.872 | <u>59,804</u> |
| Total U.S. Department of Housing and Urban Development | | <u>5,144,156</u> |
| Total Federal Awards Expenditures | | <u><u>\$ 5,144,156</u></u> |

The accompanying notes to this schedule are an integral part of this schedule

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures, the “schedule,” is a summary of the activity of the Agency’s federal award programs. The schedule has been prepared on the accrual basis of accounting.

Perry & Associates

Certified Public Accountants, A.C.

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(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

May 21, 2014

Parma Public Housing Agency
Cuyahoga County
1440 Rockside Road, Suite 306
Parma, OH 44134

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Parma Public Housing Agency**, Cuyahoga County, (the Agency) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated May 21, 2014.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Agency's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Agency's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

May 21, 2014

Parma Public Housing Agency
Cuyahoga County
1440 Rockside Road, Suite 306
Parma, OH 44134

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the **Parma Public Housing Agency's** (the Agency) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Parma Public Housing Agency's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Agency's major federal program.

Management's Responsibility

The Agency's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Agency's compliance for each of the Agency's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Agency's major program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on the Major Federal Program

In our opinion, the Parma Public Housing Agency complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Agency's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Agency's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

1. SUMMARY OF AUDIT RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

PARMA PUBLIC HOUSING AGENCY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 24, 2014**