PARMA PUBLIC HOUSING AGENCY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

Mary Taylor, CPA
Auditor of State

Board of Directors
Parma Public Housing Agency
1440 Rockside Road, Suite 306
Parma, Ohio 44134

We have reviewed the *Independent Auditor's Report* of the Parma Public Housing Agency, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 14, 2010

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PARMA PUBLIC HOUSING AGENCY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2009

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Department of Parma Public Housing
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the business-type activities of the Department of Parma Public Housing, City of Parma, Ohio as of and for the year ended December 31, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department of Parma Public Housing, City of Parma, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Parma, Ohio as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Department of Parma Public Housing, City of Parma as of December 31, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2010, on our consideration of the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Parma Public Housing, City of Parma, Ohio's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and were derived from and relate to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

May 21, 2010

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 2009 year's activities, resulting changes and currently known facts, please read it in conjunction with the Agency's financial statements.

Financial Highlights

- The Agency's net assets increased by $72,050, or 3 percent, during 2009, resulting from changes in operations. Since the Agency engages in only business-type activities, the increase is all in the category of business-type net assets.

- Revenues increased by $174,281, or 3 percent, during 2009.

- The total expenses of the Agency's programs decreased by $50,987, or 1 percent.

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 Assets, which is similar to a balance sheet. The Statement of Net Assets reports all financial and capital resources for the Agency. The Statement is presented in the format where assets minus liabilities equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

Net Assets, Invested in Capital Assets, Net of Related Debt - This component of Net Assets consists of all capital assets reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Assets - This component 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's financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, which is similar to an Income Statement. This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, 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.

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.

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 Agency to provide the housing at a rent that is based upon 30 percent 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 percent 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 Assets compared to prior year.

Table 1 - Statement of Net Assets

	2009	2008
Assets		
Current and Other Assets	$ 1,131,088	$ 676,361
Capital Assets	2,063,638	2,025,660
Total Assets	$ 3,194,726	$ 2,702,021
Liabilities		
Current Liabilities	$ 459,440	$ 51,432
Long-term Liabilities	39,964	27,317
Total Liabilities	499,404	78,749
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,063,638	2,025,660
Restricted Net Assets	314,042	407,854
Unrestricted Net Assets	317,642	189,758
Total Net Assets	2,695,322	2,623,272
Total Liabilities and Net Assets	$ 3,194,726	$ 2,702,021

For more detail information, see Statement of Net Assets presented on page 9.

Major Factors Affecting the Statement of Net Assets

During 2009, current and other assets increased by $454,727, and current liabilities increased by $408,008. The change in current assets was due mainly to the change in cash. The cash balance increased by $473,343 for the year, mostly due to receiving January subsidy for the Housing Choice Voucher program at the end of December. The January subsidy is reflected as deferred revenue, which also explains the increase in current liabilities.

Capital assets increased from $2,025,660 in 2008 to $2,063,638 in 2009. The $37,978 increase consists of the current year additions of $162,196, less current year depreciation expense of $124,218. For more detail see "Capital Assets" presented later in this report.

The following table presents details on the change in Unrestricted Net Assets.

Table 2 - Change of Unrestricted Net Assets

Beginning Balance - January 1, 2009	$ 189,758
Results of Operations	72,050
Adjustments:	
Current Year Depreciation Expense (1)	124,218
Capital Expenditures (2)	(162,196)
Transfer from Restricted Net Assets (3)	93,812
Ending Balance - December 31, 2009	$ 317,642

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

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

(3) Net Assets 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 Assets provides a clearer presentation of the Agency's 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 Assets

	2009	2008
Revenues		
Total Tenant Revenues	$ 115,575	$ 99,296
Operating Subsidies	5,107,021	4,956,533
Capital Grants	130,037	35,683
Investment Income	1,271	5,386
Other Revenues	22,152	104,877
Total Revenues	5,376,056	5,201,775
Expenses		
Administrative	467,056	557,124
Tenant Services	40,300	600
Utilities	84,274	98,309
Maintenance	116,284	124,673
Protective Services	679	399
General Expenses	40,117	42,308
Housing Assistance Payments	4,431,078	4,394,340
Depreciation	124,218	137,240
Total Expenses	5,304,006	5,354,993
Net Increases (Decreases)	$ 72,050	$ (153,218)

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

Total revenue increased by $174,281 for the year. The revenue was $5,201,775 in 2008 and $5,376,056 in 2009. The increase is mainly due to increased grant income for the Housing Choice Voucher Program.

Capital Grant revenue increased by $94,354 during the year. This increase is due to more capital funded activities performed during the year.

Total expenses decreased by $50,987 for the year. The decrease was mainly due to a decrease in utilities expenses, office expenses, and administrative salaries.

Capital Assets

As of year-end, the Agency had $2,063,638 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of $37,978, or 2 percent from the end of last year.

Table 4 - Capital Assets at Year-End (Net of Depreciation)

	2009	2008
Land and Land Rights	$ 13,000	$ 13,000
Buildings	3,205,233	3,205,233
Furniture, Equipment, and Machinery - Dwelling	51,556	39,932
Furniture, Equipment, and Machinery - Admin.	135,587	115,995
Leasehold Improvements	637,876	564,090
Construction in Progress	142,749	85,555
Accumulated Depreciation	(2,122,363)	(1,998,145)
Net Capital Assets	$ 2,063,638	$ 2,025,660

The following reconciliation identifies the change in Capital Assets.

Beginning Balance - January 1, 2009	$ 2,025,660	$ 2,121,372
Current Year Additions	162,196	41,528
Current Year Depreciation Expense	(124,218)	(137,240)
Ending Balance - December 31, 2009	$ 2,063,638	$ 2,025,660

Current year additions are summarized as follows:

Network Server	$ 4,109
Hot Water Tank	10,550
Storm Doors	5,414
Bullet Proof Window for Office	2,018
File Cabinets for Office	2,000
Vehicle	13,483
CIP - Flooring Project	37,363
Paving - ARRA Funds	87,259
Total 2009 Additions	$ 162,196

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
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs.

Financial Contact

The individual to be contacted regarding this report is Lev Kulchytsky, Executive Director of the Parma Public Housing Agency, at (440) 885-8157. Specific requests may be submitted to the Parma Public Housing Agency, 1440 Rockside Road, Suite 306, Parma, Ohio 44134.

PARMA PUBLIC HOUSING AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Unrestricted	$ 776,126
Restricted	343,854
Receivables, Net	8,918
Prepaid Expenses and Other Assets	2,190
Total Current Assets	1,131,088
Noncurrent Assets	
Non-Depreciable Capital Assets	155,749
Depreciable Capital Assets, Net	1,907,889
Total Noncurrent Assets	2,063,638
TOTAL ASSETS	$ 3,194,726
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 26,495
Compensated Absences	10,053
Accrued Wages and Taxes	6,451
Tenant Security Deposits	12,099
Other Current Liabilities	170
Deferred Revenue	404,172
Total Current Liabilities	459,440
Noncurrent Liabilities	
Accrued Compensated Absences Non-Current	22,251
Other Non-Current Liabilities	17,713
Total Noncurrent Liabilities	39,964
Total Liabilities	$ 499,404
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,063,638
Restricted Net Assets	314,042
Unrestricted Net Assets	317,642
Total Net Assets	2,695,322
TOTAL LIABILITIES AND NET ASSETS	$ 3,194,726

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Revenues	
Government Grants	$ 5,107,021
Tenant Revenue	115,575
Other Revenue	22,152
Total Operating Revenues	5,244,748
Operating Expenses	
Administrative	467,056
Tenant Services	40,300
Utilities	84,274
Maintenance	116,284
Protective Services	679
General	40,117
Housing Assistance Payments	4,431,078
Depreciation	124,218
Total Operating Expenses	5,304,006
Income (Loss) Before Depreciation	(59,258)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	1,271
Total Non-Operating Revenues (Expenses)	1,271
Income (Loss) before Capital Grants	(57,987)
Capital Grants	130,037
Change in Net Assets	72,050
Total Net Assets, Beginning of Year	2,623,272
Net Assets, End of Year	$ 2,695,322

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows from Operating Activities	
Operating Grants Received	$ 5,506,066
Tenant Revenue Received	138,983
Housing Assistance Payments	(4,431,078)
General and Administrative Expenses Paid	(731,892)
Other Revenue Received	22,152
Net Cash (Provided) by Operating Activities	504,231
Cash Flows from Capital and Related Financing Activities	
Property and Equipment Purchased	(162,196)
Capital Grants Received	130,037
Net Cash Provided by Capital and Other Related Financing Activities	(32,159)
Cash Flows from Investing Activities	
Interest and Investment Income Received	1,271
Net Cash Provided by Investing Activities	1,271
Net Increase (Decrease) in Cash and Cash Equivalents	473,343
Cash and Cash Equivalents, Beginning of Year	646,637
Cash and Cash Equivalents, End of Year	$ 1,119,980
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (59,258)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	124,218
(Increase) Decrease in Accounts Receivable	1,408
(Increase) Decrease in Prepaid Assets	17,208
Increase (Decrease) in Accounts Payable	1,831
Increase (Decrease) in Deferred Revenue	404,172
Increase (Decrease) in Accrued Compensated Absences - Current	1,335
Increase (Decrease) in Accrued Compensated Absences - Noncurrent	1,073
Increase (Decrease) in Accrued Expenses Payable	2,183
Increase (Decrease) in Tenant Security Deposits	(1,653)
Increase (Decrease) in Other Liabilities	11,714
Net Cash Used by (Provided by) Operating Activities	$ 504,231

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and 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 that was 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 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 has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Agency has elected not to follow FASB guidance issued after November 30, 1989.

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

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

Basis of Presentation (Continued)
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 assets, 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 assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 nonoperating 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 nonoperating revenues and expenses.

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.

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

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
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, if any.

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 6.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand
At December 31, 2009, the Agency had undeposited cash on hand, petty cash, of $400.

At December 31, 2009, the carrying amount of the Agency's cash deposits was $1,119,580 and the bank balance was $1,134,193. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2009, deposits totaling $390,524 were covered by Federal Depository Insurance and deposits totaling $743,669 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, 2009, 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.

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

Credit Risk
The credit risk of the Agency's investments are 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.

Concentration of Credit Risk
The Agency places no limit on the amount it may invest in any one institution. The Agency's deposits in financial institutions represents 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	$ 1,119,580	$ 1,119,580
Petty Cash	400	400
Totals	$ 1,119,980	$ 1,119,980

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of $343,854 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	$ 314,042
FSS Escrow Funds	17,713
Tenant Security Deposits	12,099
Total Restricted Cash	$ 343,854

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2009 by class is as follows:

	01/01/2009	Adjustments	Additions	Deletions	12/31/2009
Capital Assets Not Being Depreciated					
Land	$ 13,000	$ 0	$ 0	$ 0	$ 13,000
Construction in Progress	85,555	(67,428)	124,622	0	142,749
Total Capital Assets Not Being Depreciated	98,555	(67,428)	124,622	0	155,749
Capital Assets Being Depreciated					
Buildings and Improvements	3,205,233	0	0	0	3,205,233
Furniture, Equipment, and Machinery - Dwellings	39,932	1,074	10,550	0	51,556
Furniture, Equipment, and Machinery - Administrative	115,995	0	19,592	0	135,587
Leasehold Improvements	564,090	66,354	7,432	0	637,876
Subtotal Capital Assets Being Depreciated	3,925,250	67,428	37,574	0	4,030,252
Accumulated Depreciation					
Buildings and Improvements	(1,642,668)	0	(80,131)	0	(1,722,799)
Furniture, Equipment, and Machinery - Dwellings	(41,013)	1,612	0	0	(39,401)
Furniture, Equipment, and Machinery - Administrative	(100,489)	(1,612)	(11,498)	0	(113,599)
Leasehold Improvements	(213,975)	0	(32,589)	0	(246,564)
Total Accumulated Depreciation	(1,998,145)	67,428	(124,218)	0	(2,122,363)
Depreciation Assets, Net	1,927,105	0	(86,644)	0	1,907,889
Total Capital Assets, Net	$ 2,025,660	$ 0	$ 37,978	$ 0	$ 2,063,638

NOTE 5: PENSION PLAN

Ohio Public Employees Retirement System

The Agency participates in the Ohio Public Employees Retirement System (OPERS) through the City of Parma. OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

NOTE 5: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2009 was 14 percent. The Ohio Revised Code provides statutory authority for members and employer contributions.

The Agency's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2009, 2008, and 2007 were $46,143, $52,373, and $47,582, respectively; the full amount has been contributed for 2009, 2008, and 2007. The Agency had no employees participating in the Member-Directed Plans for the years ended December 31, 2009, 2008, and 2007.

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NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 employer rate was 14 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.

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. The portion of employer contributions allocated to health care was 7.00 percent for the months of January through March in 2009 and was 5.5 percent for the months of April through December. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

Ohio Public Employees Retirement System (Continued)
All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2009, the number of active contributing participants in the Traditional Pension and Combined plans totaled 357,584. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2008 was $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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, 2009, the current portion is $10,053 and the long term portion is $22,251.

NOTE 7: **COMPENSATED ABSENCES** (Continued)

The following is a summary of changes in compensated absences for the year ended December 31, 2009:

Balance 12/31/08	Additions	Deletions	Balance 12/31/09	Due Within One Year
$ 29,896	$ 23,385	$ 20,977	$ 32,304	$ 10,053

NOTE 8: **INSURANCE**

The Agency is covered for property damage, general liability, automobile liability, law enforcement liability, public officials 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:

Type of Coverage	Deductible	Coverage Limits
Property	$ 1,000	$ 6,647,833
Boiler and Machinery	250	$ 6,647,833
General Liability	500	1,000,000/2,000,000
Automobile Liability	500	1,000,000/2,000,000
Public Officials	1,000	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. Settled claims have not exceeded the Agency's insurance in any of the past three years.

NOTE 9: **CONTINGENCIES**

The Agency is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Agency's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Agency.

The Agency has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 222,148
CFP Cluster		
Capital Fund Program	14,872	50,039
Public Housing Capital Fund Stimulus Recovery Act Funded	14.885	98,379
Total CFP Cluster		148,418
Total Public Housing Programs		370,566
Section 8 Tenant Based Programs		
Section 8 Housing Choice Voucher Program	14.871	4,866,492
Total Section 8 Tenant Based Programs		4,866,492
Total U.S. Department of Housing and Urban Development		5,237,058
Total Federal Assistance		$ 5,237,058

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Department of Parma Public Housing
Parma, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We 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, 2009, wherein we noted that the statements reflect only the Department of Public Housing and not the financial position of the City of Parma, Ohio, which collectively comprise the Department of Parma Public Housing, City of Parma, Ohio's basic financial statements and have issued our report thereon dated May 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

May 21, 2010

JAMES G. ZUPKA, C.P.A., INC.
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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

Board of Directors
Parma Public Housing Agency
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We 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, 2009. The Department of Parma Public Housing, City of Parma, Ohio's major federal programs are identified in the Summary of Auditor's Results 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. Our responsibility is to express an opinion on the Department of Parma Public Housing, Ohio's compliance based on our audit.

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

In our opinion, the Department of Parma Public Housing, City of Parma, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 our audit, we considered the Department of Parma Public Housing, City of Parma, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department of Parma Public Housing, City of Parma, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

James G. Zupka

James G. Zupka CPA, Inc.
Certified Public Accountants

May 21, 2010

PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2009

1. **SUMMARY OF AUDITOR'S RESULTS**

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2009(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2009(ix)	Low Risk Auditee?	Yes

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

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

PARMA PUBLIC HOUSING AGENCY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

The prior audit report, as of December 31, 2008, included no citations. Management letter recommendations have been corrected, or procedures instituted to prevent occurrences in this audit period.

Mary Taylor, CPA
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 29, 2010

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