

**PARMA PUBLIC
HOUSING AGENCY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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



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 James G. Zupka, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. 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

July 12, 2013

This page intentionally left blank.

**PARMA PUBLIC HOUSING AGENCY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13-23
Supplemental Information:	
Financial Data Schedules:	
Entity Wide Balance Sheet Summary	24
Entity Wide Revenue and Expense Summary	25-26
Schedule of Expenditures of Federal Awards	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	30-31
Schedule of Findings and Questioned Costs	32
Status of Prior Citations and Recommendations	33

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parma Public Housing Agency
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Parma Public Housing Agency, City of Parma, Ohio (the Agency) as of and for the year ended December 31, 2012, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Parma Public Housing Agency, City of Parma, Ohio, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Parma Public Housing Agency, City of Parma, Ohio, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the City of Parma, Ohio, that are attributable to the transactions of the Parma Public Housing Agency, Ohio. They do not purport to, and do not, present fairly the financial position of the City of Parma, Ohio as of December 31, 2012, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Parma Public Housing Agency, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and not a part of the basic financial statements. The 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 basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2013, on our consideration of the Agency'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 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.


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

June 8, 2013

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 2012 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 position decreased by \$1,779, or .07 percent, during 2012, 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 position.
- Revenues decreased by \$26,613, or 0.5 percent, during 2012.
- The total expenses of the Agency's programs decreased by \$87,224, or 2 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 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 net assets. 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) are reported in three broad categories:

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.

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Unrestricted Net Position - Consists of Net Position that does not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt” or “Restricted Net Position”.

The Agency’s financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Position, 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 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.

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 Position compared to prior year.

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Table 1 - Statement of Net Position

	2012	2011
Assets		
Current and Other Assets	\$ 1,006,244	\$ 988,912
Capital Assets	<u>1,905,496</u>	<u>1,921,929</u>
Total Assets	<u>\$ 2,911,740</u>	<u>\$ 2,910,841</u>
Liabilities		
Current Liabilities	\$ 84,438	\$ 84,308
Long-term Liabilities	<u>84,982</u>	<u>82,434</u>
Total Liabilities	<u>169,420</u>	<u>166,742</u>
Net Position		
Invested in Capital Assets	1,905,496	1,921,929
Restricted	301,487	333,191
Unrestricted	<u>535,337</u>	<u>488,979</u>
Total Net Position	<u>2,742,320</u>	<u>2,744,099</u>
Total Liabilities and Net Position	<u>\$ 2,911,740</u>	<u>\$ 2,910,841</u>

For more detail information, see Statement of Net Position presented on page 10.

Major Factors Affecting the Statement of Net Position

During 2012, current and other assets increased by \$17,332, and current liabilities increased by \$130. The change in current assets was due mainly to the change in cash. The current liabilities increase was negligible.

Capital assets decreased from \$1,921,929 in 2011 to \$1,905,496 in 2012. The \$16,433 decrease is contributed primarily to the current year additions of \$137,742, less current year depreciation expense of \$154,174. For more detail see "Capital Assets" presented later in this report.

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

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Table 2 - Change of Unrestricted Net Position

Beginning Balance - January 1, 2012	\$ 488,979
Results of Operations	(1,779)
Adjustments:	
Current Year Depreciation Expense (1)	154,174
Capital Expenditures (2)	(137,742)
Transfer from Restricted Net Position (3)	<u>31,705</u>
Ending Balance - December 31, 2012	<u>\$ 535,337</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 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 Position

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 86,383	\$ 100,508
Operating Subsidies	5,248,191	5,327,436
Capital Grants	108,385	48,873
Investment Income	653	705
Other Revenues	<u>32,952</u>	<u>25,655</u>
Total Revenues	<u>5,476,564</u>	<u>5,503,177</u>
<u>Expenses</u>		
Administrative	490,972	488,090
Tenant Services	40,392	40,808
Utilities	65,568	71,157
Maintenance	129,681	127,447
Protective Services	5,256	1,533
General Expenses	65,557	69,066
Housing Assistance Payments	4,526,743	4,622,223
Depreciation	<u>154,174</u>	<u>145,243</u>
Total Expenses	<u>5,478,343</u>	<u>5,565,567</u>
Net Increases (Decreases)	<u>\$ (1,779)</u>	<u>\$ (62,390)</u>

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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

Total revenue decreased by \$26,613 for the year. The revenue was \$5,503,177 in 2011 and \$5,476,564 in 2012. The decrease is mainly due to a decrease in housing subsidies received and decrease in tenant rent income.

Total expenses decreased by \$87,224 for the year. The decrease was mainly due to the decrease in housing assistance expense.

Capital Assets

As of year-end, the Agency had \$1,905,496 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$16,443, or 0.9 percent from the end of last year.

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

	2012	2011
Land and Land Rights	\$ 13,000	\$ 13,000
Buildings and Improvements	3,205,233	3,205,233
Furniture and Equipment - Dwelling	102,226	57,756
Furniture and Equipment - Admin.	178,283	166,507
Leasehold Improvements	967,417	885,921
Accumulated Depreciation	<u>(2,560,663)</u>	<u>(2,406,488)</u>
Net Capital Assets	<u>\$ 1,905,496</u>	<u>\$ 1,921,929</u>

The following reconciliation identifies the change in Capital Assets.

Beginning Balance - January 1, 2012	\$ 1,921,929
Current Year Additions	137,742
Current Year Depreciation Expense	<u>(154,175)</u>
Ending Balance - December 31, 2012	<u>\$ 1,905,496</u>

Current year additions are summarized as follows:

John Deere Tractor and accessories	\$ 4,999
Meter Center Installation	43,708
Seal Parking Lots	6,807
Furnace Renovations	40,200
Security Cameras	685
Rent Reasonableness Software	3,500
File Cabinets	1,980
Other Additions	1,590
Ranges and Refrigerators	325
Flooring Replacement	<u>33,948</u>
Total 2012 Additions	<u>\$ 137,742</u>

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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 percent of expenditure level of that anticipated in 2012.
- 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 POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents:

Unrestricted	\$ 604,485
Restricted	368,089

Receivables, Net	5,729
------------------	-------

Prepaid Expenses and Other Assets	27,941
-----------------------------------	--------

Total Current Assets	<u>1,006,244</u>
-----------------------------	------------------

Noncurrent Assets

Non-Depreciable Capital Assets	13,000
--------------------------------	--------

Depreciable Capital Assets, Net	1,892,496
---------------------------------	-----------

Total Noncurrent Assets	<u>1,905,496</u>
--------------------------------	------------------

TOTAL ASSETS	<u>\$ 2,911,740</u>
---------------------	---------------------

LIABILITIES

Current Liabilities

Accounts Payable	\$ 4,199
------------------	----------

Accrued Liabilities	54,246
---------------------	--------

Tenant Security Deposits	10,932
--------------------------	--------

Other Current Liabilities	14,757
---------------------------	--------

Deferred Revenue	304
------------------	-----

Total Current Liabilities	<u>84,438</u>
----------------------------------	---------------

Noncurrent Liabilities

Accrued Compensated Absences Non-Current	29,312
------------------------------------------	--------

Other Non-Current Liabilities	55,670
-------------------------------	--------

Total Noncurrent Liabilities	<u>84,982</u>
-------------------------------------	---------------

Total Liabilities	<u>169,420</u>
--------------------------	----------------

NET POSITION

Investment in Capital Assets	1,905,496
------------------------------	-----------

Restricted	301,487
------------	---------

Unrestricted	535,337
--------------	---------

Total Net Position	<u>\$ 2,742,320</u>
---------------------------	---------------------

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenues

Government Grants	\$ 5,248,191
Tenant Revenue	86,383
Other Revenue	<u>32,952</u>
Total Operating Revenues	<u>5,367,526</u>

Operating Expenses

Administrative	490,972
Tenant Services	40,392
Utilities	65,568
Maintenance	129,681
Protective Services	5,256
General	65,557
Housing Assistance Payments	4,526,743
Depreciation	<u>154,174</u>
Total Operating Expenses	<u>5,478,343</u>
Income (Loss) Before Depreciation	(110,817)

Non-Operating Revenues (Expenses)

Interest and Investment Revenue	<u>653</u>
Total Non-Operating Revenues (Expenses)	<u>653</u>
Income (Loss) before Capital Grants	(110,164)

Capital Grants	<u>108,385</u>
Change in Net Position	(1,779)

Total Net Position, Beginning of Year	<u>2,744,099</u>
---------------------------------------	------------------

Net Position, End of Year	<u>\$ 2,742,320</u>
----------------------------------	----------------------------

See accompanying notes to the basic financial statements.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash Flows from Operating Activities

Operating Grants Received	\$ 5,243,626
Tenant Revenue Received	85,833
Housing Assistance Payments	(4,526,743)
General and Administrative Expenses Paid	(801,678)
Other Revenue Received	<u>33,422</u>
Net Cash (Provided) by Operating Activities	<u>34,460</u>

Cash Flows from Capital and Related Financing Activities

Property and Equipment Purchased	(137,742)
Capital Grants Received	<u>108,385</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(29,357)</u>

Cash Flows from Investing Activities

Interest and Investment Income Received	<u>653</u>
Net Cash Provided by Investing Activities	<u>653</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,756

Cash and Cash Equivalents, Beginning of Year	<u>966,818</u>
----------------------------------------------	----------------

Cash and Cash Equivalents, End of Year	<u>\$ 972,574</u>
-----------------------------------------------	--------------------------

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Net Operating (Loss)	\$ (110,817)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	154,174
(Increase) Decrease in Accounts Receivable	(5,143)
(Increase) Decrease in Prepaid Assets	(6,433)
Increase (Decrease) in Accounts Payable	2,799
Increase (Decrease) in Accrued Compensated Absences - Current	823
Increase (Decrease) in Accrued Compensated Absences - Noncurrent	601
Increase (Decrease) in Accrued Expenses Payable	(3,990)
Increase (Decrease) in Tenant Security Deposits	678
Increase (Decrease) in Other Liabilities	<u>1,768</u>

Net Cash Used by (Provided by) Operating Activities	<u>\$ 34,460</u>
------------------------------------------------------------	-------------------------

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Organization and Reporting Entity

The Parma Public Housing Agency, 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 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 Agency depends on subsidies from HUD to operate.

This report includes only the financial statements and transactions of the Parma Public Housing Agency, which is a department of the City of Parma, Ohio. This report does not present the financial position of the City of Parma, Ohio. The Agency is considered a department of the City. The Agency has no component units.

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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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 Changes in Net Position 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.

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

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2012, the Agency had undeposited cash on hand, including petty cash, of \$400.

At December 31, 2012, the carrying amount of the Agency's cash deposits was \$972,174 and the bank balance was \$996,179. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2012, deposits totaling \$522,277 were covered by Federal Depository Insurance and deposits totaling \$473,902 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, 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, 2012, 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 shown in the table below. The Agency has no investment policy that would further limit its investment choices.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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.

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$368,089 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 301,487
FSS Escrow Funds	55,670
Tenant Security Deposits	<u>10,932</u>
Total Restricted Cash	<u>\$ 368,089</u>

This space intentionally left blank.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2012 by class is as follows:

	<u>01/01/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2012</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 13,000	\$ 0	\$ 0	\$ 13,000
Total Capital Assets Not Being Depreciated	<u>13,000</u>	<u>0</u>	<u>0</u>	<u>13,000</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	3,205,233	0	0	3,205,233
Furniture and Equipment - Dwellings	57,756	44,470	0	102,226
Furniture and Equipment - Administrative	166,507	11,776	0	178,283
Leasehold Improvements	885,921	81,496	0	967,417
Subtotal Capital Assets Being Depreciated	<u>4,315,417</u>	<u>137,742</u>	<u>0</u>	<u>4,453,159</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(1,883,061)	(80,131)	0	(1,963,192)
Furniture and Equipment - Dwellings	(50,572)	(5,965)	0	(56,537)
Furniture and Equipment - Administrative	(135,939)	(9,743)	0	(145,682)
Leasehold Improvements	(336,916)	(58,336)	0	(395,252)
Total Accumulated Depreciation	<u>(2,406,488)</u>	<u>(154,175)</u>	<u>0</u>	<u>(2,560,663)</u>
Total Capital Assets Depreciated, Net	<u>1,908,929</u>	<u>(16,433)</u>	<u>0</u>	<u>1,892,496</u>
Total Capital Assets, Net	<u>\$ 1,921,929</u>	<u>\$ (16,433)</u>	<u>\$ 0</u>	<u>\$ 1,905,496</u>

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

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

1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent). Under the Member-Directed 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 benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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 in Chapter 145 of the Ohio Revised Code. OPERS issues 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 2012, members and employer rates were consistent across all three plans. The 2012 member contribution rates were 10.0 percent for members and 14.0 percent for employers of covered payroll. The Authority's contribution for the years ended December 31, 2012, 2011, and 2010 amounted to \$48,973, \$46,471, and \$46,520. 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 (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 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, Ohio 43125-4642, or by calling (614) 222-5601 or (800) 222-7377.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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 contributions rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contributions 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. For 2012 and 2011, the employer contributions allocated to the health care plan was 4.0 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 Authority contributions for the years ended December 31, 2012, 2011, and 2010, which were used to fund post-employment benefits were \$13,992, \$16,597, and \$16,236, 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.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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, 2012, the current portion is \$21,709 and the long term portion is \$29,312.

The following is a summary of changes in compensated absences for the year ended December 31, 2011:

<u>Balance</u> 12/31/11	<u>Amount</u> <u>Earned</u>	<u>Amount</u> <u>Used</u>	<u>Balance</u> 12/31/12	<u>Amount Due</u> <u>One Year</u>
\$ 49,597	\$ 43,019	\$ 41,595	\$ 51,021	\$ 21,709

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:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u> <u>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. Settled claims have not exceeded the Agency's insurance in any of the past three years.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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 recapture amounts would not have a material adverse effect on the overall financial position of the Agency at December 31, 2012.

Litigations and Claims

In the normal course of operations the Agency may be subject to litigation and claims. At December 31, 2012, the Agency was not involved in such matters.

NOTE 10: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2012, the Agency has implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are type of public-private or public- public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Agency.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government’s net position. The implementation of GASB Statement No. 63 changed the presentation of the Agency’s financial statements to incorporate the concept of net position.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 10: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources and deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Agency.

**PARMA PUBLIC HOUSING AGENCY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012**

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	203,525	400,960	604,485		604,485
113 Cash - Other Restricted		357,157	357,157		357,157
114 Cash - Tenant Security Deposits	10,932		10,932		10,932
100 Total Cash	214,457	758,117	972,574	0	972,574
122 Accounts Receivable - HUD Other Projects	4,385		4,385		4,385
125 Accounts Receivable - Miscellaneous	1,680		1,680		1,680
126 Accounts Receivable - Tenants	1,733		1,733		1,733
126.1 Allowance for Doubtful Accounts - Tenants	-687		-687		-687
126.2 Allowance for Doubtful Accounts - Other	-1,382		-1,382		-1,382
128 Fraud Recovery		11,208	11,208		11,208
128.1 Allowance for Doubtful Accounts - Fraud		-11,208	-11,208		-11,208
120 Total Receivables, Net of Allowances for Doubtful Accounts	5,729	0	5,729	0	5,729
142 Prepaid Expenses and Other Assets	20,162	7,779	27,941		27,941
144 Inter Program Due From		43,217	43,217	-43,217	0
150 Total Current Assets	240,348	809,113	1,049,461	-43,217	1,006,244
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	95,388	82,895	178,283		178,283
165 Leasehold Improvements	965,601	1,816	967,417		967,417
166 Accumulated Depreciation	-2,487,573	-73,090	-2,560,663		-2,560,663
160 Total Capital Assets, Net of Accumulated Depreciation	1,893,875	11,621	1,905,496	0	1,905,496
180 Total Non-Current Assets	1,893,875	11,621	1,905,496	0	1,905,496
190 Total Assets	2,134,223	820,734	2,954,957	-43,217	2,911,740
312 Accounts Payable <= 90 Days	2,098	2,101	4,199		4,199
321 Accrued Wage/Payroll Taxes Payable	9,336	23,201	32,537		32,537
322 Accrued Compensated Absences - Current Portion	3,811	17,898	21,709		21,709
341 Tenant Security Deposits	10,932		10,932		10,932
342 Deferred Revenues	304		304		304
345 Other Current Liabilities	12,839	1,918	14,757		14,757
347 Inter Program - Due To	43,217		43,217	-43,217	0
310 Total Current Liabilities	82,537	45,118	127,655	-43,217	84,438
353 Non-current Liabilities - Other		55,670	55,670		55,670
354 Accrued Compensated Absences - Non Current	21,312	8,000	29,312		29,312
350 Total Non-Current Liabilities	21,312	63,670	84,982	0	84,982
300 Total Liabilities	103,849	108,788	212,637	-43,217	169,420
508.1 Invested in Capital Assets, Net of Related Debt	1,893,875	11,621	1,905,496		1,905,496
511.1 Restricted Net Assets		301,487	301,487		301,487
512.1 Unrestricted Net Assets	136,499	398,838	535,337		535,337
513 Total Equity/Net Assets	2,030,374	711,946	2,742,320	0	2,742,320
600 Total Liabilities and Equity/Net Assets	2,134,223	820,734	2,954,957	-43,217	2,911,740

**PARMA PUBLIC HOUSING AGENCY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	86,158		86,158		86,158
70400 Tenant Revenue - Other	225		225		225
70500 Total Tenant Revenue	86,383	0	86,383	0	86,383
70600 HUD PHA Operating Grants	283,253	4,964,938	5,248,191		5,248,191
70610 Capital Grants	108,385		108,385		108,385
71100 Investment Income - Unrestricted	417	107	524		524
71400 Fraud Recovery		18,312	18,312		18,312
71500 Other Revenue	11,642	2,998	14,640		14,640
72000 Investment Income - Restricted		129	129		129
70000 Total Revenue	490,080	4,986,484	5,476,564	0	5,476,564
91100 Administrative Salaries	48,739	165,274	214,013		214,013
91200 Auditing Fees	1,101	9,906	11,007		11,007
91500 Employee Benefit contributions - Administrative	23,049	112,054	135,103		135,103
91600 Office Expenses	16,329	49,827	66,156		66,156
91800 Travel	1,520	10,372	11,892		11,892
91900 Other	16,525	36,276	52,801		52,801
91000 Total Operating - Administrative	107,263	383,709	490,972	0	490,972
92100 Tenant Services - Salaries		40,392	40,392		40,392
92500 Total Tenant Services	0	40,392	40,392	0	40,392
93100 Water	16,655		16,655		16,655
93200 Electricity	11,252	1,007	12,259		12,259
93300 Gas	17,241		17,241		17,241
93600 Sewer	19,413		19,413		19,413
93000 Total Utilities	64,561	1,007	65,568	0	65,568
94100 Ordinary Maintenance and Operations - Labor	53,804		53,804		53,804
94200 Ordinary Maintenance and Operations - Materials and Other	10,846		10,846		10,846
94300 Ordinary Maintenance and Operations Contracts	31,097		31,097		31,097
94500 Employee Benefit Contributions - Ordinary Maintenance	33,934		33,934		33,934
94000 Total Maintenance	129,681	0	129,681	0	129,681
95200 Protective Services - Other Contract Costs	5,256		5,256		5,256
95000 Total Protective Services	5,256	0	5,256	0	5,256

**PARMA PUBLIC HOUSING AGENCY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
96110 Property Insurance	14,320		14,320		14,320
96120 Liability Insurance		5,856	5,856		5,856
96100 Total insurance Premiums	14,320	5,856	20,176	0	20,176
96200 Other General Expenses	293		293		293
96210 Compensated Absences	15,871	27,148	43,019		43,019
96400 Bad debt - Tenant Rents	2,069		2,069		2,069
96000 Total Other General Expenses	18,233	27,148	45,381	0	45,381
96900 Total Operating Expenses	339,314	458,112	797,426	0	797,426
97000 Excess of Operating Revenue over Operating Expenses	150,766	4,528,372	4,679,138	0	4,679,138
97300 Housing Assistance Payments		4,526,743	4,526,743		4,526,743
97400 Depreciation Expense	149,083	5,091	154,174		154,174
90000 Total Expenses	488,397	4,989,946	5,478,343	0	5,478,343
10010 Operating Transfer In	39,116		39,116	-39,116	0
10020 Operating transfer Out	-39,116		-39,116	39,116	0
10100 Total Other financing Sources (Uses)	0	0	0	0	0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	1,683	-3,462	-1,779	0	-1,779
11030 Beginning Equity	2,028,691	715,408	2,744,099		2,744,099
11170 Administrative Fee Equity		410,459	410,459		410,459
11180 Housing Assistance Payments Equity		301,487	301,487		301,487
11190 Unit Months Available	708	8,904	9,612		9,612
11210 Number of Unit Months Leased	692	8,547	9,239		9,239
11270 Excess Cash	110,846		110,846		110,846
11650 Leasehold Improvements Purchases	108,385		108,385		108,385

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 226,465
<i>CFP Cluster</i>		
Capital Fund Program	14,872	165,173
Total Public Housing Programs		<u>391,638</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	4,964,938
Total Section 8 Tenant Based Programs		<u>4,964,938</u>
Total U.S. Department of Housing and Urban Development		<u>5,356,576</u>
Total Federal Assistance		<u>\$ 5,356,576</u>

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
Parma Public Housing Agency
Parma, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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, the financial statements of the Parma Public Housing Agency, City of Parma, Ohio (the Agency), as of and for the year ended December 31, 2012, wherein we noted that the statements reflect only the Agency and not the financial position of the City of Parma, Ohio, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parma Public Housing Agency, Ohio's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

June 8, 2013

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 COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Directors
Parma Public Housing Agency
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Parma Public Housing Agency, City of Parma, Ohio's (the Agency) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal program for the year ended December 31, 2012. The Agency's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Parma Public Housing Agency, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 Agency'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 on compliance the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Parma Public Housing Agency, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Parma Public Housing Agency, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


James G. Zupka CPA, Inc.
Certified Public Accountants

June 8, 2013

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unmodified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2012(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unmodified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2012(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 FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The prior audit report, as of December 31, 2011, included no findings or management letter recommendations.



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
JULY 25, 2013**