PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

July 31, 2015

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Parma Public Housing Agency**, Cuyahoga County, Ohio (the Agency), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parma Public Housing Agency, Cuyahoga County as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The actual modernization cost certificates presented on page 21 and the supplemental financial data schedule presented on pages 22 through 24 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 2014 year's activities, resulting changes and currently known facts, please read it in conjunction with the Agency's financial statement.

Financial Highlights

- The Agency's net position decreased by $223,235 or 9% during 2014, resulting from changes in operations. Since the Agency engages only in business-type activities, the increase is all in the category of business-type net position.
- Revenues decreased by $243,838 or 5% during 2014.
- The total expenses of the Agency's programs decreased by $381,048 or 7%.

Overview of the Agency's Financial Statements

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

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

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

Net Investment in Capital Assets: This component of net position consists of all capital assets, net of depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

The Agency's financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an income statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in 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 Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Agency's properties.

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

The Agency's Statements

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

TABLE 1
STATEMENT OF NET POSITION

	2014	2013
Current Assets	$ 504,878	$ 723,238
Capital Assets	1,783,464	1,838,709
Total Assets	2,288,342	2,561,947
Current Liabilities	61,357	99,650
Long-Term Liabilities	68,345	80,422
Total Liabilities	129,702	180,072
Net Position:		
Net Investment in Capital Assets	1,783,464	1,838,709
Restricted Net Position	-	87,722
Unrestricted Net Position	375,176	455,444
Total Net Position	2,158,640	2,381,875
Total Liabilities and Net Position	$ 2,288,342	$ 2,561,947

For more detail information see the Statement of Net Position presented elsewhere in this report.

Major Factors Affecting the Statement of Net Position

During 2014, current and other assets decreased by $218,360, and current liabilities decreased by $38,293. The change in current assets was mainly due to the change in cash. The current liabilities decrease was due to a decrease in payables to the City of Parma related to payroll expenses.

Capital assets decreased from $1,838,709 in 2013 to $1,783,464 in 2014. The $55,245 decrease is attributed primarily to the current year additions of $116,888, less current year depreciation expense of $172,135. For more detail see "Capital Assets" presented later in this report.

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

TABLE 2
CHANGE IN NET POSITION

	Unrestricted	Restricted	Net Investment in Capital Assets
Beginning Balance - December 31, 2013	$ 455,444	$ 87,722	$ 1,838,709
Results of Operation	(135,514)	(87,721)	-
Adjustments:			
Current Year Depreciation Expense (1)	172,135	-	(172,135)
Capital Expenditure (2)	(116,888)	-	116,888
Rounding Adjustments	(1)	(1)	2
Ending Balance - December 31, 2014	$ 375,176	$ -	$ 1,783,464

(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.

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

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

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

	2014	2013
Revenues:		
Total Tenant Revenues	$ 89,203	$ 87,426
Operating Grants	4,835,878	5,121,333
Capital Grants	78,182	22,823
Investment Income	149	238
Other Revenue	41,243	56,673
Total Revenues	5,044,655	5,288,493
Expenses:		
Administrative	555,183	477,775
Tenant Services	37,142	40,392
Utilities	79,029	78,861
Maintenance	127,908	128,250
Protective Services	330	3,114
General	64,857	85,243
Housing Assistance Payments	4,231,306	4,673,363
Depreciation	172,135	161,940
Total Expenses	5,267,890	5,648,938
Increase (Decrease) in Net Position	$ (223,235)	$ (360,445)

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

Total revenue decreased by $243,838 for the year. The revenue was $5,288,493 in 2013 and $5,044,655 in 2014. The decrease is mainly due to decrease in grant revenue received from HUD.

Total expenses decreased by $381,048 for the year. The decrease was mainly due to the decrease in housing assistance payments.

Capital Assets

As of year-end, the Agency had $1,783,464 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $55,245 or 3% from the end of last year.

	2014	2013
Land and Land Rights	$ 13,000	$ 13,000
Buildings	3,205,233	3,205,233
Furniture, Equipment & Machinery - Dwelling	105,044	102,226
Furniture, Equipment & Machinery - Admin.	278,681	162,354
Leasehold Improvements	1,033,037	1,012,471
Construction in Progress	-	22,823
Accumulated Depreciation	(2,851,531)	(2,679,398)
Total	$ 1,783,464	$ 1,838,709

The following reconciliation identifies the change in capital assets.

Beginning Balance - December 31, 2013	$	1,838,709
Current Year Additions		116,888
Current Year Depreciation Expense		(172,135)
Rounding Adjustment		2
Ending Balance - December 31, 2014	$	1,783,464

Current Year Additions:		
Flooring Replacement	$	20,495
Hot Water Tanks		2,889
Software - FSS Module		2,215
Security System		91,289
Total Current Year Additions	$	116,888

Debt Outstanding

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

Economic Factors

Significant economic factors affecting the Agency are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development is projected to be 70-80% of expenditure level of that anticipated in 2014.
- 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 Priscilla Pointer-Hicks, Interim Executive Director of the Parma Public Housing Agency, at (216) 661-2015. Specific requests may be submitted to the Parma Public Housing Agency, 1440 Rockside Road, Suite 306, Parma, OH 44134.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014

Assets		
Current Assets:		
Cash and Cash Equivalents	$	383,172
Restricted Cash and Cash Equivalents		54,825
Receivables, Net		36,280
Prepaid Expenses and Other Assets		30,601
Total Current Assets		504,878
Non-Current Assets:		
Nondepreciable Capital Assets		13,000
Depreciable Capital Assets, Net of Accumulated Depreciation		1,770,464
Total Non-Current Assets		1,783,464
Total Assets	$	2,288,342
Liabilities		
Current Liabilities:		
Accounts Payable	$	17,443
Accrued Liabilities		30,502
Tenant Security Deposits		13,412
Total Current Liabilities		61,357
Non-Current Liabilities:		
Compensated Absences		26,932
Other Non-Current Liabilities		41,413
Total Non-Current Liabilities		68,345
Total Liabilities		129,702
Net Position:		
Net Investment in Capital Assets		1,783,464
Unrestricted		375,176
Total Net Position		2,158,640
Total Liabilities and Net Position	$	2,288,342

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

Operating Revenues:		
Tenant Rental Revenue	$	89,203
HUD PHA Operating Grants		4,835,878
Other Revenue		41,243
Total Operating Revenues		4,966,324
Operating Expenses:		
Administrative		555,183
Tenant Services		37,142
Utilities		79,029
Maintenance		127,908
Protective Services		330
General		64,857
Housing Assistance Payments		4,215,612
HAP Portability-In		15,694
Depreciation		172,135
		5,267,890
Operating (Loss)		(301,566)
Other Non-Operating Revenues:		
HUD Capital Grants		78,182
Investment Income		149
Total Other Non-Operating Revenues		78,331
Change in Net Position		(223,235)
Net Position, Beginning of the Year		2,381,875
Net Position, End of Year	$	2,158,640

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Grants Received	$	4,815,837
Tenant Revenue Received		85,053
Other Revenue Received		48,106
Housing Assistance Payments		(4,215,612)
General and Administrative Expenses Paid		(965,356)
NET CASH (USED IN) OPERATING ACTIVITIES		(231,972)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Grant Funds Received		78,182
Property and Equipment Purchased		(116,888)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		(38,706)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned		149
NET CASH PROVIDED BY INVESTING ACTIVITIES		149
Net (Decrease) in Cash and Cash Equivalents		(270,529)
Cash and Cash Equivalents at Beginning of Year		708,526
Cash and Cash Equivalents at End of Year	$	437,997
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating Loss	$	(301,566)
Adjustments:		
Depreciation		172,135
(Increase) Decrease in:		
Accounts Receivable, Net		(30,875)
Prepaid Assets		(21,294)
Increase (Decrease) in:		
Accounts Payable		10,166
Accrued Liabilities		10,654
Tenant Security Deposits		1,354
Compensated Absences		(318)
Other Non-Current Liabilities		(11,759)
Unearned Revenue		(304)
Other Current Liabilities		(60,165)
NET CASH (USED IN) OPERATING ACTIVITIES	$	(231,972)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Parma Public Housing Agency, Department of Parma Public Housing, City of Parma, Ohio (the Agency), was created by the Codified Ordinances of the City of Parma, Chapter 2101, Ordinance 66-85 that was passed on March 20, 1985. The Agency contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Agency depends on subsidies from HUD to operate.

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

Basis of Presentation

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

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

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

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

Measurement Focus and Basis of Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

Capital Assets

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

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

Capitalization of Interest

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

Investments

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

Compensated Absences

The Agency accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Agency for years of service are included in the calculation of the compensated absences accrual amount.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash on Hand

At December 31, 2014, the Agency had undeposited cash on hand, including petty cash, of $400.

At December 31, 2014, the carrying amount of the Agency's cash deposits was $437,997 and the bank balance was $339,823. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2014, deposits totaling $297,926 were covered by Federal Depository Insurance and deposits totaling $41,897 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, 2014, 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 is in the table below. The Agency has no investment policy that would further limit its investment choices.

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1
Carrying Amount of Deposits	$ 437,997	$ 437,997
Petty Cash	400	400
Total	$ 438,397	$ 438,397

NOTE 3: RESTRICTED CASH

The restricted cash balance of $54,825 on the financial statements represents the following:

FSS Escrow Funds	$ 41,413
Tenant Security Deposits	13,412
Total	$ 54,825

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2014 by class is as follows:

	1/1/2014	Additions	Deletions	12/31/2014
Capital Assets not Depreciated:				
Land	$ 13,000	$ -	$ -	$ 13,000
Construction in Progress	22,823	-	(22,823)	-
Total Capital Assets not Depreciated	35,823	-	(22,823)	13,000
Capital Assets Depreciated:				
Building	3,205,233	-	-	3,205,233
Furniture, Equipment - Dwelling	102,226	2,818	-	105,044
Furniture, Equipment - Admin.	162,354	116,327	-	278,681
Leasehold Improvements	1,012,471	20,566	-	1,033,037
Total Capital Assets Depreciated	4,482,284	139,711	-	4,621,995
Accumulated Depreciation:				
Building	(2,043,323)	(80,131)	-	(2,123,454)
Furniture, Equipment - Dwelling	(59,197)	(9,544)	-	(68,741)
Furniture, Equipment - Admin.	(125,970)	(20,647)	-	(146,617)
Leasehold Improvements	(450,908)	(61,811)	-	(512,719)
Total Accumulated Depreciation	(2,679,398)	(172,133)	-	(2,851,531)
Total Capital Assets Depreciated, Net	1,802,886	(32,422)	-	1,770,464
Total Capital Assets	$ 1,838,709	$ (32,422)	$ (22,823)	$ 1,783,464

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

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer rates were consistent across all three plans. The 2014 member contribution rates were 10.0% for members 14.0% for employers of covered payroll. The Agency's contribution for the years ended December 31, 2014, 2013, and 2012 amounted to $27,395, $48,216 and $48,973, respectively. These costs have been charged to the employee fringe benefit account. All required contributions for the three years have been paid.

NOTE 6: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the Agency contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy (Continued)

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2014, the employer contribution allocated to the health care plan was 2.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Agency contributions for the year ended December 31, 2014, 2013 and 2012, which were used to fund post-employment benefits, were $3,912, $3,389 and $13,992, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

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, 2014, the current portion is $19,869 and the long term portion is $26,932.

The following is a summary of changes in compensated absences for the year ended December 31, 2014:

Balance 12/31/2013	Amount Earned	Amount Used	Balance 12/31/2014	Amount Due One Year
$ 47,098	$ 39,168	$ (39,465)	$ 46,801	$ 19,869

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:

NOTE 8: INSURANCE (Continued)

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

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

NOTE 9: CONTINGENCIES

Grants
Amounts grantor agencies pay to the Agency are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Agency at December 31, 2014.

NOTE 10: SUBSEQUENT EVENTS

On May 22, 2015, Amy Belz, former HCV Coordinator, pled guilty to theft of government funds. She was ordered to pay restitution of $232,407, the full amount taken from the Agency. Sentencing is scheduled for August 27, 2015, and the charge carries a maximum sentence of 10 years in prison.

As of July 31, 2015, the Agency has not received any of these funds.

Supplemental Financial Data

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
ACTUAL MODERNIZATION COST CERTIFICATES
FOR THE YEAR ENDED DECEMBER 31, 2014

Modernization Project Number : OH12P073501-11

Original Funds Approved:	$ 80,202
Funds Disbursed:	$ 80,202
Funds Expended (Actual Modernization Cost):	$ 80,202
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH12P073501-12

Original Funds Approved:	$ 57,256
Funds Disbursed:	$ 57,256
Funds Expended (Actual Modernization Cost):	$ 57,256
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH12P073501-13

Original Funds Approved:	$ 66,016
Funds Disbursed:	$ 66,016
Funds Expended (Actual Modernization Cost):	$ 66,016
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	$26,458	$358,284	$384,742		$384,742
113 Cash - Other Restricted		$39,843	$39,843		$39,843
114 Cash - Tenant Security Deposits	$13,412		$13,412		$13,412
100 Total Cash	$39,870	$836,124	$437,997		$437,997
122 Accounts Receivable - HUD Other Projects		$20,041	$20,041		$20,041
125 Accounts Receivable - Miscellaneous	$7,275	$2,700	$9,975		$9,975
126 Accounts Receivable - Tenants	$9,679		$9,679		$9,679
126.1 Allowance for Doubtful Accounts -Tenants	-$3,415		-$3,415		-$3,415
120 Total Receivables, Net of Allowances for Doubtful Accounts	$13,539	$22,741	$36,280		$36,280
142 Prepaid Expenses and Other Assets	$20,578	$10,023	$30,601		$30,601
144 Inter Program Due From		$45,369	$45,369	-$45,369	$0
150 Total Current Assets	$73,987	$914,257	$550,247	-$45,369	$504,878
161 Land	$13,000		$13,000		$13,000
162 Buildings	$3,205,233		$3,205,233		$3,205,233
163 Furniture, Equipment & Machinery - Dwellings	$105,044		$105,044		$105,044
164 Furniture, Equipment & Machinery - Administration	$199,759	$78,922	$278,681		$278,681
165 Leasehold Improvements	$1,031,221	$1,816	$1,033,037		$1,033,037
166 Accumulated Depreciation	-$2,794,305	-$57,226	-$2,851,531		-$2,851,531
160 Total Capital Assets, Net of Accumulated Depreciation	$1,759,952	$23,512	$1,783,464		$1,783,464
180 Total Non-Current Assets	$1,759,952	$23,512	$1,783,464		$1,783,464
190 Total Assets	$1,833,939	$937,769	$2,333,711	-$45,369	$2,288,342
200 Deferred Outflow of Resources	$0	$0	$0		$0
290 Total Assets and Deferred Outflow of Resources	$1,833,939	$937,769	$2,333,711	-$45,369	$2,288,342
312 Accounts Payable <= 90 Days	$15,993	$1,450	$17,443		$17,443
321 Accrued Wage/Payroll Taxes Payable	$8,876	$1,757	$10,633		$10,633
322 Accrued Compensated Absences - Current Portion	$3,081	$16,788	$19,869		$19,869
341 Tenant Security Deposits	$13,412		$13,412		$13,412
347 Inter Program Due To	$45,369	$0	$45,369	-$45,369	$0
310 Total Current Liabilities	$86,731	$19,995	$106,726	-$45,369	$61,357
353 Non-current Liabilities - Other		$41,413	$41,413		$41,413
354 Accrued Compensated Absences - Non Current	$26,932	$0	$26,932		$26,932
350 Total Non-Current Liabilities	$26,932	$41,413	$68,345		$68,345
300 Total Liabilities	$113,663	$61,408	$175,071	-$45,369	$129,702
400 Deferred Inflow of Resources	$0	$0	$0		$0
508.4 Net Investment in Capital Assets	$1,759,952	$23,512	$1,783,464		$1,783,464
512.4 Unrestricted Net Position	-$39,676	$414,852	$375,176		$375,176
513 Total Equity - Net Assets / Position	$1,720,276	$438,364	$2,158,640		$2,158,640
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	$1,833,939	$499,772	$2,333,711	-$45,369	$2,288,342

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$89,203		$89,203		$89,203
70500 Total Tenant Revenue	$89,203	$0	$89,203		$89,203
70600 HUD PHA Operating Grants	$257,782	$4,578,096	$4,835,878		$4,835,878
70610 Capital Grants	$78,182		$78,182		$78,182
71100 Investment Income - Unrestricted	$50	$99	$149		$149
71400 Fraud Recovery		$2,532	$2,532		$2,532
71500 Other Revenue	$17,580	$21,131	$38,711		$38,711
70000 Total Revenue	$442,797	$4,601,858	$5,044,655		$5,044,655
91100 Administrative Salaries	$73,838	$137,383	$211,221		$211,221
91200 Auditing Fees	$891	$8,019	$8,910		$8,910
91500 Employee Benefit contributions - Administrative	$38,679	$92,439	$131,118		$131,118
91600 Office Expenses	$17,835	$120,801	$138,636		$138,636
91800 Travel	$1,482	$3,088	$4,570		$4,570
91900 Other	$37,487	$23,241	$60,728		$60,728
91000 Total Operating - Administrative	$170,212	$384,971	$555,183		$555,183
92100 Tenant Services - Salaries		$37,142	$37,142		$37,142
92500 Total Tenant Services	$0	$37,142	$37,142		$37,142
93100 Water	$17,273		$17,273		$17,273
93200 Electricity	$13,325	$1,734	$15,059		$15,059
93300 Gas	$23,198		$23,198		$23,198
93600 Sewer	$23,499		$23,499		$23,499
93000 Total Utilities	$77,295	$1,734	$79,029		$79,029
94100 Ordinary Maintenance and Operations - Labor	$58,346		$58,346		$58,346
94200 Ordinary Maintenance and Operations - Materials and Other	$14,899	$9	$14,908		$14,908
94300 Ordinary Maintenance and Operations Contracts	$19,623		$19,623		$19,623
94500 Employee Benefit Contributions - Ordinary Maintenance	$35,031		$35,031		$35,031
94000 Total Maintenance	$127,899	$9	$127,908		$127,908
95200 Protective Services - Other Contract Costs	$330		$330		$330
95000 Total Protective Services	$330	$0	$330		$330
96110 Property Insurance	$17,185		$17,185		$17,185
96120 Liability Insurance		$5,998	$5,998		$5,998
96100 Total insurance Premiums	$17,185	$5,998	$23,183		$23,183
96210 Compensated Absences	$16,296	$22,872	$39,168		$39,168
96400 Bad debt - Tenant Rents	$1,220	$1,286	$2,506		$2,506
96000 Total Other General Expenses	$17,516	$24,158	$41,674		$41,674

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

96900 Total Operating Expenses	$410,437	$454,012	$864,449		$864,449
97000 Excess of Operating Revenue over Operating Expenses	$32,360	$4,147,846	$4,180,206		$4,180,206
97300 Housing Assistance Payments		$4,215,612	$4,215,612		$4,215,612
97350 HAP Portability-In		$15,694	$15,694		$15,694
97400 Depreciation Expense	$164,744	$7,391	$172,135		$172,135
90000 Total Expenses	$575,181	$4,692,709	$5,267,890		$5,267,890
10010 Operating Transfer In	$20,770		$20,770	-$20,770	$0
10020 Operating Transfer Out	-$20,770		-$20,770	$20,770	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$132,384	-$90,851	-$223,235		-$223,235
11030 Beginning Equity	$1,852,660	$529,215	$2,381,875		$2,381,875
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	$0		$0
11170 Administrative Fee Equity		$438,364	$438,364		$438,364
11190 Unit Months Available	$720	$8,904	$9,624		$9,624
11210 Number of Unit Months Leased	$719	$8,265	$8,984		$8,984
11270 Excess Cash	-$67,525		-$67,525		-$67,525
11640 Furniture & Equipment - Administrative Purchases	$78,182		$78,182		$78,182

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/ *Pass Through Grantor/* Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct from the Agency:		
Housing Choice Vouchers	14.871	$ 4,578,096
Low Rent Public Housing	14.850	237,012
Public Housing Capital Fund Program	14.872	98,952
Total U.S. Department of Housing and Urban Development		4,914,060
Total Federal Awards Expenditures		$ 4,914,060

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

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

July 31, 2015

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

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Parma Public Housing Agency,** Cuyahoga County, (the Agency) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 31, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Agency's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of audit findings and questioned costs to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

PERRY Associates
Certified Public Accountants, A.C.

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

July 31, 2015

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

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited **Parma Public Housing Agency's**, (the Agency) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Agency's major federal programs for the year ended December 31, 2014. The *Summary of Audit Results* in the accompanying schedule of audit findings and questioned costs identifies the Agency's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Housing Choice Vouchers and Low Rent Public Housing Programs

As described in findings 2014-003 and 2014-004 in the accompanying schedule of audit findings and questioned costs, the Agency did not comply with requirements regarding the following:

Finding Number	CFDA Number	Program Name	Compliance Requirement
2014-003	14.871	Housing Choice Vouchers	Allowable Costs/Cost Principles and Activities Allowed
2014-004	14.850	Low Rent Public Housing	Allowable Costs/Cost Principles and Activities Allowed

Compliance with these requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to these programs.

Qualified Opinion on Housing Choice Vouchers and Low Rent Public Housing Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Housing Choice Vouchers and Low Rent Public Housing Programs* paragraph, the Parma Public Housing Agency complied, in all material respects, with the requirements referred to above that could directly and materially affects its Housing Choice Vouchers and Low Rent Public Housing Programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as items 2014-003 and 2014-004 to be material weaknesses.

The Agency's responses to our internal control over compliance findings are described in the accompanying schedule of audit findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

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

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

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDIT RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Housing Choice Vouchers CFDA # 14.871; Low Rent Public Housing CFDA # 14.850
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

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

FINDING NUMBER 2014-001

Material Weakness

Controls over Expenditures

During 2014, the HCV Coordinator issued payments to herself determined to be improper using Agency funds in the amount of $37,052. The checks were signed by the HCV Coordinator and the Executive Director via a signature stamp that was controlled by the HCV Coordinator. The HCV Coordinator sent a list of expenditures using fictitious vendors to the fee accountant each month for entry into the Agency's accounting system. Summaries of cancelled checks issued by the financial institution with the monthly bank statements were disposed of by the HCV Coordinator and not made available for review by the Executive Director or Board.

This practice and lack of adequate supporting documentation resulted in a loss of Agency funds and could lead to additional personal liability of the Agency's Officials.

We recommend that all expenditures be supported by adequate documentation; a complete voucher package including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the prior certification, to help ensure that all expenditures are for goods and services received, properly approved and for a proper public purpose. We also recommend that all expenditures be generated through the accounting system and approved by the Executive Director and the Board.

Officials' Response:

- A change in both the Program Manager position and the Executive Director position was effectuated in January and February (respectively) 2015.
- Immediate changes were implemented on the manner in which accounts payable were processed. The signature stamp with the Executive Director's name was eliminated; the Service Director for the City of Parma became the secondary signer of all payments leaving Parma Public Housing; the spreadsheet process was enhanced by providing the Agency Fee Accountant with copies of all signed checks, bank statements and corresponding bills; upon the mailing of all A/P payments, a third staff person reviews and mails all payments.
- The City of Parma Treasurer receives copies of all bank statements and a spreadsheet including voided check numbers.
- The positive pay system (through Huntington Bank) was modified to auto reject payments, vs. auto pay payments if manual daily interaction from the Executive Director or Program Manager did not occur by 1:00pm on all banking days.
- The Executive Director accesses all bank accounts on-line held by the Parma Public Housing Agency and periodically conducts a random quality control check, as well as prints the monthly bank statements for review.
- Through quality control checks, cleared checks are accessed on a random basis monthly.
- All blank checks being used by the Parma Public Housing Agency are kept in a safe located in the Executive Director's office and signed out to the Program Manager prior to any processing occurring.

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-001 (Continued)

Controls over Expenditures (Continued)

- The practice of using a typewriter to type carbonized checks has been replaced with the Sage Accounting System software. This software can only be accessed by the Executive Director and Program Manager and the system holds an account of all checks issued.
- Accounts payable approvals are completed by the Executive Director before check signing and reviewed a second time by the Service Director before counter-signing.

FINDING NUMBER 2014-002

Material Weakness

Board Oversight

The Agency is directed by a Board of Commissioners, which is comprised of the following City of Parma officials: Mayor, Members of City Council, City Auditor, City Treasurer and City Law Director. The Board is responsible for ensuring that internal controls are in place over the Agency's operations. We noted that the Board did not receive budget versus actual reports, complete bank statements including summaries of cancelled checks, or voucher packages or any detailed information regarding expenditures. This practice affects the ability of the Board to govern appropriately and make sound financial decisions.

We recommend the Agency present a detailed financial reporting package to the Board at each meeting, including budget versus actual performance information, complete bank statements and voucher packages. The Board should indicate receipt and approval by a motion to be noted in the Board minutes.

Officials' Response:

- Effective May 2015, the Housing Committee became a "standing" committee with the City Council of Parma. The 2nd Monday of each month is being utilized as the Board meeting for the Parma Public Housing Agency.
- The Board (City Council members) are provided with the most recent Statement of Net Position for both the Housing Choice Voucher Program and the Low Income Public Housing Program.
- A report of all operations for Parma Public Housing is also provided.
- The Treasurer's office for the City of Parma are provided with the monthly bank statements, a spreadsheet showing all checks processed and voided checks, if any. The Treasurer's office also completes a bank reconciliation (a copy of which is returned to the Executive Director) for review and filing.
- The Fee Accountant receives a copy of all actual signed checks, along with the spreadsheet; the bank statements and a report with the listing of any voided checks and any purchase orders and a copy of all invoices/bills that were used to effectuate any payments to vendors being made by the Parma Public Housing Agency.
- The Fee Accountant completes the monthly closing/reconciliation and meets with the Executive Director to discuss all reports.

PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
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3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-003
CFDA Title and Number	Housing Choice Vouchers (CFDA #14.871)
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS – Allowable Costs / Cost Principles and Activities Allowed

24 CFR sections 982.151 and 982.152 state that public housing agencies may use Housing Choice Voucher Program funds only for housing assistance payments to participating owners and for administrative fees.

During 2014, the HCV Coordinator issued 10 checks totaling $14,841 to herself from the Agency's Housing Choice Vouchers Program Administrative account. The HCV Coordinator created a carbon copy of each check that listed an approved vendor and included a fictitious invoice with the check copy as part of the voucher package. The actual check was written to the HCV Coordinator and signed by her and the Executive Director via a signature stamp which was maintained by the HCV Coordinator.

Of the amount we tested, $14,841 was paid for unallowable costs and improperly charged to the Housing Choice Voucher Program. This is the total amount of questioned costs based on documentation received from the U.S. Department of Housing and Urban Development based on its investigation.

The Agency should ensure the allowability of Federal expenditures at the time they are made and ensure that all expenditures are properly supported and meet the allowable cost principles.

Officials' Response:

- The "signature stamp" process was eliminated with the new incoming Executive Director.
- All purchase orders and approvals for payment are reviewed by the Executive Director before any checks are signed. The counter-signature on all checks issued by Parma Public Housing is completed by the Service Director. The banking institutions only require one signature, however, Parma Public Housing Agency has adopted the two signature approach. Unless one or the other (Service Director or Executive Director) is out of the office, there will be two signatures on all payments.
- Parma Public Housing Agency began using the Sage Accounting Software system to process all payables, with the exception of the Housing Assistance (HAP) payments, which are issued using the HAPPY software. The two-part, typewriter produced checks have been eliminated.

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SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
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3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Finding Number	2014-004
CFDA Title and Number	Low Income Public Housing (CFDA #14.850)
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS – Allowable Costs / Cost Principles and Activities Allowed

24 CFR section 990.280(b)(4) states that project-specific operating expenses shall include, but are not limited to, direct administrative costs, utilities costs, maintenance costs, tenant services, protective services, general expenses, non-routine or capital expenses and other public housing agency or HUD-identified costs which are program-specific for management purposes.

During 2014, the HCV Coordinator issued 11 checks totaling $22,211 to herself from the Agency's Public Housing Operating account. The HCV Coordinator created a carbon copy of each check that listed an approved vendor and included a fictitious invoice with the check copy as part of the voucher package. The actual check was written to the HCV Coordinator and signed by her and the Executive Director via a signature stamp which was maintained by the HCV Coordinator.

Of the amount we tested, $22,211 was paid for unallowable costs and improperly charged to the Low Income Public Housing Program. This is the total amount of questioned costs based on documentation received from the U.S. Department of Housing and Urban Development based on its investigation.

The Agency should ensure the allowability of Federal expenditures at the time they are made and ensure that all expenditures are properly supported and meet the allowable cost principles.

Officials' Response:

- The "signature stamp" process was eliminated with the new incoming Executive Director.
- All purchase orders and approvals for payment are reviewed by the Executive Director before any checks are signed. The counter-signature on all checks issued by Parma Public Housing is completed by the Service Director. The banking institutions only require one signature, however, Parma Public Housing Agency has adopted the two signature approach. Unless one or the other (Service Director or Executive Director) is out of the office, there will be two signatures on all payments.
- Parma Public Housing Agency began using the Sage Accounting Software system to process all payables, with the exception of the Housing Assistance (HAP) payments, which are issued using the HAPPY software. The two-part, typewriter produced checks have been eliminated.

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CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315(c)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	1. All expenditures for the Agency are being supported with purchase orders signed by both LIPH and HCV program managers (according to their respective areas). The documentation is then presented to the Executive Director for approval, via hand signature. 2. The entire package is presented once again with the processed checks (payments) for signature by the Executive Director. 3. The entire package is presented again for counter check signature to the Service Director.	Completed March 2015	Priscilla Pointer-Hicks, Executive Director
2014-002	1. The Agency now holds a monthly Board meeting. 2. The Board (City Council) is presented with a complete operations report. 3. A copy of previous month's Statement of Net Position is presented to each Board member, with discussion by various members. 4. Effective January 2016, the Board will be afforded along with the Statement of Net Position, a copy of the Agency Budget to Actual report for review and discussion. 5. Bank statements are provided monthly to the Treasurer of the City of Parma, along with the Fee Accountant for Parma PHA. The Fee Accountant and the City Treasurer's office both complete a reconciliation of all bank accounts held by the PHA.	1. June 2015 2. June 2015 3. June 2015 4. January 2016 5. January 2016	Priscilla Pointer-Hicks, Executive Director
2014-003	1. All expenditures for the Agency are being supported with purchase orders signed by both LIPH and HCV program managers (according to their respective areas). The documentation is then presented to the Executive Director for approval, via hand signature.	March 2015 and July 2015 for the Sage Accounting System software	Priscilla Pointer-Hicks, Executive Director

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	2. The entire package is presented once again with the processed checks (payments) for signature by the Executive Director. 3. The entire packages are presented again for counter check signature to the Service Director. 4. PPHA began using the Sage Accounting System software for check processing in July 2015.		
2014-004	1. All expenditures for the Agency are being supported with purchase orders signed by both LIPH and HCV program managers (according to their respective areas). The documentation is then presented to the Executive Director for approval, via hand signature. 2. The entire package is presented once again with the processed checks (payments) for signature by the Executive Director. 3. The entire packages are presented again for counter check signature to the Service Director. 4. PPHA began using the Sage Accounting System software for check processing in July 2015.	March 2015 and July 2015 for the Sage Accounting System software	Priscilla Pointer-Hicks, Executive Director