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**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
Single Audit
For the Year Ended December 31, 2016**

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**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

June 21, 2017

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of **Parma Public Housing Agency**, Cuyahoga County, Ohio (the "Agency"), as of and for the year ended December 31, 2016, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parma Public Housing Agency, Cuyahoga County, Ohio as of December 31, 2016, and the changes in its financial position and its cash flows thereof 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* and the schedule of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The supplemental financial data schedule presented on pages 36 through 40 presents additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



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

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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 2016 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 increased by \$285,761 or 13.82% during 2016, 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 increased by \$359,591 or 6.77% during 2016. The increase was due to additional HUD funding earned.
- The total expenses of the Agency programs increased by \$157,016 or 3%. The change was mainly due to GASB 68 pension expense.

Agency Financial statements

The Agency 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.

These 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) are reported in three broad categories:

Net Investment 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.

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

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 Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

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

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Fund Financial statements

The Agency consists of exclusively Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

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% 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.

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

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.

AGENCY STATEMENTS

The following table reflects the condensed Statement of Net Position compared to prior year. The Agency is engaged only in Business-Type Activities.

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Current and Other Assets | \$ 1,500,830 | \$ 637,026 |
| Capital Assets | 1,608,518 | 1,628,906 |
| Total Assets | <u>3,109,348</u> | <u>2,265,932</u> |
| Deferred Outflows of Resources | <u>154,296</u> | <u>47,308</u> |
| Total Assets and Deferred Outflows | <u>\$ 3,263,644</u> | <u>\$ 2,313,240</u> |
| Current Liabilities | \$ 104,720 | \$ 51,480 |
| Long-Term Liabilities | 445,912 | 190,707 |
| Total Liabilities | <u>550,632</u> | <u>242,187</u> |
| Deferred Inflows of Resources | <u>359,107</u> | <u>2,909</u> |
| Net Investment in Capital Assets | 1,608,518 | 1,628,906 |
| Restricted | 193,222 | 20,685 |
| Unrestricted | 552,165 | 418,553 |
| Total Net Position | <u>2,353,905</u> | <u>2,068,144</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 3,263,644</u> | <u>\$ 2,313,240</u> |

Major Factors Affecting the Statement of Net Position

During 2016, current and other assets increased by \$863,804, and current liabilities increased by \$53,240. The change in current assets and currently liability was mainly due to the change in cash due to January 2017 subsidies from HUD received in December.

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

Long- term liability increased by \$255,205. This increase is mainly related to the net pension liability.

Capital assets decreased from \$1,628,906 in 2015 to \$1,608,518 in 2016. The \$20,388 decrease is contributed primarily to the current year additions of \$162,776, less current year depreciation expense of \$183,164. For more detail see "Capital Assets" presented later in this report.

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

CHANGE OF NET POSITION

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Net Invest in C/A</u> |
|---------------------------------------|---------------------|-------------------|------------------------------|
| Beginning Balance - December 31, 2015 | \$ 418,553 | \$ 20,685 | \$ 1,628,906 |
| Results of Operation | 113,224 | 172,537 | - |
| Adjustments: | | | |
| Current Year Depreciation Expense (1) | 183,164 | - | (183,164) |
| Capital Expenditure (2) | <u>(162,776)</u> | <u>-</u> | <u>162,776</u> |
| Ending Balance - December 31, 2016 | <u>\$ 552,165</u> | <u>\$ 193,222</u> | <u>\$ 1,608,518</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.

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. The Agency is engaged only in Business-Type Activities.

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2016 | 2015 |
|-------------------------------|----------------|---------------|
| Revenues | | |
| Total Tenant Revenues | \$ 143,252 | \$ 105,581 |
| Operating Subsidies | 5,214,915 | 5,027,858 |
| Capital Grants | 139,669 | - |
| Investment Income | 1,099 | 1,475 |
| Other Revenues | 173,168 | 177,598 |
| Total Revenues | 5,672,103 | 5,312,512 |
| Expenses | | |
| Administrative | 619,777 | 450,498 |
| Tenant Services | 41,752 | 40,328 |
| Utilities | 83,812 | 82,913 |
| Maintenance | 128,333 | 103,445 |
| Protective Services | 264 | 198 |
| General Expenses | 92,220 | 71,550 |
| Housing Assistance Payments | 4,237,020 | 4,304,545 |
| Depreciation | 183,164 | 175,849 |
| Total Expenses | 5,386,342 | 5,229,326 |
| Net Increases (Decreases) | \$ 285,761 | \$ 83,186 |

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

Total revenue increased by \$359,591 for the year. The revenue was \$5,312,512 in 2015 and \$5,672,103 in 2016. The increase in revenue is mainly due to increase in grant revenue earned from HUD for the housing assistance payments program and capital fund program.

Total expenses increased by \$157,016 for the year. The increase was mainly due to the change in pension liability that related to GASB 68.

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

CAPITAL ASSETS

Capital Assets

As of year-end, the Agency had \$1,608,518 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$20,388 or 1.25% from the end of last year.

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Land and Land Rights | \$ 13,000 | \$ 13,000 |
| Buildings | 3,205,233 | 3,205,233 |
| Furniture, Equipment & Machinery - Dwelling | 150,939 | 106,044 |
| Furniture, Equipment & Machinery - Admin | 272,835 | 272,139 |
| Leasehold Improvements | 1,038,662 | 1,038,662 |
| Construction in Progress | 124,910 | 7,725 |
| Accumulated Depreciation | (3,197,061) | (3,013,897) |
| Total | <u>\$ 1,608,518</u> | <u>\$ 1,628,906</u> |

The following reconciliation identifies the change in Capital Assets.

| | |
|---------------------------------------|---------------------|
| Beginning Balance - December 31, 2015 | \$ 1,628,906 |
| Current Year Additions | 162,776 |
| Current Year Depreciation Expense | (183,164) |
| Ending Balance - December 31, 2016 | <u>\$ 1,608,518</u> |
| Current Year Additions: | |
| Hot Water Tanks | \$ 44,895 |
| Construction in Progress | 117,185 |
| Computer | 696 |
| Total | <u>\$ 162,776</u> |

Debt Outstanding

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

PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Agency are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Priscilla Pointer-Hicks, Interim Executive Director of the Parma Public Housing Agency, at (216) 661-2015 ext 15. Specific requests may be submitted to the Parma Public Housing Agency, 1440 Rockside Road, Suite 306, Parma, OH 44134.

**Parma Public Housing Agency
Statement of Net Position
December 31, 2016**

ASSETS

Current assets

| | | |
|--------------------------------------|----|-----------|
| Cash and cash equivalents | \$ | 874,877 |
| Restricted cash and cash equivalents | | 583,237 |
| Receivables, net | | 3,429 |
| Prepaid expenses and other assets | | 39,287 |
| Total current assets | | 1,500,830 |

Noncurrent assets

Capital assets:

| | | |
|--------------------------------|--|-------------|
| Land | | 13,000 |
| Building and equipment | | 3,629,007 |
| Leasehold Improvements | | 1,038,662 |
| Less accumulated depreciation | | (3,197,061) |
| Construction in Progress | | 124,910 |
| Total noncurrent assets | | 1,608,518 |

Deferred Outflows of Resources

154,296

Total Assets and Deferred Outflows of Resources

\$ 3,263,644

LIABILITIES

Current liabilities

| | | |
|----------------------------------|----|---------|
| Accounts payable | \$ | 27,693 |
| Accrued liabilities | | 24,374 |
| Tenant security deposits | | 12,401 |
| Unearned revenue | | 40,252 |
| Total current liabilities | | 104,720 |

Noncurrent liabilities

| | | |
|--|----|---------|
| Accrued compensated absences non-current | | 22,725 |
| Accrued pension liability | | 396,588 |
| Other noncurrent liabilities | | 26,599 |
| Total noncurrent liabilities | | 445,912 |
| Total liabilities | \$ | 550,632 |

Deferred Inflows of Resources

\$ 359,107

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

**Parma Public Housing Agency
Statement of Net Position - Cont'd.
December 31, 2016**

Net Position

| | |
|----------------------------------|------------------|
| Net investment in capital assets | \$ 1,608,518 |
| Restricted Net Position | 193,222 |
| Unrestricted Net Position | 552,165 |
| Total Net Position | <u>2,353,905</u> |

Total Liabilities, Deferred Inflows of Resources and Net Position

\$ 3,263,644

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

**Parma Public Housing Agency
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016**

OPERATING REVENUES

| | | |
|---------------------------------|----|-----------|
| Tenant Revenue | \$ | 143,252 |
| Government operating grants | | 5,214,915 |
| Other revenue | | 173,168 |
| Total operating revenues | | 5,531,335 |

OPERATING EXPENSES

| | | |
|---------------------------------|--|-----------|
| Administrative | | 619,777 |
| Tenant services | | 41,752 |
| Utilities | | 83,812 |
| Maintenance | | 128,333 |
| Protective Service | | 264 |
| General | | 92,220 |
| Housing assistance payment | | 4,237,020 |
| Depreciation | | 183,164 |
| Total operating expenses | | 5,386,342 |
| Operating income | | 144,993 |

NONOPERATING REVENUES (EXPENSES)

| | | |
|---|--|---------|
| Interest and investment revenue | | 1,099 |
| Capital grants | | 139,669 |
| Total nonoperating revenues (expenses) | | 140,768 |

| | | |
|------------------------|--|---------|
| Change in Net Position | | 285,761 |
|------------------------|--|---------|

| | | |
|------------------------------------|-----------|------------------|
| Total Net Position - beginning | | 2,068,144 |
| Total Net Position - ending | \$ | 2,353,905 |

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

**Parma Public Housing Agency
Statement of Cash Flows
For the Year Ended December 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Operating grants received | \$ 5,214,915 |
| Tenant revenue received | 145,301 |
| Other revenue received | 171,200 |
| General and administrative expenses paid | (411,915) |
| Housing assistance payments | <u>(4,237,020)</u> |

Net cash provided (used) by operating activities 882,481

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-----------------|--------------|
| Interest earned | <u>1,099</u> |
|-----------------|--------------|

Net cash provided (used) by investing activities 1,099

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

| | |
|----------------------------------|------------------|
| Capital grant funds received | 139,669 |
| Property and equipment purchased | <u>(162,776)</u> |

**Net cash provided (used) by capital and related financing
activities** (23,107)

Net increase (decrease) in cash 860,473

Cash and cash equivalents - Beginning of year 597,641

Cash and cash equivalents - End of year \$ 1,458,114

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

**Parma Public Housing Agency
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2016**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|-------------------|
| Net Operating Income (Loss) | \$ 144,993 |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| - Depreciation | 183,164 |
| - (Increases) Decreases in Accounts Receivable | 285 |
| - (Increases) Decreases in Prepaids and Other Assets | (3,616) |
| - (Increases) Decreases in Deferred Outflows | (106,988) |
| - Increases (Decreases) in Accounts Payable | 8,599 |
| - Increases (Decreases) in Unearned Revenue | 39,712 |
| - Increases (Decreases) in Accrued Liabilities | 5,850 |
| - Increases (Decreases) in Tenant Security Deposits | (921) |
| - Increases (Decreases) in Compensated Absence Payable | 13,351 |
| - Increases (Decreases) in Noncurrent Liabilities | 4,987 |
| - Increases (Decreases) in Pension Liability | 236,867 |
| - Increases (Decreases) in Deferred Inflows | 356,198 |
| | 356,198 |
| Net cash provided by operating activities | \$ 882,481 |

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

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 61 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.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 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 |
| 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, 2016**

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and HAP funding for January 2017. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. The deferred inflows of resources related to pension are explained in Note 5.

Deferred Inflows:

| | | |
|---|------------------------|-----------|
| - Pension | | \$8,092 |
| - Housing Assistance subsidy for January 2017 | | 351,015 |
| | Total Deferred Inflows | \$359,107 |

NOTE 2: DEPOSITS AND INVESTMENTS

Cash on Hand

At December 31, 2016, the carrying amount of the Agency's cash deposits was \$1,458,114 and the bank balance was \$1,459,701. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2016, deposits totaling \$410,052 were covered by Federal Depository Insurance and deposits totaling \$1,049,649 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.

**PARMA PUBLIC HOUSING AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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, 2016, the Agency had no investments.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

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.

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$583,237 on the financial statements represents:

| | |
|---------------------------------------|------------------|
| Funds for Housing Assistance Payments | \$544,237 |
| FSS Escrow funds held for tenants | 26,599 |
| Tenant Security Deposits | <u>12,401</u> |
| Total Restricted Cash | <u>\$583,237</u> |

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2016 by class is as follows:

| | <u>1/1/2016</u> | <u>Adjustment</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2016</u> |
|---------------------------------------|---------------------|-------------------|--------------------|------------------|---------------------|
| Capital Assets not Depreciated: | | | | | |
| Land | \$ 13,000 | \$ - | \$ - | \$ - | \$ 13,000 |
| Construction in Progress | 7,725 | - | 117,185 | - | 124,910 |
| Total Capital Assets not Depreciated | <u>20,725</u> | <u>-</u> | <u>117,185</u> | <u>-</u> | <u>137,910</u> |
| Capital Assets Depreciated: | | | | | |
| Building | 3,205,233 | - | - | - | 3,205,233 |
| Furniture, Equipment - Dwelling | 106,044 | - | 44,895 | - | 150,939 |
| Furniture, Equipment - Admin | 272,139 | - | 696 | - | 272,835 |
| Leasehold Improvements | 1,038,662 | - | - | - | 1,038,662 |
| Total Capital Assets Depreciated | <u>4,622,078</u> | <u>-</u> | <u>45,591</u> | <u>-</u> | <u>4,667,669</u> |
| Accumulated Depreciation: | | | | | |
| Building | (2,203,585) | 1 | (139,635) | - | (2,343,219) |
| Furniture, Equipment - Dwelling | (83,935) | - | (20,151) | - | (104,086) |
| Furniture, Equipment - Admin | (153,222) | - | (23,259) | - | (176,481) |
| Leasehold Improvements | (573,154) | - | (121) | - | (573,275) |
| Total Accumulated Depreciation | <u>(3,013,896)</u> | <u>1</u> | <u>(183,166)</u> | <u>-</u> | <u>(3,197,061)</u> |
| Total Capital Assets Depreciated, Net | <u>1,608,182</u> | <u>1</u> | <u>(137,575)</u> | <u>-</u> | <u>1,470,608</u> |
| Total Capital Assets | <u>\$ 1,628,907</u> | <u>\$ 1</u> | <u>\$ (20,390)</u> | <u>\$ -</u> | <u>\$ 1,608,518</u> |

NOTE 5: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description – Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-PERS.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR reference above for additional information):

| Eligible to retire prior to January 7, 2013 of five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: | Formula: | Formula: |
| 2.2% of FAS multiplied by years of service from the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service from the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service from the first 30 years and 2.5% for service years in excess of 35 |

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members' career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. The Agency's contractual required contribution for the year ended December 31, 2016 was \$42,122.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | |
|---|----------------------------|
| 2016 Statutory Maximum Contribution Rates: | <u>State and Local</u> |
| Employer | 14.0% |
| Employee | 10.0% |
| | |
| 2016 Actual Contribution Rates: | |
| Employer: | |
| Pension | 12.0% |
| Post-employment Health Care Benefits | <u>2.0%</u> |
| Total Employer | <u>14.0%</u> |
| | |
| Employee | <u>10.0%</u> |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | Traditional Plan | Combined Plan | Member-Direct Plan | Total |
|--|-----------------------------|--------------------------|-------------------------------|--------------|
| Proportionate Share of Net Pension Liability/(Asset) | \$ 397,305 | \$ (714) | \$ (3) | \$ 396,588 |
| Percentage for Proportionate Share of Net Pension Liability | 0.002294% | 0.001470% | 0.000875% | |
| Change in Proportion from Prior Measurement Date | 0.000967% | 0.000638% | 0.000875% | |

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Traditional Plan</u> | <u>Combined Plan</u> | <u>Member-Direct Plan</u> | <u>Total</u> |
|--|-----------------------------|--------------------------|-------------------------------|--------------------------|
| Deferred Outflows of Resources | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 116,783 | \$ 308 | \$ 5 | \$ 117,096 |
| Change in proportionate share and difference between employer contributions and proportionate share of contributions | 1,093 | - | - | 1,093 |
| Agency contributions subsequent to the measurement date | <u>36,107</u> | <u>-</u> | <u>-</u> | <u>36,107</u> |
| Total Deferred Outflows of Resources | <u>\$ 153,983</u> | <u>\$ 308</u> | <u>\$ 5</u> | <u>\$ 154,296</u> |
| Deferred Inflows of Resources | | | | |
| Difference between expected and actual experience | \$ 7,677 | \$ 326 | \$ - | \$ 8,003 |
| Change in proportionate share and difference between employer contributions and proportionate share of contributions | <u>89</u> | <u>-</u> | <u>-</u> | <u>89</u> |
| Total Deferred Inflows of Resources | <u>\$ 7,766</u> | <u>\$ 326</u> | <u>\$ -</u> | <u>\$ 8,092</u> |

\$36,107 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | |
|---------------------------------|-------------------|
| Fiscal Year Ending December 31: | |
| 2017 | \$ 25,958 |
| 2018 | 27,888 |
| 2019 | 29,947 |
| 2020 | 26,460 |
| 2021 | (10) |
| Thereafter | (146) |
| Total | <u>\$ 110,097</u> |

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

| | Traditional Plan | Combined Plan | Member-Directed Plan |
|----------------------------|--|--|--|
| Valuation Date | December 31, 2015 | December 31, 2015 | December 31, 2015 |
| Experience Study | 5 year ended 12/31/10 | 5 year ended 12/31/10 | 5 year ended 12/31/10 |
| Actuarial Cost Method | Individual entry age | Individual entry age | Individual entry age |
| Actuarial Assumptions: | | | |
| Investment Return | 8.00% | 8.00% | 8.00% |
| Wage Inflation | 3.75% | 3.75% | 3.75% |
| | 4.25% - 10.05% | 4.25% - 8.05% | 4.25% - 8.05% |
| Projected Salary Increase | (includes wage inflation at 3.75%) | (includes wage inflation at 3.75%) | (includes wage inflation at 3.75%) |
| Cost-of-living Adjustments | Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple | Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple | Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple |

Mortality rates are the Rp-2000 mortality table projected 20 years using Projected Scale AA. For males, 105% of the combined health male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation for 2015</u> | <u>Weighted Average Long-Term Expected Real Rate of Return</u> |
|------------------------|---------------------------------------|--|
| Fixed Income | 23.00% | 2.31% |
| Domestic Equities | 20.70% | 5.84% |
| Real Estate | 10.00% | 4.25% |
| Private Equity | 10.00% | 9.25% |
| International Equities | 18.30% | 7.40% |
| Other Investments | 18.00% | 4.59% |
| Total | 100.00% | 5.27% |

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate of 8.00% | 1% Increase (9.00%) |
|--|------------------------|-----------------------------------|------------------------|
| Agency's proportionate share of the net pension liability: | | | |
| - Traditional Pension Plan | \$ 633,075 | \$ 397,305 | \$ 198,523 |
| - Combined Plan | (15) | (714) | (761) |
| - Member-Directed Plan | 9 | (3) | (9) |

NOTE 6: POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (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.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Pension must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6: POSTEMPLOYMENT BENEFITS (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.html> or by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2016 and 2015, the employer contributions allocated to the health care plan was two 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, 2016, 2015 and 2014 amounted to \$6,015, \$6,458 and \$3,912, respectively. All required contributions have been made through December 31, 2016.

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.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7: COMPENSATED ABSENCES (Continued)

At December 31, 2016, the current portion is \$16,730 and the long term portion is \$22,725.

The following is a summary of changes in compensated absences for the year ended December 31, 2016:

| | Balance 1/1/2016 | Amount Earned | Amount Used | Balance 12/31/2016 | Due Within One Year |
|-----------------------------|---------------------|------------------|----------------|-----------------------|------------------------|
| Compensated Leave Liability | \$ 22,041 | \$ 41,869 | \$ 24,455 | \$ 39,455 | \$ 16,730 |

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:

| Coverage <u>Type of Coverage</u> | <u>Deductible</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, 2016**

NOTE 9: CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority 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 Authority at December 31, 2016.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At December 31, 2016 the PHA was not involved in such matters.

NOTE 10: LONG-TERM LIABILITIES

The change in the Authority’s long-term obligations during 2016 were as follows:

| | Balance 1/1/2016 | Additions | Deletions | Balance 12/31/2016 | Due Within One Year |
|-----------------------|---------------------|------------|-----------|-----------------------|------------------------|
| Net Pension Liability | \$ 159,721 | \$ 236,867 | \$ - | \$ 396,588 | \$ - |

See note 1 and 5 for information on the Authority net pension liability.

NOTE 11: SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through June 21, 2017, the date on which the financial statements were available to be issued.

**PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2016**

| <u>Federal Grantor/ Pass Through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| <i>Direct from the Agency:</i> | | |
| Housing Choice Vouchers | 14.871 | \$ 4,923,123 |
| Low Rent Public Housing | 14.850 | 250,040 |
| Public Housing Capital Fund Program | 14.872 | 139,669 |
| Family Self-Sufficiency Program | 14.896 | <u>41,752</u> |
| Total U.S. Department of Housing and Urban Development | | <u>5,354,584</u> |
| Total Federal Awards Expenditures | | <u><u>\$ 5,354,584</u></u> |

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

**PARMA PUBLIC HOUSING AGENCY
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of **Parma Public Housing Agency**, Cuyahoga County, Ohio (the Agency) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Agency has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Subrecipients

The Agency provided no federal awards to subrecipients during the year ended December 31, 2016.

Note D – Disclosure of Other Forms of Assistance

The Agency received no federal awards of non-monetary assistance that are required to be disclosed for the year ended December 31, 2016.

The Agency had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended December 31, 2016.

PARMA PUBLIC HOUSING AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 LAST THREE FISCAL YEARS

| | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|
| Authority's Proportion of the Net Pension Liability | | | |
| - Traditional Plan | 0.002294% | 0.001327% | 0.001327% |
| - Combined Plan | 0.001467% | 0.000829% | 0.000829% |
| - Member-Direct Plan | 0.000875% | 0.000000% | 0.000000% |
| Authority's Proportionate Share of the Net Pension Liability/(Asset) | | | |
| - Traditional Plan | \$397,305 | \$160,040 | \$156,338 |
| - Combined Plan | (\$714) | (\$319) | \$0 |
| - Member-Direct Plan | (\$3) | \$0 | \$0 |
| Authority's Covered-Employee Payroll | \$322,908 | \$358,926 | \$342,951 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 122.82% | 44.50% | 45.59% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Assets) | | | |
| - Traditional Plan | 81.08% | 86.45% | 86.36% |
| - Combined Plan | 116.90% | 114.83% | 104.33% |
| - Member-Direct Plan | | | |

(1) Information prior to 2014 is not available.

PARMA PUBLIC HOUSING AGENCY
 CUYAHOGA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AGENCY'S PERS CONTRIBUTIONS
 LAST TEN FISCAL YEARS

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$36,107 | \$38,749 | \$43,789 | \$44,827 | \$34,981 | \$29,874 | \$30,284 | \$26,779 | \$26,187 | \$13,226 |
| Contributions in Relation to the Contractually Required Contribution | \$36,107 | \$38,749 | \$43,789 | \$44,827 | \$34,981 | \$29,874 | \$30,284 | \$26,779 | \$26,187 | \$13,226 |
| Contribution Deficiency (Excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agency's Covered-Employee Payroll | \$300,868 | \$322,908 | \$358,926 | \$342,191 | \$342,951 | \$292,882 | \$336,489 | \$322,639 | \$368,831 | \$155,600 |
| Contributions as a Percentage of Covered-Employee Payroll | 12.00% | 12.00% | 12.20% | 13.10% | 10.20% | 10.20% | 9.00% | 8.30% | 7.10% | 8.50% |

PARMA PUBLIC HOUSING AGENCY
FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

| | Project Total | 14.896 PIH Family Self- Sufficiency Program | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|--|---------------|--|---|--------------------------|---------------|------|---------------|
| 111 Cash - Unrestricted | \$146,294 | \$0 | \$727,658 | \$925 | \$874,877 | \$0 | \$874,877 |
| 113 Cash - Other Restricted | \$0 | \$0 | \$570,836 | \$0 | \$570,836 | \$0 | \$570,836 |
| 114 Cash - Tenant Security Deposits | \$12,401 | \$0 | \$0 | \$0 | \$12,401 | \$0 | \$12,401 |
| 100 Total Cash | \$158,695 | \$0 | \$1,298,494 | \$925 | \$1,458,114 | \$0 | \$1,458,114 |
| 125 Accounts Receivable - Miscellaneous | \$984 | \$0 | \$984 | \$0 | \$1,968 | \$0 | \$1,968 |
| 126 Accounts Receivable - Tenants | \$1,665 | \$0 | \$0 | \$0 | \$1,665 | \$0 | \$1,665 |
| 126.1 Allowance for Doubtful Accounts -Tenants | (\$204) | \$0 | \$0 | \$0 | (\$204) | \$0 | (\$204) |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$2,445 | \$0 | \$984 | \$0 | \$3,429 | \$0 | \$3,429 |
| 142 Prepaid Expenses and Other Assets | \$24,242 | \$0 | \$15,045 | \$0 | \$39,287 | \$0 | \$39,287 |
| 150 Total Current Assets | \$185,382 | \$0 | \$1,314,523 | \$925 | \$1,500,830 | \$0 | \$1,500,830 |
| 161 Land | \$13,000 | \$0 | \$0 | \$0 | \$13,000 | \$0 | \$13,000 |
| 162 Buildings | \$3,205,233 | \$0 | \$0 | \$0 | \$3,205,233 | \$0 | \$3,205,233 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$150,939 | \$0 | \$0 | \$0 | \$150,939 | \$0 | \$150,939 |
| 164 Furniture, Equipment & Machinery - Administration | \$200,342 | \$0 | \$72,493 | \$0 | \$272,835 | \$0 | \$272,835 |
| 165 Leasehold Improvements | \$1,036,846 | \$0 | \$1,816 | \$0 | \$1,038,662 | \$0 | \$1,038,662 |
| 166 Accumulated Depreciation | (\$3,135,520) | \$0 | (\$61,541) | \$0 | (\$3,197,061) | \$0 | (\$3,197,061) |
| 167 Construction in Progress | \$124,910 | \$0 | \$0 | \$0 | \$124,910 | \$0 | \$124,910 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$1,595,750 | \$0 | \$12,768 | \$0 | \$1,608,518 | \$0 | \$1,608,518 |

PARMA PUBLIC HOUSING AGENCY
FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

| | Project Total | 14.896 PIH Family Self- Sufficiency Program | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|--|---------------|--|---|--------------------------|-------------|------|-------------|
| 180 Total Non-Current Assets | \$1,595,750 | \$0 | \$12,768 | \$0 | \$1,608,518 | \$0 | \$1,608,518 |
| 200 Deferred Outflow of Resources | \$52,591 | \$0 | \$101,705 | \$0 | \$154,296 | \$0 | \$154,296 |
| 290 Total Assets and Deferred Outflow of Resources | \$1,833,723 | \$0 | \$1,428,996 | \$925 | \$3,263,644 | \$0 | \$3,263,644 |
| 312 Accounts Payable <= 90 Days | \$22,279 | \$0 | \$5,414 | \$0 | \$27,693 | \$0 | \$27,693 |
| 321 Accrued Wage/Payroll Taxes Payable | \$2,579 | \$0 | \$5,065 | \$0 | \$7,644 | \$0 | \$7,644 |
| 322 Accrued Compensated Absences - Current Portion | \$1,887 | \$0 | \$14,843 | \$0 | \$16,730 | \$0 | \$16,730 |
| 341 Tenant Security Deposits | \$12,401 | \$0 | \$0 | \$0 | \$12,401 | \$0 | \$12,401 |
| 342 Unearned Revenue | \$0 | \$0 | \$40,252 | \$0 | \$40,252 | \$0 | \$40,252 |
| 310 Total Current Liabilities | \$39,146 | \$0 | \$65,574 | \$0 | \$104,720 | \$0 | \$104,720 |
| 353 Non-current Liabilities - Other | \$0 | \$0 | \$26,599 | \$0 | \$26,599 | \$0 | \$26,599 |
| 354 Accrued Compensated Absences - Non Current | \$21,654 | \$0 | \$1,071 | \$0 | \$22,725 | \$0 | \$22,725 |
| 357 Accrued Pension and OPEB Liabilities | \$136,119 | \$0 | \$260,469 | \$0 | \$396,588 | \$0 | \$396,588 |
| 350 Total Non-Current Liabilities | \$157,773 | \$0 | \$288,139 | \$0 | \$445,912 | \$0 | \$445,912 |
| 300 Total Liabilities | \$196,919 | \$0 | \$353,713 | \$0 | \$550,632 | \$0 | \$550,632 |
| 400 Deferred Inflow of Resources | \$2,746 | \$0 | \$356,361 | \$0 | \$359,107 | \$0 | \$359,107 |
| 508.4 Net Investment in Capital Assets | \$1,595,750 | \$0 | \$12,768 | \$0 | \$1,608,518 | \$0 | \$1,608,518 |
| 511.4 Restricted Net Position | \$0 | \$0 | \$193,222 | \$0 | \$193,222 | \$0 | \$193,222 |

PARMA PUBLIC HOUSING AGENCY
FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

| | Project Total | 14.896 PIH Family Self- Sufficiency Program | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|---|---------------|--|---|--------------------------|-------------|------|-------------|
| 512.4 Unrestricted Net Position | \$38,308 | \$0 | \$512,932 | \$925 | \$552,165 | \$0 | \$552,165 |
| 513 Total Equity - Net Assets / Position | \$1,634,058 | \$0 | \$718,922 | \$925 | \$2,353,905 | \$0 | \$2,353,905 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$1,833,723 | \$0 | \$1,428,996 | \$925 | \$3,263,644 | \$0 | \$3,263,644 |
| 70300 Net Tenant Rental Revenue | \$143,252 | \$0 | \$0 | \$0 | \$143,252 | \$0 | \$143,252 |
| 70400 Tenant Revenue - Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 70500 Total Tenant Revenue | \$143,252 | \$0 | \$0 | \$0 | \$143,252 | \$0 | \$143,252 |
| 70600 HUD PHA Operating Grants | \$250,040 | \$41,752 | \$4,923,123 | \$0 | \$5,214,915 | \$0 | \$5,214,915 |
| 70610 Capital Grants | \$139,669 | \$0 | \$0 | \$0 | \$139,669 | \$0 | \$139,669 |
| 71100 Investment Income - Unrestricted | \$1,020 | \$0 | \$79 | \$0 | \$1,099 | \$0 | \$1,099 |
| 71400 Fraud Recovery | \$50,798 | \$0 | \$32,534 | \$0 | \$83,332 | \$0 | \$83,332 |
| 71500 Other Revenue | \$26,882 | \$0 | \$62,954 | \$0 | \$89,836 | \$0 | \$89,836 |
| 70000 Total Revenue | \$611,661 | \$41,752 | \$5,018,690 | \$0 | \$5,672,103 | \$0 | \$5,672,103 |
| 91100 Administrative Salaries | \$71,935 | \$0 | \$148,481 | \$0 | \$220,416 | \$0 | \$220,416 |
| 91200 Auditing Fees | \$1,636 | \$0 | \$7,089 | \$0 | \$8,725 | \$0 | \$8,725 |
| 91500 Employee Benefit contributions - Administrative | \$57,948 | \$0 | \$177,340 | \$0 | \$235,288 | \$0 | \$235,288 |
| 91600 Office Expenses | \$17,750 | \$0 | \$42,791 | \$0 | \$60,541 | \$0 | \$60,541 |
| 91800 Travel | \$2,222 | \$0 | \$0 | \$0 | \$2,222 | \$0 | \$2,222 |
| 91900 Other | \$38,151 | \$0 | \$54,434 | \$0 | \$92,585 | \$0 | \$92,585 |
| 91000 Total Operating - Administrative | \$189,642 | \$0 | \$430,135 | \$0 | \$619,777 | \$0 | \$619,777 |

PARMA PUBLIC HOUSING AGENCY
FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

| | Project Total | 14.896 PIH Family Self- Sufficiency Program | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|---|---------------|--|---|--------------------------|-----------|------|-----------|
| 92100 Tenant Services - Salaries | \$0 | \$29,156 | \$0 | \$0 | \$29,156 | \$0 | \$29,156 |
| 92300 Employee Benefit Contributions - Tenant Services | \$0 | \$12,596 | \$0 | \$0 | \$12,596 | \$0 | \$12,596 |
| 92500 Total Tenant Services | \$0 | \$41,752 | \$0 | \$0 | \$41,752 | \$0 | \$41,752 |
| 93100 Water | \$20,529 | \$0 | \$0 | \$0 | \$20,529 | \$0 | \$20,529 |
| 93200 Electricity | \$13,088 | \$0 | \$1,575 | \$0 | \$14,663 | \$0 | \$14,663 |
| 93300 Gas | \$15,165 | \$0 | \$0 | \$0 | \$15,165 | \$0 | \$15,165 |
| 93600 Sewer | \$33,455 | \$0 | \$0 | \$0 | \$33,455 | \$0 | \$33,455 |
| 93000 Total Utilities | \$82,237 | \$0 | \$1,575 | \$0 | \$83,812 | \$0 | \$83,812 |
| 94100 Ordinary Maintenance and Operations - Labor | \$28,605 | \$0 | \$0 | \$0 | \$28,605 | \$0 | \$28,605 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$20,902 | \$0 | \$0 | \$0 | \$20,902 | \$0 | \$20,902 |
| 94300 Ordinary Maintenance and Operations Contracts | \$43,594 | \$0 | \$0 | \$0 | \$43,594 | \$0 | \$43,594 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$35,232 | \$0 | \$0 | \$0 | \$35,232 | \$0 | \$35,232 |
| 94000 Total Maintenance | \$128,333 | \$0 | \$0 | \$0 | \$128,333 | \$0 | \$128,333 |
| 95300 Protective Services - Other | \$264 | \$0 | \$0 | \$0 | \$264 | \$0 | \$264 |
| 95000 Total Protective Services | \$264 | \$0 | \$0 | \$0 | \$264 | \$0 | \$264 |
| 96110 Property Insurance | \$18,780 | \$0 | \$0 | \$0 | \$18,780 | \$0 | \$18,780 |
| 96120 Liability Insurance | \$0 | \$0 | \$7,362 | \$0 | \$7,362 | \$0 | \$7,362 |
| 96130 Workmen's Compensation | \$2,973 | \$0 | \$5,089 | \$0 | \$8,062 | \$0 | \$8,062 |
| 96100 Total insurance Premiums | \$21,753 | \$0 | \$12,451 | \$0 | \$34,204 | \$0 | \$34,204 |

PARMA PUBLIC HOUSING AGENCY
FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

| | Project Total | 14.896 PIH Family Self- Sufficiency Program | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|--|---------------|--|---|--------------------------|-------------|------|-------------|
| 96200 Other General Expenses | \$0 | \$0 | \$89 | \$0 | \$89 | \$0 | \$89 |
| 96210 Compensated Absences | \$15,056 | \$0 | \$26,813 | \$0 | \$41,869 | \$0 | \$41,869 |
| 96400 Bad debt - Tenant Rents | \$16,058 | \$0 | \$0 | \$0 | \$16,058 | \$0 | \$16,058 |
| 96000 Total Other General Expenses | \$31,114 | \$0 | \$26,902 | \$0 | \$58,016 | \$0 | \$58,016 |
| 96900 Total Operating Expenses | \$453,343 | \$41,752 | \$471,063 | \$0 | \$966,158 | \$0 | \$966,158 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$158,318 | \$0 | \$4,547,627 | \$0 | \$4,705,945 | \$0 | \$4,705,945 |
| 97300 Housing Assistance Payments | \$0 | \$0 | \$4,233,035 | \$0 | \$4,233,035 | \$0 | \$4,233,035 |
| 97350 HAP Portability-In | \$0 | \$0 | \$3,985 | \$0 | \$3,985 | \$0 | \$3,985 |
| 97400 Depreciation Expense | \$174,910 | \$0 | \$8,254 | \$0 | \$183,164 | \$0 | \$183,164 |
| 90000 Total Expenses | \$628,253 | \$41,752 | \$4,716,337 | \$0 | \$5,386,342 | \$0 | \$5,386,342 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | (\$16,592) | \$0 | \$302,353 | \$0 | \$285,761 | \$0 | \$285,761 |
| 11030 Beginning Equity | \$1,650,650 | \$0 | \$416,569 | \$925 | \$2,068,144 | \$0 | \$2,068,144 |
| Ending Equity | \$1,634,058 | \$0 | \$718,922 | \$925 | \$2,353,905 | \$0 | \$2,353,905 |
| 11170 Administrative Fee Equity | \$0 | \$0 | \$525,700 | \$0 | \$525,700 | \$0 | \$525,700 |
| 11180 Housing Assistance Payments Equity | \$0 | \$0 | \$193,222 | \$0 | \$193,222 | \$0 | \$193,222 |
| 11190 Unit Months Available | 708 | 0 | 8,758 | 0 | 9,466 | 0 | 9,466 |
| 11210 Number of Unit Months Leased | 692 | 0 | 8,747 | 0 | 9,439 | 0 | 9,439 |
| 11650 Leasehold Improvements Purchases | \$139,669 | \$0 | \$0 | \$0 | \$139,669 | \$0 | \$139,669 |



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St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
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304.232.1358

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

June 21, 2017

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Parma Public Housing Agency**, Cuyahoga County, (the "Agency") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 21, 2017.

Internal Control over Financial Reporting

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

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

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

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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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Agency's management in a separate letter dated June 21, 2017.

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



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

June 21, 2017

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

To the Board of Commissioners:

Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect the Agency's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Agency's major federal program.

Management's Responsibility

The Agency's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Agency's compliance for the Agency's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major Federal Program

In our opinion, the Agency complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Agency's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance 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**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Housing Choice Vouchers CFDA # 14.871 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR § 200.520? | No |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None