

PARMA PUBLIC HOUSING AGENCY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Parma Public Housing Agency, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 12, 2007

This Page is Intentionally Left Blank.

**PARMA PUBLIC HOUSING AGENCY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2006**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13-22
Schedule of Federal Awards Expenditures	23
Supplemental Data:	
Financial Data Schedule: Statement of Net Assets	24
Financial Data Schedule - Statement of Revenues, Expenses, and Changes in Net Assets	25
Statement of Modernization Cost - Completed	26-29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Department of Parma Public Housing
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Department of Parma Public Housing, City of Parma, Ohio as of and for the year ended December 31, 2006, which collectively comprise the Department's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Department of Parma Public Housing, City of Parma, Ohio's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Department of Parma Public Housing, City of Parma, Ohio, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Parma, Ohio as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Parma Public Housing, City of Parma as of December 31, 2006, and the changes in net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2007, on our consideration of the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements of the Department of Parma Public Housing, City of Parma, Ohio. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

July 30, 2007

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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 2006 year's activities, resulting changes and currently known facts, please read it in conjunction with the Agency's financial statements.

Financial Highlights

- The Agency's net assets increased by \$249,794, or 10 percent, during 2006, resulting from changes in operations. Since the Agency engages in only business-type activities, the increase is all in the category of business-type net assets.
- Revenues increased by \$112,062 or 2 percent, during 2006.
- The total expenses of all Agency programs decreased by \$119,061, or 2 percent.

Overview of the Agency's Financial Statements

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

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

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

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

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

Unrestricted Net Assets - This component consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt: or "Restricted Net Assets".

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

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

Fund Financial Statements

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

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

The Agency's Programs

Conventional Public Housing - Under the Conventional Public Housing Program, the Agency rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Agency to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Agency's properties.

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

The Agency's Statements

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

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Table 1 - Statement of Net Assets

	2006	2005
<u>Assets</u>		
Current and Other Assets	\$ 654,348	\$ 360,827
Capital Assets	<u>2,187,015</u>	<u>2,202,682</u>
Total Assets	<u>\$ 2,841,363</u>	<u>\$ 2,563,509</u>
<u>Liabilities</u>		
Current Liabilities	\$ 45,190	\$ 35,348
Long-term Liabilities	<u>79,920</u>	<u>61,702</u>
Total Liabilities	<u>125,110</u>	<u>97,050</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,187,015	2,202,682
Restricted Net Assets	0	0
Unrestricted Net Assets	<u>529,238</u>	<u>263,777</u>
Total Net Assets	<u>2,716,253</u>	<u>2,466,459</u>
Total Liabilities and Net Assets	<u>\$ 2,841,363</u>	<u>\$ 2,563,509</u>

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

Major Factors Affecting the Statement of Net Assets

During 2006, current and other assets increased by \$293,521, and current liabilities increased by \$9,842. The change in current assets was due mainly to the change in cash. Cash balance increased by \$244,964 for the year, mostly due to changes imposed by HUD in receiving grant revenue for the housing choice voucher program and the result of current year activities. The change in current liabilities is mainly due to the change in accounts payable at year end.

Capital assets also changed, decreasing from \$2,202,682 in 2005 to \$2,187,015 in 2006. The \$15,667 decrease is contributed primarily to the current year additions of \$97,796, less current year depreciation expense of \$113,463. For more detail see "Capital Assets" presented later in this report.

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

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Table 2 - Change of Unrestricted Net Assets

Beginning Balance - December 31, 2005	\$ 263,777
Results of Operations	244,205
Adjustments:	
Current Year Depreciation Expense (1)	113,463
Capital Expenditures (2)	(97,796)
Prior Period Adjustment	5,589
Ending Balance - December 31, 2006	<u>\$ 529,238</u>

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

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

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

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Agency is engaged only in Business-Type Activities.

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

	2006	2005
Revenues		
Total Tenant Revenues	\$ 106,256	\$ 100,141
Operating Subsidies	4,799,002	4,667,165
Capital Grants	95,137	153,200
Investment Income	6,902	2,093
Other Revenues	27,666	302
Total Revenues	<u>5,034,963</u>	<u>4,922,901</u>
Expenses		
Administrative	\$ 516,921	\$ 593,421
Utilities	93,190	71,433
Maintenance	113,191	121,496
Protective Services	1,170	883
General Expenses	32,721	33,791
Housing Assistance Payments	3,920,102	3,973,189
Depreciation	113,463	115,606
Total Expenses	<u>4,790,758</u>	<u>4,909,819</u>
Net Increases (Decreases)	<u>\$ 244,205</u>	<u>\$ 13,082</u>

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

Total revenue increased by \$112,062 for the year. The revenue was \$4,922,901 in 2005 and \$5,034,963 in 2006. The increase is mainly due to changes imposed by HUD in recognizing grant income for the Housing Choice Voucher Program.

The other revenue account that had a significant increase was other income. This income account was \$27,666 and \$302 in 2006 and 2005 respectively. The increase is due to better tracking income and reporting income, where in prior years the income was netted with the expenses. The \$27,666 income represents the following:

Public Housing

- Late Fees	\$ 1,023
- Laundry Income	7,150
- Income from Vending Machines	1,065

Voucher

- Fraud recovery	2,323
- FSS forfeited	4,755
- Lead base paint inspections charges to Landlords	<u>11,350</u>

Total Other Income \$ 27,666

Total expenses decreased by \$119,061. The decrease was mainly due to 2 areas:

- Outside Management Fee decrease of \$78,161. This was due to the completion of the contract with CGI.
- Decrease in Housing Assistance Payments of \$53,087.

Capital Assets

As of year-end, the Agency had \$3,926,842 invested in a variety of capital assets as reflected in the following schedule. This represents a net increase of \$97,796, or 2.55 percent from the end of last year.

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

	2006	2005
Land	\$ 13,000	\$ 13,000
Buildings	3,205,233	3,205,233
Furniture, Equipment, and Machinery - Dwelling	38,239	38,239
Furniture, Equipment, and Machinery - Admin.	91,756	89,097
Leasehold Improvements	330,277	330,277
Construction in Progress	248,337	153,200
Accumulated Depreciation	<u>(1,739,827)</u>	<u>(1,626,364)</u>
Total Revenues	<u>\$ 2,187,015</u>	<u>\$ 2,202,682</u>

The following reconciliation identifies the changes in Capital Assets.

Table 5 - Change in Capital Assets

Beginning Balance - December 31, 2005	\$ 2,202,682
Current Year Additions	97,796
Current Year Depreciation Expense	<u>(113,463)</u>
Beginning Balance - December 31, 2006	<u>\$ 2,187,015</u>
Current year additions are summarized as follows:	
Computer Purchase	\$ 2,659
Carpet and Flooring replacement	66,318
Painting of Units	16,961
Kitchen cabinets replacement	2,160
Hot water tank replacements	1,164
Lock Changes	1,249
Various other capital funded activities	<u>7,285</u>
Total 2006 Additions	<u>\$ 97,796</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 (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(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 Lev Kulchytsky, Executive Director of the Parma Public Housing Agency, at (440) 885-8157. Specific requests may be submitted to the Parma Public Housing Agency, 1440 Rockside Road, Suite 306, Parma, Ohio 44134.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 590,327
Receivables, Net	40,191
Prepaid Expenses	<u>23,830</u>
Total Current Assets	<u>654,348</u>

Noncurrent Assets

Non-depreciable Capital Assets	261,337
Depreciable Capital Assets, Net	<u>1,925,678</u>
Total Noncurrent Assets	<u>2,187,015</u>

TOTAL ASSETS	<u>\$ 2,841,363</u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 21,667
Accrued Compensated Absences - Current	212
Tenant Security Deposits	12,591
Accrued Wages and Payroll Taxes	10,254
Deferred Revenues	<u>466</u>
Total Current Liabilities	<u>45,190</u>

Noncurrent Liabilities

Noncurrent Liabilities - Other	53,280
Accrued Compensated Absences - Net of Current Portion	<u>26,640</u>
Total Noncurrent Liabilities	<u>79,920</u>
Total Liabilities	<u>125,110</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	2,187,015
Unrestricted Net Assets	<u>529,238</u>
Total Net Assets	<u>2,716,253</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,841,363</u>
---	----------------------------

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Operating Revenues</u>	
Government Grants	\$ 4,799,002
Tenant Revenue	106,256
Other Revenue	<u>27,666</u>
Total Operating Revenues	<u>4,932,924</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	3,920,102
Administrative	516,921
Utilities	93,190
Maintenance	113,191
Protective Services	1,170
General	<u>32,721</u>
Total Operating Expenses Before Depreciation	<u>4,677,295</u>
Income (Loss) Before Depreciation	225,629
Depreciation	<u>113,463</u>
Operating Income	<u>142,166</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	<u>6,902</u>
Total Non-Operating Revenues (Expenses)	<u>6,902</u>
Income Before Capital Grants	149,068
Capital Grants	<u>95,137</u>
Change in Net Assets	<u>244,205</u>
Total Net Assets, Beginning of Year	2,466,459
Prior Period Adjustments	<u>5,589</u>
Total Net Assets, Beginning of Year, Restated	<u>2,472,048</u>
Net Assets, End of Year	<u><u>\$ 2,716,253</u></u>

See accompanying notes to the basic financial statements.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 4,785,441
Cash Received From Tenants	106,774
Cash Payments for Housing Assistance	(3,920,102)
Cash Payments for Administrative Expenses	(513,930)
Cash Payments for Other Operating Expenses	(245,128)
Cash Received - Other	<u>27,666</u>
Net Cash (Provided) by Operating Activities	<u>240,721</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(97,796)
Capital Grants Received	<u>95,137</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(2,659)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	<u>6,902</u>
Net Cash Provided by Investing Activities	<u>6,902</u>
Net Increase (Decrease) in Cash and Cash Equivalents	244,964
Cash and Cash Equivalents, Beginning	<u>345,363</u>
Cash and Cash Equivalents, Ending	<u>\$ 590,327</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ 142,166
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	113,463
Prior Period Adjustments	5,589
(Increase) Decrease in:	
Accounts Receivable	(32,185)
Prepaid Expenses	(16,372)
Increase (Decrease) in:	
Accounts Payable	18,667
Deferred Revenue	266
Accrued Compensated Absences - Current	(12,009)
Tenants' Security Deposits	948
Accrued Wages and Payroll Taxes	1,970
Non-Current Liabilities	3,218
Accrued Compensated Absences - Long-Term	<u>15,000</u>
Net Cash Used by Operating Activities	<u>\$ 240,721</u>

See accompanying notes to the basic financial statements.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Agency has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. The Agency will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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

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.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Basis of Presentation (Continued)

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

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:

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Capital Assets (Continued)

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

Capitalization of Interest

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

Investments

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and (2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 7.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2006, the Agency had undeposited cash on hand, including petty cash, of \$400.

At December 31, 2006, the carrying amount of the Agency's cash deposits was \$589,927. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2006, deposits totaling \$250,214 were covered by Federal Depository Insurance and deposits totaling \$417,712 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, 2006, the Agency had no investments.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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 are in the table below. The Agency has no investment policy that would further limit its investment choices.

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>
Carrying Amount of Deposits	\$ 589,927	\$ 589,927
Petty Cash	400	400
Totals	<u>\$ 590,327</u>	<u>\$ 590,327</u>

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2006 by class is as follows:

	<u>01/01/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2006</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 13,000	\$ 0	\$ 0	\$ 13,000
Construction in Progress	<u>153,200</u>	<u>95,137</u>	<u>0</u>	<u>248,337</u>
Total Capital Assets Not Being Depreciated	<u>166,200</u>	<u>95,137</u>	<u>0</u>	<u>261,337</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	3,205,233	0	0	3,205,233
Furniture, Equipment, and Machinery - Dwellings	38,239	0	0	38,239
Furniture, Equipment, and Machinery - Administrative	89,097	2,659	0	91,756
Leasehold Improvements	<u>330,277</u>	<u>0</u>	<u>0</u>	<u>330,277</u>
Subtotal Capital Assets Being Depreciated	<u>3,662,846</u>	<u>2,659</u>	<u>0</u>	<u>3,665,505</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(1,402,276)	(80,131)	0	(1,482,407)
Furniture, Equipment, and Machinery - Dwellings	(24,503)	(5,463)	0	(29,966)
Furniture, Equipment, and Machinery - Administrative	(66,996)	(9,619)	0	(76,615)
Leasehold Improvements	<u>(132,589)</u>	<u>(18,250)</u>	<u>0</u>	<u>(150,839)</u>
Total Accumulated Depreciation	<u>(1,626,364)</u>	<u>(113,463)</u>	<u>0</u>	<u>(1,739,827)</u>
Depreciation Assets, Net	<u>2,036,482</u>	<u>(110,804)</u>	<u>0</u>	<u>1,925,678</u>
Total Capital Assets, Net	<u>\$ 2,202,682</u>	<u>\$ (15,667)</u>	<u>\$ 0</u>	<u>\$ 2,187,015</u>

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 4: **PENSION PLAN**

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Agency to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2006 was 9.20 percent. The Ohio Revised Code provides statutory Agency for member and employer contributions.

The Agency's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$29,940, \$29,201, and \$21,492, respectively; the full amount has been contributed for 2006, 2005, and 2004. The Agency had no employees participating in the member-directed plans for the years ended December 31, 2006, 2005 and 2004.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 5: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local employer contribution rate was 13.70 percent of covered payroll, 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 5: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

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

NOTE 6: **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, 2006, based on the vesting method, \$26,852 was accrued by the Agency for unused sick time. The current portion is \$212 and the long term portion is \$26,640.

NOTE 7: **INSURANCE**

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

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

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 7: **INSURANCE** (Continued)

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Agency is also fully insured through a premium payment plan with Aetna Health, Inc. for employee health care benefits. Settled claims have not exceeded the Agency's insurance in any of the past three years.

NOTE 8: **CONTINGENCIES**

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

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

NOTE 9: **PRIOR PERIOD ADJUSTMENT**

Prior period adjustments consisted of the following:

Correction of Prior Period Expenses	\$ (13,287)
Adjustment of HUD Revenue - 2005	<u>18,876</u>
Net Prior Period Adjustments	<u>\$ 5,589</u>

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 201,930
Capital Fund Program	14.872	<u>128,331</u>
Total Public Housing Programs		<u>330,261</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>4,563,878</u>
Total Section 8 Tenant Based Programs		<u>4,563,878</u>
Total Federal Assistance		<u>\$ 4,894,139</u>

This schedule is prepared on the accrual basis of accounting.

PARMA PUBLIC HOUSING AGENCY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
ASSETS					
Current Assets:					
111	Cash - Unrestricted	\$40,306	\$484,413	\$0	\$524,719
113	Cash - Other Restricted	\$0	\$53,280	\$0	\$53,280
114	Cash - Tenant Security Deposits	\$12,328	\$0	\$0	\$12,328
100	Total Cash	\$52,634	\$537,693	\$0	\$590,327
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$32,437	\$32,437
126	Accounts Receivable - Tenants - Dwelling Rents	\$7,095	\$0	\$0	\$7,095
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$2,785)	\$0	\$0	(\$2,785)
125	Accounts Receivable - Tenants - Miscellaneous	\$3,444	\$0	\$0	\$3,444
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$7,754	\$0	\$32,437	\$40,191
142	Prepaid Expenses and Other Assets	\$18,980	\$4,850	\$0	\$23,830
144	Interprogram Due From	\$32,503	\$3,804	\$0	\$36,307
150	Total Current Assets	\$111,871	\$546,347	\$32,437	\$690,655
Noncurrent Assets:					
161	Land	\$13,000	\$0	\$0	\$13,000
162	Buildings	\$3,205,233	\$0	\$0	\$3,205,233
163	Furniture, Equipment & Machinery - Dwellings	\$38,239	\$0	\$0	\$38,239
164	Furniture, Equipment & Machinery - Administration	\$54,567	\$37,189	\$0	\$91,756
165	Leasehold Improvements	\$330,277	\$0	\$0	\$330,277
166	Accumulated Depreciation	(\$1,707,954)	(\$31,873)	\$0	(\$1,739,827)
167	Construction In Progress	\$0	\$0	\$248,337	\$248,337
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,933,362	\$5,316	\$248,337	\$2,187,015
180	Total Non-Current Assets	\$1,933,362	\$5,316	\$248,337	\$2,187,015
190	Total Assets	\$2,045,233	\$551,663	\$280,774	\$2,877,670
LIABILITIES					
Current Liabilities:					
312	Accounts Payable <= 90 Days	\$20,531	\$1,136	\$0	\$21,667
321	Accrued Wage/Payroll Taxes Payable	\$2,957	\$7,297	\$0	\$10,254
322	Accrued Compensated Absences - Current Portion	\$42	\$170	\$0	\$212
341	Tenant Security Deposits	\$12,591	\$0	\$0	\$12,591
342	Deferred Revenues	\$466	\$0	\$0	\$466
347	Interprogram Due To	\$3,804	\$66	\$32,437	\$36,307
310	Total Current Liabilities	\$40,391	\$8,669	\$32,437	\$81,497
Noncurrent Liabilities:					
354	Accrued Compensated Absences - Non Current	\$15,304	\$11,336	\$0	\$26,640
353	Noncurrent Liabilities - Other	\$0	\$53,280	\$0	\$53,280
350	Total Noncurrent Liabilities	\$15,304	\$64,616	\$0	\$79,920
300	Total Liabilities	\$55,695	\$73,285	\$32,437	\$161,417
NET ASSETS					
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$1,933,362	\$5,316	\$248,337	\$2,187,015
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$56,176	\$473,062	\$0	\$529,238
513	Total Equity/Net Assets	\$1,989,538	\$478,378	\$248,337	\$2,716,253
600	Total Liabilities and Equity/Net Assets	\$2,045,233	\$551,663	\$280,774	\$2,877,670

PARMA PUBLIC HOUSING AGENCY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
DECEMBER 31, 2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
REVENUES					
703	Net Tenant Rental Revenue	\$106,256	\$0	\$0	\$106,256
705	Total Tenant Revenue	\$106,256	\$0	\$0	\$106,256
706	HUD PHA Operating Grants	\$201,930	\$4,563,878	\$33,194	\$4,799,002
706.1	Capital Grants	\$0	\$0	\$95,137	\$95,137
711	Investment Income - Unrestricted	\$3,356	\$3,546	\$0	\$6,902
714	Fraud Recovery	\$0	\$2,323	\$0	\$2,323
715	Other Revenue	\$9,238	\$16,105	\$0	\$25,343
700	Total Revenue	\$320,780	\$4,585,852	\$128,331	\$5,034,963
EXPENSES					
911	Administrative Salaries	\$31,186	\$231,941	\$2,700	\$265,827
912	Auditing Fees	\$2,659	\$9,934	\$0	\$12,593
914	Compensated Absences	(\$1,721)	\$4,711	\$0	\$2,990
915	Employee Benefit Contributions - Administrative	\$19,291	\$90,755	\$0	\$110,046
916	Other Operating - Administrative	\$17,199	\$108,266	\$0	\$125,465
931	Water	\$23,835	\$0	\$0	\$23,835
932	Electricity	\$8,681	\$0	\$0	\$8,681
933	Gas	\$60,674	\$0	\$0	\$60,674
941	Ordinary Maintenance and Operations - Labor	\$57,197	\$0	\$0	\$57,197
942	Ordinary Maintenance and Operations - Materials and Other	\$16,076	\$352	\$0	\$16,428
943	Ordinary Maintenance and Operations - Contract Costs	\$11,568	\$0	\$0	\$11,568
945	Employee Benefit Contributions - Ordinary Maintenance	\$27,998	\$0	\$0	\$27,998
952	Protective Services - Other Contract Costs	\$1,170	\$0	\$0	\$1,170
961	Insurance Premiums	\$14,228	\$1,553	\$0	\$15,781
962	Other General Expenses	\$2,462	\$6,408	\$4,300	\$13,170
964	Bad Debt - Tenant Rents	\$2,785	\$0	\$0	\$2,785
966	Bad Debt - Other	\$0	\$985	\$0	\$985
969	Total Operating Expenses	\$295,288	\$454,905	\$7,000	\$757,193
970	Excess Operating Revenue over Operating Expenses	\$25,492	\$4,130,947	\$121,331	\$4,277,770
973	Housing Assistance Payments	\$0	\$3,920,102	\$0	\$3,920,102
974	Depreciation Expense	\$107,252	\$6,211	\$0	\$113,463
900	Total Expenses	\$402,540	\$4,381,218	\$7,000	\$4,790,758
1001	Operating Transfers In	\$26,194	\$0	\$0	\$26,194
1002	Operating Transfers Out	\$0	\$0	(\$26,194)	(\$26,194)
1010	Total Other Financing Sources (Uses)	\$26,194	\$0	(\$26,194)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$55,566)	\$204,634	\$95,137	\$244,205
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$2,058,391	\$254,868	\$153,200	\$2,466,459
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$13,287)	\$18,876	\$0	\$5,589
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0
1114	Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0
1120	Unit Months Available	720	8,904	0	9,624
1121	Number of Unit Months Leased	709	8,800	0	9,509
1117	Administrative Fee Equity	\$0	\$145,741	\$0	\$145,741
1118	Housing Assistance Payments Equity	\$0	\$332,637	\$0	\$332,637

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

Annual Contributions Contract C-5507

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	Capital Grant
	<u>OH12P07350103</u>
Funds Approved	\$ 83,923
Funds Expended	<u>83,923</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 83,923
Funds Expended	<u>83,923</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Agency have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

Annual Contributions Contract C-5507

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	<u>Capital Grant</u>
	<u>OH12P07350203</u>
Funds Approved	\$ 17,725
Funds Expended	<u>17,725</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 17,725
Funds Expended	<u>17,725</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed
3. The entire actual modernization cost or liabilities incurred by the Housing Agency have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material- mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

Annual Contributions Contract C- 5507

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	<u>Capital Grant</u>
	<u>OH12P07350104</u>
Funds Approved	\$ 98,206
Funds Expended	<u>98,206</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 98,206
Funds Expended	<u>98,206</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Agency have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

Annual Contributions Contract C-5507

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	<u>Capital Grant OH12P07350105</u>
Funds Approved	\$ 93,730
Funds Expended	<u>93,730</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 93,730
Funds Expended	<u>93,730</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Agency have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Department of Parma Public Housing
Parma, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the Parma Public Housing Agency, as of and for the year ended December 31, 2006 which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Parma Public Housing Agency, City of Parma, Ohio in a separate letter dated July 30, 2007.

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

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

July 30, 2007

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Parma Public Housing Agency
Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Parma Public Housing Agency (the Agency), Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Parma Public Housing Agency, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Parma Public Housing Agency, Ohio's management. Our responsibility is to express an opinion on the Parma Public Housing Agency, Ohio's compliance based on our audit.

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

In our opinion, the Parma Public Housing Agency, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Parma Public Housing Agency, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Parma Public Housing Agency, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, the Auditor of State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka CPA, Inc.
Certified Public Accountants

July 30, 2007

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list):	
	Housing Choice Voucher Program - CFDA #14.871	
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2006(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

PARMA PUBLIC HOUSING AGENCY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 25, 2007**