



Dave Yost • Auditor of State



PARMA COMMUNITY IMPROVEMENT CORPORATION  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Parma Community Improvement Corporation  
Cuyahoga County  
6611 Ridge Road  
Parma, Ohio 44129

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Parma Community Improvement Corporation, Cuyahoga County, Ohio, (the Corporation) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation'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 Corporation'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 audit opinions.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parma Community Improvement Corporation, Cuyahoga County, Ohio as of December 31, 2014 and 2013, and the respective changes in financial position and its cash flows for the years 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*, 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.

**Other Reporting Required by Corporation Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 6, 2016

Parma Community Improvement Corporation  
Management's Discussion and Analysis  
For the Years Ended December 31, 2014 and 2013  
Unaudited

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The discussion and analysis of the Parma Community Improvement Corporation's (the "Corporation") financial performance provides an overall review of the Corporation's financial activities for the years ended December 31, 2014 and 2013. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the *Basic Financial Statements* to enhance their understanding of the Corporation's financial performance.

### ***FINANCIAL HIGHLIGHTS***

Key financial highlights for 2014 and 2013 are as follows:

- The assets of the Corporation exceeded its liabilities at December 31, 2014 and 2013 by \$471,302 and \$737,501, respectively (net position). Of this amount, \$471,302 and \$737,501, respectively (unrestricted net position) may be used to meet the Corporation's ongoing obligations to citizens and creditors.
- The Corporation's net position decreased by \$(266,199) during 2014 due to the sale of land and buildings and payment of the proceeds to the City of Parma. The Corporation's net position increased by \$737,401 during 2013 due to the donation of land and buildings to the Corporation.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements.

The Corporation's *Basic Financial Statements* are comprised of four components: 1) statements of net position, 2) statements of revenues, expenses and changes in net position, 3) statements of cash flows and 4) notes to the financial statements.

***Statements of Net Position*** - The statements of net position present information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

***Statements of Activities*** - The statements of activities present information showing how the Corporation's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., sale of land and buildings).

***Statements of Cash Flows*** - The statements of cash flows present information showing how the Corporation's cash position changed during the most recent fiscal years. It summarizes the net changes in cash resulting from operating, investing, and financing activities.

***Notes to the Basic Financial Statements*** - The notes provide additional information that is essential to a full understanding of the basic financial statements.

Parma Community Improvement Corporation  
Management's Discussion and Analysis  
For the Years Ended December 31, 2014 and 2013  
Unaudited

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***CORPORATION-WIDE FINANCIAL ANALYSIS***

While this document contains information about the fund used by the Corporation to provide services to our citizens, the view of the Corporation as a whole looks at all financial transactions and asks the question "How did we do financially during 2014 and 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private-sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the Corporation's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. The *Statements of Net Position* and the *Statements of Activities* are divided into the following sections:

- Assets
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets minus Liabilities and Deferred Inflows of Resources)
- Net Position Beginning of Year and Year End

Table 1 below summarizes the net position of the Corporation:

	2014	2013	2012
<b><i>Assets</i></b>			
Current Assets	\$471,302	\$737,501	\$100
Total Assets	471,302	737,501	100
<b><i>Net Position</i></b>			
<b><i>Unrestricted</i></b>	471,302	737,501	100
Total Net Position	\$471,302	\$737,501	\$100



Parma Community Improvement Corporation  
Management's Discussion and Analysis  
For the Years Ended December 31, 2014 and 2013  
Unaudited

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Corporation, assets exceeded liabilities by \$471,302 at the close of the most recent fiscal year.

The largest portion of the Corporation's net position (99.9 percent) is donated land and buildings. The second largest portion of the Corporation's net position (0.1 percent) is cash and cash equivalents.

Total net position decreased by \$266,199 during 2014.

Table 2 below summarizes the changes in net position of the Corporation:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$638,400	\$737,400	\$-
Operating expenses	<u>(904,600)</u>	<u>-</u>	<u>-</u>
Operating income (loss)	(266,200)	737,400	-
Non-operating revenues	<u>\$1</u>	<u>\$1</u>	<u>-</u>
Change in net position	(266,199)	737,401	-
Net position at beginning of year	<u>737,501</u>	<u>100</u>	<u>100</u>
Net position at end of year	<u><u>\$471,302</u></u>	<u><u>\$737,501</u></u>	<u><u>\$100</u></u>

Revenues decreased by \$99,000 from 2013 to 2014 and increased by \$737,401 from 2012 to 2013. The decrease in revenue in 2014 was due to a decrease in donations of land and buildings, which is the Corporation's primary and most substantial source of revenue. The increase in revenue in 2013 was due to an increase in donations of land and buildings.

Expenses increased by \$904,600 from 2013 to 2014; the Corporation incurred no expenses from 2012 to 2013. The increase in 2014 was composed of the cost of sales of \$454,600, professional services related to the sale of land and buildings of \$29,202, special assessments and county transfer taxes of \$2,292 and the payment of land and buildings sale proceeds of \$418,506 from the Corporation to the City of Parma.

***CONTACTING THE OFFICE OF THE CORPORATION'S FISCAL OFFICER***

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Corporation's finances and to show the Corporation's accountability for the assets it receives. If you have any questions about this report or need additional financial information, contact Brian D. Day, Parma City Auditor, 6611 Ridge Road, Parma, OH 44129.

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Parma Community Improvement Corporation  
Statement of Net Position  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$102	101
Land held for sale	237,800	98,927
Buildings held for sale	<u>233,400</u>	<u>638,473</u>
Total current assets	<u>471,302</u>	<u>737,501</u>
Total assets	<u>471,302</u>	<u>737,501</u>
Net position		
Unrestricted	<u>471,302</u>	<u>737,501</u>
Total net position	<u><u>\$471,302</u></u>	<u><u>737,501</u></u>

See accompanying notes to the basic financial statements

Parma Community Improvement Corporation  
Statement of Revenues,  
Expenses, and Changes in Fund Net Position  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Donations - land	\$188,400	98,927
Donations - buildings	0	638,473
Sale of land and buildings	<u>450,000</u>	<u>0</u>
Total operating revenues	<u>638,400</u>	<u>737,400</u>
Operating expenses		
Professional services	29,202	0
Special assessments	488	0
County transfer taxes	1,804	0
Cost of sales	454,600	0
Payment to City of Parma	<u>418,506</u>	<u>0</u>
Total operating expenses	<u>904,600</u>	<u>0</u>
Operating income (loss)	(266,200)	737,400
Other non-operating revenues (expenses)		
Rentals and leases	<u>1</u>	<u>1</u>
Total non-operating revenues (expenses)	<u>1</u>	<u>1</u>
Change in net position	(266,199)	737,401
Net position at beginning of year	<u>737,501</u>	<u>100</u>
Net position at end of year	<u><u>\$471,302</u></u>	<u><u>737,501</u></u>

See accompanying notes to the basic financial statements

Parma Community Improvement Corporation  
Statement of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from sale of lands and buildings	\$450,000	0
Cash payments for professional services	(29,202)	0
Other payments for special assessments	(488)	0
Cash payments for county transfer taxes	(1,804)	0
Cash payments to City of Parma	<u>(\$418,506)</u>	<u>0</u>
Net cash provided by (used in) operating activities	<u>0</u>	<u>0</u>
Cash flows from non-operating activities:		
Rentals and leases	<u>1</u>	<u>1</u>
Net cash provided by non-operating activities:	<u>1</u>	<u>1</u>
Net increase in cash and cash equivalents	1	1
Cash and cash equivalents beginning of year	<u>101</u>	<u>100</u>
Cash and cash equivalents end of year	<u><u>102</u></u>	<u><u>101</u></u>
Reconciliation of operating income to net cash used in operating activities		
Operating income (loss)	(266,200)	737,400
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Change in assets and liabilities:		
(Increase)/decrease in land held for sale	(138,873)	(98,927)
(Increase)/decrease in buildings held for sale	<u>405,073</u>	<u>(638,473)</u>
Net cash provided by (used in) operating activities	<u><u>\$0</u></u>	<u><u>0</u></u>

See accompanying notes to the basic financial statements.

**NOTE 1 - REPORTING ENTITY**

**The Corporation** - The Parma Community Improvement Corporation (the "Corporation") was created by the City of Parma (the "City"), a political subdivision of the State of Ohio, pursuant to Article VIII, Section 13 of the Ohio Constitution and Chapter 1724 of the Ohio Revised Code. All activities of the Corporation are intended to be conducted within the corporate limits of the City, with the exception of some support activities that may be conducted in the future, such as fundraising. The intended beneficiaries of the Corporation's activities are those people and businesses within the corporate limits of the City.

On August 19, 1996, the Corporation was incorporated by the State of Ohio, Office of the Secretary of State, as the Parma Community Improvement Corporation.

On September 25, 1996, the Corporation was established as the City's agent for economic development with the signature by Mayor Gerald M. Boldt of Ordinance No. 265-96, *An Ordinance to Designate the Parma Community Improvement Corporation in the City of Parma, and Declaring an Emergency*, passed by the Parma City Council on September 23, 1996.

On October 20, 1998, the Internal Revenue Service approved the Corporation's tax-exempt status as a public charity, which normally receives a substantial part of its support from a governmental unit or from direct or indirect contributions from the general public, under Internal Revenue Code §501(a), *Exemption from Tax on Corporations, Certain Trusts, etc. - Exemption from Taxation*, §501(c)(3), *Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations*, and §170(b)(1)(A)(vi), *Charitable, etc., Contributions and Gifts*.

On September 2, 2014, the Internal Revenue Service reaffirmed the Corporation's status as a tax-exempt public charity under the Internal Revenue Code sections stated above.

The Corporation acts as the agency and instrumentality of the City for the purpose of initiating and guiding economic and community development projects in the City in accordance with Ohio Revised Code Chapter 1724, *Community Improvement Corporations*.

Under Ohio Revised Code Chapter 1724, no less than two-fifths of the governing board of the Corporation must be comprised of appointed or elected officers of the City.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements as of December 31, 2014 and 2013 and for the years then ended have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"). The most significant of the Corporation's accounting policies are described below.

Parma Community Improvement Corporation  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

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**A - Basis of Presentation** - The Corporation'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.

**B - Fund Accounting** - The Corporation uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Corporation's basic financial statements consist of one proprietary fund.

**(1) - Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Corporation's sole proprietary fund is classified as an enterprise fund.

**C - Measurement Focus**

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases, i.e; revenues and decreases, i.e; expenses in total net position. The statement of cash flows provides information about how the Corporation finances and meets the cash flow needs of its proprietary activities.

**D - Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds use the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

**(1) - Revenues - Non-Exchange Transactions**

**Non-exchange Transactions** - Non-exchange transactions, in which the Corporation receives value without directly giving equal value in return, include donations.

Revenue from donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis.

Parma Community Improvement Corporation  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

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***E - Cash and Cash Equivalents***

Cash resources of the Corporation are maintained in one deposit account with an eligible bank located in the State of Ohio.

Cash equivalents are defined as highly liquid investments with a maturity of three months or less at the time they are purchased by the Corporation.

***F - Investments***

The Corporation reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The Corporation did not have any investments as of December 31, 2014 and 2013.

***G - Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2014 and 2013 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed. The Corporation did not have any prepaid items as of December 31, 2014 and 2013.

***H - Operating Revenues and Expenses***

Operating revenues are those revenues generated directly from the primary activity of the Corporation, which is the sale of donated land and buildings. Operating expenses are those expenses incurred for the performance of the primary activity of the Corporation and, upon the sale or disposition of assets held by the Corporation, payment of those proceeds to the City of Parma. Revenues and expenses not meeting these definitions are reported as non-operating.

***I - Net Position***

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or through external restrictions imposed by donors, creditors, grantors, or laws or regulations of other governments. The Corporation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.



***J - Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014 or 2013.

***K - Statement of Cash Flows***

The Corporation utilizes the direct method of reporting cash flows from operating activities in the Statement of Cash Flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investing activities.

***L - Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***M - Income Taxes***

The Corporation has qualified tax-exempt status as a public charity, which normally receives a substantial part of its support from a governmental unit or from direct or indirect contributions from the general public, under Internal Revenue Code §501(a), *Exemption from Tax on Corporations, Certain Trusts, etc.* - *Exemption from Taxation*, §501(c)(3), *Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations*, and §170(b)(1)(A)(vi), *Charitable, etc., Contributions and Gifts* and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Income taxes are accounted for under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. Uncertain income tax positions are evaluated at least annually by the Corporation's management. The Corporation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. The Corporation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest as of December 31, 2014.

***NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES***

For 2014, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The implementation of GASB Statement No. 69 did not result in any

Parma Community Improvement Corporation  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

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change to the Corporation's financial statements.

For 2014, the Corporation implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The implementation of GASB Statement No. 70 did not result in any change to the Corporation's financial statements.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

All funds of the Corporation are maintained in a single bank account. This bank account, and any investments the Corporation may hold, are presented as "Equity in pooled cash and cash equivalents" on the statement of net position.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of government securities the face value of which is at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Corporation's name.

The Corporation is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The Corporation is also prohibited from investing in reverse purchase agreements.

During 2014 and 2013, the Corporation complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made, as well as the provisions of the statutes concerning security deposits. The Corporation will continue to monitor compliance with applicable statutes in the future pertaining to its deposits and investments. At December 31, 2014 and 2013, all of the Corporation's deposits were held by a local bank that qualifies under Ohio Revised Code §135.14(M)(I).

**Deposits** - Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio.

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a deposit policy for custodial credit risk.

Parma Community Improvement Corporation  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

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At year-end 2014 and 2013, the carrying amount of the Corporation's deposits was \$102 and \$101, respectively and the actual bank balance was \$102 and \$101, respectively. The difference between the carrying amount and the actual bank balance, if any, represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the entire amount of the Corporation's bank balances at year end were insured or collateralized with securities held by the Corporation or by its agent in the Corporation's name.

**Investments** - The Corporation's investment policies are governed by state statutes and City ordinances which authorize the Corporation to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasurer Asset Reserve Fund (STAR Ohio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Under Corporation policy, investments are limited to repurchase agreements, U.S. government securities, certificates of deposit, investments in certain money market mutual funds and State Treasurer Asset Reserve Fund (STAR Ohio). Generally, investments are recorded in segregated accounts by way of book entry through the bank's commercial or trust department and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the Corporation, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements as of September 1996.

It is the Corporation's policy to invest public funds in a manner which will provide the highest investment return with the maximum security, safety and preservation of principal while meeting the daily cash flow demands of the Corporation. To the extent possible, the Corporation attempts to match its investments with anticipated cash flow requirements.

**Interest Rate Risk** - In accordance with its investment policy, the Corporation does not invest in securities that mature more than five (5) years from the date of purchase if such securities bear interest at a fixed rate or securities that mature more than two (2) years from the date of settlement if such securities bear interest at a variable rate. Other than these two requirements, the Corporation has no written policy regarding interest rate risk.

**Credit Risk** - State law limits investments in corporate debt to the top two ratings issued by nationally recognized statistical rating organizations. The Corporation does not have a written policy limiting its corporate debt investments to the top ratings. However, U.S. Agencies are rated AAA, which is the top rating available for those investment types. In addition, the underlying securities supporting the repurchase agreements in which the Corporation may invest are obligations of the U.S. government. The Corporation may also invest in STAR Ohio, which is rated AAAM by Standard & Poor's.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation has no written policy limiting the dollar amount of holdings by any single counterparty.

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# Dave Yost • Auditor of State

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

Parma Community Improvement Corporation  
Cuyahoga County  
6611 Ridge Road  
Parma, Ohio 44129

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 the Parma Community Improvement Corporation, Cuyahoga County, Ohio, (the Corporation) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated July 6, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation'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 Corporation'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 Corporation'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.

***Compliance and Other Matters***

As part of reasonably assuring whether the Corporation'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*

***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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 6, 2016



# Dave Yost • Auditor of State

**PARMA COMMUNITY IMPROVEMENT CORPORATION**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 19, 2016**