

PARMA PUBLIC HOUSING AGENCY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



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, 2007 through December 31, 2007. 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

July 1, 2008

This Page is Intentionally Left Blank.

**PARMA PUBLIC HOUSING AGENCY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12-22
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	25-26
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>	27-28
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	29-30
Schedule of Findings and Questioned Costs	31

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, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department of Parma Public Housing, City of Parma, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

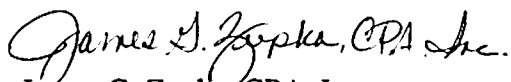
As discussed in Note 1, the financial statements of the Department of Parma Public Housing, City of Parma, Ohio, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities that is attributable to the transactions 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, 2007, 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 respective financial position of the Department of Parma Public Housing, City of Parma as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof 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 May 16, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Parma Public Housing, City of Parma, Ohio'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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Department of Parma Public Housing, City of Parma, Ohio. 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

May 16, 2008

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 2007 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 \$60,237, or 4 percent, during 2007, 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 \$39,588, or .8 percent, during 2007.
- The total expenses of the Agency's programs increased by \$223,556, or 4.6 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 (formerly equity) 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, 2007
(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, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net 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, 2007
(Unaudited)**

Table 1 - Statement of Net Assets

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and Other Assets	\$ 833,926	\$ 654,348
Capital Assets	<u>2,121,372</u>	<u>2,187,015</u>
Total Assets	<u>\$ 2,955,298</u>	<u>\$ 2,841,363</u>
<u>Liabilities</u>		
Current Liabilities	\$ 90,451	\$ 45,190
Long-term Liabilities	<u>88,357</u>	<u>79,920</u>
Total Liabilities	<u>178,808</u>	<u>125,110</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,121,372	2,187,015
Restricted Net Assets	475,436	0
Unrestricted Net Assets	<u>179,682</u>	<u>529,238</u>
Total Net Assets	<u>2,776,490</u>	<u>2,716,253</u>
Total Liabilities and Net Assets	<u>\$ 2,955,298</u>	<u>\$ 2,841,363</u>

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

Major Factors Affecting the Statement of Net Assets

During 2007, current and other assets increased by \$179,578, and current liabilities increased by \$45,261. The change in current assets was due mainly to the change in cash. The cash balance increased by \$233,736 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 decreased from \$2,187,015 in 2006 to \$2,121,372 in 2007. The \$65,643 decrease is contributed primarily to the current year additions of \$55,437, less current year depreciation expense of \$121,080. 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, 2007
(Unaudited)**

Table 2 - Change of Unrestricted Net Assets

Beginning Balance - January 1, 2007	\$ 529,238
Results of Operations	60,237
Adjustments:	
Current Year Depreciation Expense (1)	121,080
Capital Expenditures (2)	(55,437)
Transfer to Restricted Net Assets (3)	<u>(475,436)</u>
Ending Balance - December 31, 2007	<u>\$ 179,682</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.
- (3) Net assets related to excess housing assistance revenue on the Housing Choice Voucher program is now shown as restricted.

While the results of operations are a significant measure of the Agency's activities, the analysis of the changes in Unrestricted Net 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

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 94,167	\$ 106,256
Operating Subsidies	4,917,432	4,799,002
Capital Grants	25,271	95,137
Investment Income	9,462	6,902
Other Revenues	<u>28,219</u>	<u>27,666</u>
Total Revenues	<u>5,074,551</u>	<u>5,034,963</u>
<u>Expenses</u>		
Administrative	536,859	516,921
Tenant Services	540	0
Utilities	78,515	93,190
Maintenance	115,672	113,191
Protective Services	2,389	1,170
General Expenses	30,497	32,721
Housing Assistance Payments	4,128,762	3,920,102
Depreciation	<u>121,080</u>	<u>113,463</u>
Total Expenses	<u>5,014,314</u>	<u>4,790,758</u>
Net Increases (Decreases)	<u>\$ 60,237</u>	<u>\$ 244,205</u>

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

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

Total revenue increased by \$39,588 for the year. The revenue was \$5,034,963 in 2006 and \$5,074,551 in 2007. The increase is mainly due to changes imposed by HUD in recognizing grant income for the Housing Choice Voucher Program.

Capital Grant revenue decreased by \$69,866 during the year. This decrease is due to less capital funded activities performed during the year.

Tenant dwelling revenue changed due to lower family income living in the public housing units during the year.

Total expenses increased by \$223,556 for the year. The increase was mainly due to an increase in housing assistance payments from prior year of \$208,660. The housing assistance payments expenses were \$4,128,762 in 2007 and \$3,920,102 in 2006.

The increase in administrative expenses is mainly due to an increase in salary expenses. The 2007 salary expense represents a full year of salary for the administrative assistant.

Capital Assets

As of year-end, the Agency had \$2,121,372 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$65,643, or 3 percent from the end of last year.

Beginning Balance - January 1, 2007	\$ 2,187,015
Current Year Additions	55,437
Current Year Depreciation Expense	<u>(121,080)</u>
Ending Balance - December 31, 2007	<u>\$ 2,121,372</u>

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

	2007	2006
Land and Land Rights	\$ 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.	111,479	91,756
Leasehold Improvements	556,390	330,277
Construction in Progress	57,936	248,337
Accumulated Depreciation	<u>(1,860,905)</u>	<u>(1,739,827)</u>
Total Revenues	<u>\$ 2,121,372</u>	<u>\$ 2,187,015</u>

The following reconciliation identifies the changes in Capital Assets.

**PARMA PUBLIC HOUSING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

Highlights of some of the major purchases in 2007 were as follows:

Concrete Repairs	\$ 23,472
Flooring Replacement	12,240
Purchase of Software	19,724

Debt Outstanding

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

Economic Factors

Significant economic factors affecting the Agency are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- 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, 2007

ASSETS

Current Assets

Cash and Cash Equivalents:

 Unrestricted \$ 264,959
 Restricted 559,104

Receivables, Net 7,412

Prepaid Expenses 2,451

Total Current Assets 833,926

Noncurrent Assets

Non-depreciable Capital Assets 70,936

Depreciable Capital Assets, Net 2,050,436

Total Noncurrent Assets 2,121,372

TOTAL ASSETS \$ 2,955,298

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable \$ 20,343

Accrued Compensated Absences - Current 6,112

Tenant Security Deposits 12,788

Accrued Wages and Payroll Taxes 50,708

Deferred Revenues 500

Total Current Liabilities 90,451

Noncurrent Liabilities

Noncurrent Liabilities - Other 70,383

Accrued Compensated Absences - Net of Current Portion 17,974

Total Noncurrent Liabilities 88,357

Total Liabilities 178,808

NET ASSETS

Invested in Capital Assets, Net of Related Debt 2,121,372

Unrestricted Net Assets 179,682

Restricted Net Assets 475,436

Total Net Assets 2,776,490

TOTAL LIABILITIES AND NET ASSETS \$ 2,955,298

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, 2007

Operating Revenues

Government Grants	\$ 4,917,432
Tenant Revenue	94,167
Other Revenue	<u>28,219</u>
Total Operating Revenues	<u>5,039,818</u>

Operating Expenses

Administrative	537,399
Utilities	78,515
Maintenance	115,672
Protective Services	2,389
General	30,497
Housing Assistance Payments	<u>4,128,762</u>
Total Operating Expenses Before Depreciation	<u>4,893,234</u>
Income (Loss) Before Depreciation	146,584

Depreciation	<u>121,080</u>
Operating Income	<u>25,504</u>

Non-Operating Revenues (Expenses)

Interest and Investment Revenue	<u>9,462</u>
Total Non-Operating Revenues (Expenses)	<u>9,462</u>
Income Before Capital Grants	34,966

Capital Grants	<u>25,271</u>
Change in Net Assets	<u>60,237</u>

Total Net Assets, Beginning of Year	<u>2,716,253</u>
-------------------------------------	------------------

Net Assets, End of Year	<u><u>\$ 2,776,490</u></u>
--------------------------------	-----------------------------------

See accompanying notes to the basic financial statements.

**PARMA PUBLIC HOUSING AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Flows from Operating Activities

Cash Received from HUD	\$ 4,949,903
Cash Received From Tenants	94,509
Cash Payments for Housing Assistance	(4,128,762)
Cash Payments for Administrative Expenses	(499,171)
Cash Payments for Other Operating Expenses	(190,455)
Cash Received - Other	<u>28,416</u>
Net Cash (Provided) by Operating Activities	<u>254,440</u>

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(55,437)
Capital Grants Received	<u>25,271</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(30,166)</u>

Cash Flows from Investing Activities

Interest and Investment Income Received	<u>9,462</u>
Net Cash Provided by Investing Activities	<u>9,462</u>
Net Increase (Decrease) in Cash and Cash Equivalents	233,736

Cash and Cash Equivalents, Beginning	<u>590,327</u>
--------------------------------------	----------------

Cash and Cash Equivalents, Ending	<u>\$ 824,063</u>
--	--------------------------

Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities

Net Operating (Loss)	\$ 25,504
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	121,080
(Increase) Decrease in:	
Accounts Receivable - Tenant	342
Accounts Receivable - HUD	32,437
Prepaid Expenses	21,379
Increase (Decrease) in:	
Accounts Payable	(1,324)
Deferred Revenue	34
Accrued Compensated Absences - Current	5,900
Tenants' Security Deposits	197
Accrued Wages and Payroll Taxes	40,454
Non-Current Liabilities	17,103
Accrued Compensated Absences - Long-Term	<u>(8,666)</u>
Net Cash Used by Operating Activities	<u>\$ 254,440</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, 2007

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.

The Agency has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Agency has elected not to follow FASB guidance issued after November 30, 1989.

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.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Basis of Presentation (Continued)

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

Enterprise fund reporting focuses on the determination of the change in net 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.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Capital Assets

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

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

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, 2007
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS

Cash on Hand

At December 31, 2007, the Agency had undeposited cash on hand, including petty cash, of \$400.

At December 31, 2007, the carrying amount of the Agency's cash deposits was \$824,063 and the bank balance was \$857,768. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2007, deposits totaling \$270,383 were covered by Federal Depository Insurance and deposits totaling \$587,768 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, 2007, the Agency had no investments.

Interest Rate Risk

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

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

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	\$ 823,663	\$ 823,663
Petty Cash	400	400
Totals	<u>\$ 824,063</u>	<u>\$ 824,063</u>

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2007 by class is as follows:

	<u>01/01/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2007</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 13,000	\$ 0	\$ 0	\$ 13,000
Construction in Progress	<u>248,337</u>	<u>35,712</u>	<u>(226,113)</u>	<u>57,936</u>
Total Capital Assets Not Being Depreciated	<u>261,337</u>	<u>35,712</u>	<u>(226,113)</u>	<u>70,936</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	91,756	19,723	0	111,479
Leasehold Improvements	<u>330,277</u>	<u>226,113</u>	<u>0</u>	<u>556,390</u>
Subtotal Capital Assets Being Depreciated	<u>3,665,505</u>	<u>245,836</u>	<u>0</u>	<u>3,911,341</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(1,482,407)	(80,130)	0	(1,562,537)
Furniture, Equipment, and Machinery - Dwellings	(29,966)	(5,463)	0	(35,429)
Furniture, Equipment, and Machinery - Administrative	(76,615)	(9,698)	0	(86,313)
Leasehold Improvements	<u>(150,839)</u>	<u>(25,787)</u>	<u>0</u>	<u>(176,626)</u>
Total Accumulated Depreciation	<u>(1,739,827)</u>	<u>(121,078)</u>	<u>0</u>	<u>(1,860,905)</u>
Depreciation Assets, Net	<u>1,925,678</u>	<u>124,758</u>	<u>0</u>	<u>2,050,436</u>
Total Capital Assets, Net	<u>\$ 2,187,015</u>	<u>\$ 160,470</u>	<u>\$ (226,113)</u>	<u>\$ 2,121,372</u>

NOTE 4: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All full-time Agency employees participate in the Ohio Public Employees Retirement System (OPERS) through the City of Parma. OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit 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 the member and (vested) employer contributions plus any investment earnings.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 4: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension 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 Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Agency was 13.85 percent of covered payroll. The Agency's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$30,404, \$29,940, and \$29,201, respectively. The full amount has been contributed for 2007, 2006, and 2005. The Agency had no employees participating in the Member-Directed Plan for the years ended December 31, 2007, 2006, and 2005.

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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, 2006, include a rate of return on investments of 6.50 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 premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually 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).

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

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 annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Agency contributions for 2007 which were used to fund post-employment benefits were \$17,178. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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 increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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 the 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.

**PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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, 2007, the current portion is \$6,112 and the long term portion is \$17,974.

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
Blanket Position Bond	500	50,000

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

PARMA PUBLIC HOUSING AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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.

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	\$ 218,916
Capital Fund Program	14.872	<u>48,952</u>
Total Public Housing Programs		<u>267,868</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>4,674,835</u>
Total Section 8 Tenant Based Programs		<u>4,674,835</u>
Total Federal Assistance		<u>\$ 4,942,703</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, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
	ASSETS				
111	Cash - Unrestricted	\$89,314	\$175,645	\$0	\$264,959
113	Cash - Other Restricted	\$0	\$545,819	\$0	\$545,819
114	Cash - Tenant Security Deposits	\$13,285	\$0	\$0	\$13,285
100	Total Cash	\$102,599	\$721,464	\$0	\$824,063
125	Accounts Receivable - Miscellaneous	\$9,751	\$0	\$0	\$9,751
126	Accounts Receivable - Tenants - Dwelling Rents	\$1,124	\$0	\$0	\$1,124
126	Allowance for Doubtful Accounts - Dwelling Rents	(\$375)	\$0	\$0	(\$375)
126	Allowance for Doubtful Accounts - Other	(\$3,088)	\$0	\$0	(\$3,088)
120	Total Receivables, net of allowances for doubtful accounts	\$7,412	\$0	\$0	\$7,412
142	Prepaid Expenses and Other Assets	\$0	\$2,451	\$0	\$2,451
144	Interprogram Due From	\$0	\$4,819	\$0	\$4,819
150	Total Current Assets	\$110,011	\$728,734	\$0	\$838,745
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	\$60,984	\$50,495	\$0	\$111,479
165	Leasehold Improvements	\$556,390	\$0	\$0	\$556,390
166	Accumulated Depreciation	(\$1,823,718)	(\$37,187)	\$0	(\$1,860,905)
167	Construction In Progress	\$0	\$0	\$57,936	\$57,936
160	Total Fixed Assets, Net of Accumulated Depreciation	\$2,050,128	\$13,308	\$57,936	\$2,121,372
180	Total Non-Current Assets	\$2,050,128	\$13,308	\$57,936	\$2,121,372
190	TOTAL ASSETS	\$2,160,139	\$742,042	\$57,936	\$2,960,117
	LIABILITIES				
312	Accounts Payable <= 90 Days	\$13,611	\$6,732	\$0	\$20,343
321	Accrued Wage/Payroll Taxes Payable	\$16,190	\$34,518	\$0	\$50,708
322	Accrued Compensated Absences - Current Portion	\$1,277	\$4,835	\$0	\$6,112
341	Tenant Security Deposits	\$12,788	\$0	\$0	\$12,788
342	Deferred Revenues	\$500	\$0	\$0	\$500
347	Interprogram Due To	\$4,819	\$0	\$0	\$4,819
310	Total Current Liabilities	\$49,185	\$46,085	\$0	\$95,270
354	Accrued Compensated Absences - Non Current	\$13,402	\$4,572	\$0	\$17,974
353	Noncurrent Liabilities - Other	\$0	\$70,383	\$0	\$70,383
350	Total Noncurrent Liabilities	\$13,402	\$74,955	\$0	\$88,357
300	TOTAL LIABILITIES	\$62,587	\$121,040	\$0	\$183,627
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508	Invested in Capital Assets, Net of Related Debt	\$2,050,128	\$13,308	\$57,936	\$2,121,372
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511	Restricted Net Assets	\$0	\$475,436	\$0	\$475,436
512	Unrestricted Net Assets	\$47,424	\$132,258	\$0	\$179,682
513	Total Equity/Net Assets	\$2,097,552	\$621,002	\$57,936	\$2,776,490
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$2,160,139	\$742,042	\$57,936	\$2,960,117

PARMA PUBLIC HOUSING AGENCY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
DECEMBER 31, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
	REVENUE				
703	Net Tenant Rental Revenue	\$86,562	\$0	\$0	\$86,562
704	Tenant Revenue - Other	\$7,605	\$0	\$0	\$7,605
705	Total Tenant Revenue	\$94,167	\$0	\$0	\$94,167
706	HUD PHA Operating Grants	\$218,916	\$4,674,835	\$23,681	\$4,917,432
706	Capital Grants	\$0	\$0	\$25,271	\$25,271
711	Investment Income - Unrestricted	\$4,499	\$4,963	\$0	\$9,462
714	Fraud Recovery	\$0	\$22,518	\$0	\$22,518
715	Other Revenue	\$0	\$5,701	\$0	\$5,701
700	TOTAL REVENUE	\$317,582	\$4,708,017	\$48,952	\$5,074,551
	EXPENSES				
911	Administrative Salaries	\$54,127	\$237,787	\$5,845	\$297,759
912	Auditing Fees	\$956	\$8,602	\$0	\$9,558
914	Compensated Absences	(\$667)	(\$2,098)	\$0	(\$2,765)
915	Employee Benefit Contributions - Administrative	\$25,373	\$85,200	\$0	\$110,573
916	Other Operating - Administrative	\$30,664	\$91,070	\$0	\$121,734
924	Tenant Services - Other	\$540	\$0	\$0	\$540
931	Water	\$31,678	\$0	\$0	\$31,678
932	Electricity	\$10,060	\$859	\$0	\$10,919
933	Gas	\$35,918	\$0	\$0	\$35,918
941	Ordinary Maintenance and Operations - Labor	\$60,945	\$0	\$0	\$60,945
942	Ordinary Maintenance and Operations - Materials and Other	\$7,842	\$202	\$0	\$8,044
943	Ordinary Maintenance and Operations - Contract Costs	\$19,195	\$0	\$0	\$19,195
945	Employee Benefit Contributions - Ordinary Maintenance	\$27,488	\$0	\$0	\$27,488
952	Protective Services - Other Contract Costs	\$2,389	\$0	\$0	\$2,389
961	Insurance Premiums	\$18,980	\$6,033	\$0	\$25,013
962	Other General Expenses	\$1,145	\$3,661	\$0	\$4,806
964	Bad Debt - Tenant Rents	\$678	\$0	\$0	\$678
969	Total Operating Expenses	\$327,311	\$431,316	\$5,845	\$764,472
970	Excess Operating Revenue over Operating Expenses	(\$9,729)	\$4,276,701	\$43,107	\$4,310,079
973	Housing Assistance Payments	\$0	\$4,128,762	\$0	\$4,128,762
974	Depreciation Expense	\$115,765	\$5,315	\$0	\$121,080
900	TOTAL EXPENSES	\$443,076	\$4,565,393	\$5,845	\$5,014,314
	OTHER FINANCING SOURCES (USES)				
1001	Operating Transfers In	\$17,836	\$0	\$0	\$17,836
1002	Operating Transfers Out	\$0	\$0	(\$17,836)	(\$17,836)
1010	Total Other Financing Sources (Uses)	\$17,836	\$0	(\$17,836)	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$107,658)	\$142,624	\$25,271	\$60,237

PARMA PUBLIC HOUSING AGENCY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
DECEMBER 31, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,989,538	\$478,378	\$248,337	\$2,716,253
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$215,672	\$0	(\$215,672)	\$0
1120	Unit Months Available	720	8,904	0	9,624
1121	Number of Unit Months Leased	715	8,755	0	9,470
1117	Administrative Fee Equity	\$0	\$145,566	\$0	\$145,566
1118	Housing Assistance Payments Equity	\$0	\$475,436	\$0	\$475,436

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
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 Department of Parma Public Housing, City of Parma, Ohio, as of and for the year ended December 31, 2007, wherein we noted that the statements reflect only the Department of Public Housing and not the financial position of the City of Parma, Ohio, which collectively comprise the Department of Parma Public Housing, City of Parma, Ohio's basic financial statements and have issued our report thereon dated May 16, 2008. 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 the Department of Parma Public Housing, City of Parma, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Parma Public Housing, City of Parma, Ohio'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 Department of Parma Public Housing, City of Parma, Ohio'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 Department of Parma Public Housing, City of Parma, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Department of Parma Public Housing, City of Parma, Ohio'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 Department of Parma Public Housing, City of Parma, Ohio'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 effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Department of Parma Public Housing, City of Parma, Ohio in a separate letter dated May 16, 2008.

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

May 16, 2008

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 Department of Parma Public Housing, City of Parma, 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, 2007. The Department of Parma Public Housing, City of Parma, 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 Department of Parma Public Housing, City of Parma, Ohio's management. Our responsibility is to express an opinion on the Department of Parma Public Housing, 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 Department of Parma Public Housing, City of Parma, 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 of the Department of Parma Public Housing, City of Parma, Ohio's compliance with those requirements.

In our opinion, the Department of Parma Public Housing, City of Parma, 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, 2007.

Internal Control Over Compliance


The management of the Department of Parma Public Housing, City of Parma, 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 Department of Parma Public Housing, City of Parma, Ohio's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department of Parma Public Housing, City of Parma, Ohio's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the management, the 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

May 16, 2008

**PARMA PUBLIC HOUSING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2007(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list):	
	Housing Choice Voucher Program - CFDA #14.871	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2007(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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
JULY 15, 2008**