



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Parma Heights
Cuyahoga County
6281 Pearl Road
Parma Heights, Ohio 44130

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio, as of December 31, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General fund 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 our report dated December 22, 2010, on our consideration of the City'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 22, 2010

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Management's discussion and analysis of the City of Parma Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Total net assets decreased by \$ 1,269,697 or 4.5% in 2009. This was comprised of decreases in invested in capital assets, net of related debt of \$466,248 and unrestricted net assets of \$4,597,009, which was offset by an increase in restricted net assets of \$3,793,560.
- Capital assets, net of depreciation, decreased by \$ 645,743 or 2.2% in 2009 as a result of depreciation expense exceeding capital outlay and loss on disposal of assets.
- Current and other assets increased by \$ 639,544 or 4.5% in 2009. The most notable changes in current and other assets were an increase in the total equity in pooled cash and cash equivalents of \$ 1,295,540 and a decrease of \$658,759 in taxes receivable.
- Total liabilities increased by \$ 1,263,498 or 7.9% in 2009 due to decreases in current liabilities of \$220,434 which were offset by an increase in long term liabilities of \$1,483,932.

Using This Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Parma Heights as a financial whole or as an entire operating entity. The statements will provide a detailed look at our specific financial condition.

The *Statement of Net Assets* and *Statement of Activities* provide information about activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all the other non-major funds presented in total in one column.

Reporting the City of Parma Heights As A Whole

Statement of Net Assets and the Statement of Net Activities

While this document contains information about the funds used by the City to provide services to our residents, the view of the City as a whole considers all financial transactions and measures how the City did financially during fiscal year 2009. The *Statement of Net Assets* and the *Statement of Activities* include assets and liabilities using the accrual basis of accounting similar to the accounting method 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 City's net assets and changes in those assets. The changes in assets are important because it tells whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses And Revenues
- General Revenues
- Net Assets Beginning Of Year and At Year's End

Reporting the City of Parma Heights' Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on page 15. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of Parma Heights, the major governmental funds are the General Fund, the Bond Retirement Fund and Capital Projects Fund.

Governmental Funds

The City's activities are reported in the governmental funds, which focus on the in-flow and out-flow of monies in those funds and the balances left at year end which are available for future periods. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future on services for our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009
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The City of Parma Heights As A Whole

The Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

Table 1
 Total Net Assets

	2009	2008
Assets		
Current and other assets	\$ 15,007,162	\$ 14,367,618
Capital assets, net	29,014,362	29,660,105
Total assets	44,021,524	44,027,723
Liabilities		
Current liabilities	4,648,100	4,868,534
Long term liabilities		
Due within one year	5,408,678	3,643,464
Due in more than one year	7,128,475	7,409,757
Total liabilities	17,185,253	15,921,755
Net assets		
Invested in capital assets, net of related debt	18,818,793	22,295,041
Restricted	5,441,266	1,647,706
Unrestricted	2,576,212	4,163,221
Total net assets	\$ 26,836,271	\$ 28,105,968

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. For the City of Parma Heights, total assets exceed total liabilities by \$ 26,836,271 as of December 31, 2009.

The largest portion of the City's net assets (81.3%) reflects investments in capital assets (land, buildings, machinery, equipment, construction in progress, vehicles and infrastructure) less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's residents; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$ 6,199 from 2008 to 2009, and the City's total liabilities increased by \$ 1,263,498. The decrease in assets is the result of decreases to taxes receivable of \$ 658,759, miscellaneous current assets of \$ 93,992, a net decrease in the additions, deletions, and depreciation of capital assets during the year of \$ 645,743 plus increases in equity in pooled cash of \$ 1,295,540 and due to other governments and accounts receivable of \$ 96,755.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
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The increase in liabilities of \$ 1,263,498 has occurred in part due to the ongoing financing of roadway/utility construction projects that remain in short term financing in anticipation of the issuance of long term bonds and special assessment bonds.

The City's net assets decreased by \$ 1,269,697 during the current year. The decrease was primarily due to depreciation taken against capital assets, principal payments on long term debt and an increase of equity in pooled cash due to the issuance of notes in 2009.

In order to further understand what makes up the changes in net assets for the current year, the following Table 2 provides further details regarding the results of activities for the current year.

Table 2
 Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services and sales	\$ 1,736,293	\$ 2,014,039
Operating grants and contributions	278,038	208,133
Capital grants and contributions	1,831,754	161,247
Total program revenues	<u>3,846,085</u>	<u>2,383,419</u>
General revenues		
Property taxes and special assessments	3,661,430	3,862,393
Income taxes	7,589,499	8,202,372
Grants and entitlements, unrestricted	2,370,328	2,580,265
Interest	22,982	50,242
Miscellaneous	674,461	222,852
Total general revenues	<u>14,318,700</u>	<u>14,918,124</u>
Total revenues	<u>18,164,785</u>	<u>17,301,543</u>
Program expenses		
Security of persons and property	8,539,235	8,878,601
Public health and welfare	791,882	993,411
Leisure time activities	662,871	830,580
Community environment	2,542,594	2,901,134
Basic utility services	1,100,531	1,090,731
Transportation	2,117,714	2,103,920
General government	3,272,731	2,908,948
Interest	406,924	430,942
Total program expenses	<u>19,434,482</u>	<u>20,138,267</u>
Decrease in net assets	(1,269,697)	(2,836,724)
Net asset at beginning of year	<u>28,105,968</u>	<u>30,942,692</u>
Net assets at end of year	<u>\$ 26,836,271</u>	<u>\$ 28,105,968</u>

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

Several revenue sources fund our governmental activities with property tax and income tax being the largest contributors. In 2009, property tax and special assessments accounted for 20.2% of total revenues, and municipal income tax accounted for 41.8%. Grants and entitlements unrestricted revenue totaling \$ 2,370,328 accounts for 13.1% of total governmental activity revenue. These funds are comprised of distributions from the State and County.

Security of persons and property, including our Police and Fire Departments, accounted for \$ 8,539,239, which is 43.9% of total governmental activity expenses. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for the next highest area of expense at \$ 3,272,731 or 16.8%. The remaining 39.3% of the governmental activity expense was divided between the remaining six areas of functional expense.

Table 3 presents a summary for governmental activities wherein the total cost of governmental activity is shown as compared to the net cost of providing these services. The net cost of services is derived by reducing the activity expense by the amount of program revenues attributable to each area of activity.

TABLE 3
 Governmental Activities

Program expenses	Total Cost	Net Expense
Security of persons and property	\$ 8,539,235	\$ 7,502,886
Public health and welfare	791,882	448,511
Leisure time activities	662,871	417,882
Community environment	2,542,594	2,357,270
Basic utility services	1,100,531	(331,424)
Transportation	2,117,714	1,521,876
General government	3,272,731	3,264,472
Interest	406,924	406,924
Total cost of services	<u>\$ 19,434,482</u>	<u>\$ 15,588,397</u>

Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2009, there was a difference of \$ 3,846,085 between the Total Cost of Services and the Net Cost of Services. The most significant contributing factors are as follows:

- Security of persons and property expenses were reduced by \$ 1,036,349 primarily through charges for services and sales consisting of Mayor's Court fines and costs, Parma Municipal Court fines and costs reflecting Parma Heights' cases heard at the municipal court, and various operating grants and fees charged for ambulance services.
- Leisure time activities expenses were reduced by \$ 244,989 primarily through charges for services and sales for parks and recreation programs and communication tower site lease payments for tower sites located on recreation properties.
- Community environment expenses were reduced by \$ 185,324, in program revenue which consists of building department permit and commercial license fees and a capital grant.
- Public health and welfare expenses were reduced by \$ 343,371 in program revenues derived from miscellaneous grants and charges for services.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Basic utility services were reduced by \$ 1,431,955 due primarily to capital contributions for the water main project.
- Transportation was reduced by \$ 595,838 due to an Issue 1 grant for road construction.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 18,414,086 and total expenditures of \$ 22,305,229. The most significant fund is the General Fund, which had fund balance at year-end of \$ 599,735. General Fund revenue plus other financing sources exceed expenditures plus other financing uses by \$ 424,104. A portion of this variance was from capital lease proceeds.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The City amended its General Fund budget throughout fiscal year 2009 to reflect changes in circumstances against budgeted estimates. All recommendations for budget amendments are initially presented to the Finance Committee of Council for review before being presented to the full City Council. The whole Council then enacts the budgetary changes by adopting an Amended Appropriations Ordinance. The General Fund supports many of the City's major activities or services, such as Police and Fire Departments, the Department of Public Service, as well as the Legislative and Executive activities. The General Fund is monitored closely, looking for possible revenue short falls or overspending by individual departments.

Original budgeted revenues for the General Fund were \$ 14,569,613. The final budgeted revenue amount was \$ 14,233,219. The budgeted revenue decreases of \$ 336,394 were derived primarily from the following: a decrease in income tax revenues of \$128,788, a decrease in mayor's court revenue of \$143,847 and a decrease in local government fund revenues of \$91,620. These revenue decreases were offset by budgeted revenue gains primarily in the following areas: an increase in ambulance fee revenue of \$182,730, an increase in estate tax revenue of \$90,658, and an increase in property tax revenue of \$65,225. The City actually received 99.75 per cent of the final budget revenue.

The original appropriations or expenditure estimates, for the General Fund was \$ 14,477,621. The final appropriation total was \$ 14,482,827. The increase of \$5,206 was primarily due to increases in the following program areas: \$240,115 in public health and welfare, and \$120,050 in transfers out. These increases were offset primarily by decreases in the following program areas: \$106,857 in security of persons and property, \$32,091 in leisure time activities, \$155,030 in community environment, \$45,900 in basic utility services and \$15,081 in general government.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2009
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Capital Assets and Debt Administration

Capital Assets

Table 4
 Capital Assets
 (Net of Depreciation)

	2009	2008
Land	\$ 1,344,328	\$ 1,344,328
Construction in process	1,969,108	389,058
Buildings and improvements	2,370,382	2,586,715
Machinery, equipment and vehicles	2,013,443	2,002,629
Infrastructure	21,317,101	23,337,375
	\$ 29,014,362	\$ 29,660,105

The City's total capital assets for governmental activities decreased in 2009 by \$ 645,743. This decrease in valuation was derived by applying the net additions of \$ 2,147,508 against the net depreciation/loss on disposal of capital asset value for the current year of \$ 2,793,251. (See Note 7 for additional detailed information on Capital Assets).

Debt

As of December 31, 2009, the City of Parma Heights had \$ 9,527,153 in long-term debt obligations, comprised as shown below. Payments due within one year totaled \$ 2,398,678.

	2009	2008
Loans payable	\$ 763,937	\$ 817,730
Bond anticipation note	3,010,000	2,930,000
Various purpose notes	1,650,000	-
Bonds payable		
General obligation bonds	5,010,000	5,495,000
Special assessment bonds	262,086	287,861
Capital lease obligations	699,546	530,326
Compensated absences	1,141,584	992,304
	\$ 12,537,153	\$ 11,053,221

The general obligation bonds are comprised of a library improvement bond, street improvement bonds, city facilities improvement and a recreation facilities improvement bond. Principal and interest for the bonds are paid from property tax dollars receipted into the Bond Retirement Fund.

Special assessment bonds consist of funding for various street improvement projects and retaining wall improvements. Principal and interest for these bonds are paid from special assessments collected from the affected property owners by the County Auditor, as part of the semi-annual property tax payments.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Loans payable consist of loans with the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). The OPWC loan payments represent four zero interest loans utilized for street improvement projects. These loans are paid semi-annually from the Bond Retirement Fund. Two of these loans will be paid off by the year 2019, two by the year 2022. The OWDA loan is paid semi-annually from the Bond Retirement Fund, and will be paid in full by 2015.

Capital lease obligations consist of the lease purchase of police cruisers, firefighter protective gear, curbside recycle truck, a street sweeper/vac-all, a bus used to transport senior citizens and police equipment. Four police cruisers leased in 2008 will be repaid by 2010. The curbside recycling truck will be repaid in 2018. The firefighter protective gear will be repaid in 2013. Five police cruisers leased in 2007 will be repaid by 2010. The street sweeper/vac leased in 2007 will be repaid in 2014. The police equipment leased in 2009 will be repaid in 2015.

The compensated absence represents estimated severance that will be repaid from the funds from which employees salaries are paid.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5% of its total assessed valuation.

Note 8 and Note 9 of the financial statements present additional information about the City's debt.

Current Financial Outlook

The City of Parma Heights is a mature inner-ring suburb of the City of Cleveland, and as such faces the challenge of remaining vibrant and vital in an environment of aging residential housing and commercial establishments; as well as navigating a national and regional economic climate that is not conducive to providing the high level of services that have been a hallmark of Parma Heights and the envy of neighboring communities for the past fifty years. The City's task remains three-fold: to preserve City services, to preserve and enhance our residential housing stock and as a result property values, and lastly to re-create a more vibrant and sustainable commercial sector.

The City has maintained core services, despite the following factors resulting from the adverse economy. Income tax revenues have declined approximately 5% during 2009; as job losses, work week hour reductions and overtime reductions have become the norm among employers in our region. While the City has budgeted for an additional 1.5% reduction in the 2010 income tax revenues, our first five month of tax collections in 2010 are keeping up to the 2009 collection level. Property tax collections are estimated to decline 11% during 2010 which reflects the impact of the County-wide property reappraisal that took place in 2009. This decrease in valuation reflects a correction in values to offset the inflated values that had become common in the mortgage lending industry.

The City has responded to these revenue reductions by instituting workweek hour reductions, or furlough days, reduction in benefit levels and wage freezes in 2009. These cost reduction efforts have accelerated in 2010 with executive level pay cuts, additional furlough time, lay-offs, and consolidation of positions. The City also instituted a fee for the collection of refuse, effective April 1, 2010. These efforts are allowing the City to continue offering the same level of core services.

The City's housing stock, though aging remains stable; as efforts are ongoing to maintain property conditions through exterior property and building code inspections. A particular emphasis continues to be placed on annual inspection of rental units. Referrals to various county funding programs are extended to property owners needing financial assistance to make necessary upgrades to their properties. These efforts have helped to soften the impact of the 2009 property reappraisal.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
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Efforts to enhance the City's future economic development have been focused on development of our limited vacant parcels and re-development of aging commercial properties. Our economic development efforts have been jump started with the January 2010 addition of a full time Economic Development Director to the City's administration. The new director is taking a much more aggressive and pro-active role in marketing the City to prospective developers and or business owners. Efforts have been made to pursue the re-opening of a closed automobile dealership; as well as facilitating meetings between prospective business tenants, property owners and banking representatives. The new director is working with developers to take advantage of the City's geographic location between two hospital campuses located in adjoining suburbs, and our own demographic of a large population of elderly residents who utilize the services of the health care industry; as they work to solicit interest in creating development space for medical service facilities. The initial response to these efforts has been encouraging.

Ongoing economic development activities include working with existing business owners to take advantage of the First Suburbs Consortium Storefront Renovation funding to improve the aesthetics and building condition of our commercial establishments. The 2009/2010 opening of an ophthalmology surgery center/vision clinic, a new dental facility, and a national retail food outlet are positive signs that our commercial sector is seeing a rebirth. It is encouraging that prospective commercial ventures are viewing Parma Heights as a viable community in which to locate their business. This aggressive approach and the active participation and coordination with commercial developers and commercial real estate brokers is a major step forward in the City's attempt to create a rebirth of our commercial sector, and ultimately the City of Parma Heights.

Contacting the City's Finance Department

This financial report is designed to provide our residents, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all monies it receives, spends or invest. If you have any questions about the report or need additional financial information contact the Finance Director, City of Parma Heights, 6281 Pearl Road, Parma Heights, Ohio 44130, (telephone (440) 884-9600).

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CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2009

	Governmental Activities
Assets	
Equity in pooled cash	\$ 2,492,828
Accounts receivable	65,086
Due from other governments	1,459,973
Inventories and supplies	153,770
Prepaid items	31,938
Taxes receivable	7,793,114
Special assessments receivable	3,010,453
Capital assets	
Nondepreciable capital assets	3,313,436
Depreciable capital assets, net	25,700,926
Total assets	44,021,524
 Liabilities	
Accounts and contracts payable	835,201
Claims payable	153,913
Accrued salaries, wages and benefits	310,987
Accrued interest payable	91,055
Matured bonds and coupons payable	23,126
Due to other governments	863,040
Deferred revenue	2,370,778
Long term liabilities	
Due within one year	5,408,678
Due in more than one year	7,128,475
Total liabilities	17,185,253
 Net assets	
Invested in capital assets, net of related debt	21,828,793
Restricted for:	
Debt service	3,451,406
Capital projects	1,292,817
Highway and streets	589,797
Public safety	30,010
Recreation	77,236
Unrestricted	(433,788)
Total net assets	\$ 26,836,271

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Security of persons and property	\$ 8,539,235	\$ 932,449	\$ 103,900	\$ -	\$ (7,502,886)
Public health and welfare	791,882	169,233	174,138	-	(448,511)
Leisure time activities	662,871	190,030	-	54,959	(417,882)
Community environment	2,542,594	185,324	-	-	(2,357,270)
Basic utility services	1,100,531	250,998	-	1,180,957	331,424
Transportation	2,117,714	-	-	595,838	(1,521,876)
General government	3,272,731	8,259	-	-	(3,264,472)
Interest	406,924	-	-	-	(406,924)
Total governmental activities	<u>\$ 19,434,482</u>	<u>\$ 1,736,293</u>	<u>\$ 278,038</u>	<u>\$ 1,831,754</u>	<u>(15,588,397)</u>

General revenues

Property taxes and special assessments levied for:

General purpose	2,566,655
Other purposes	348,742
Debt service	587,513
Capital improvements	158,520

Municipal income taxes levied for:

General purpose	7,589,499
Grants and entitlements not restricted to specific purposes	2,370,328
Interest	22,982
Miscellaneous	674,461

Total general revenues 14,318,700

Change in net assets	(1,269,697)
Net assets at beginning of year	28,105,968
Net assets at end of year	<u>\$ 26,836,271</u>

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 BALANCE SHEET – GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash	\$ 685,180	\$ 332,612	\$ 1,355,755	\$ 96,155	\$ 2,469,702
Restricted cash	-	23,126	-	-	23,126
Taxes receivable	6,697,323	594,789	-	501,002	7,793,114
Special assessments receivable	-	3,010,453	-	-	3,010,453
Due from other governments	855,686	49,000	-	555,287	1,459,973
Accounts receivable	53,586	-	-	11,500	65,086
Inventories and supplies	35,295	-	-	118,475	153,770
Prepaid items	31,278	167	-	493	31,938
Total assets	\$ 8,358,348	\$ 4,010,147	\$ 1,355,755	\$ 1,282,912	\$ 15,007,162
Liabilities and fund balances					
Liabilities					
Accounts and contracts payable	\$ 195,920	\$ -	\$ 499,652	\$ 139,629	\$ 835,201
Claims payable	153,913	-	-	-	153,913
Accrued salaries, wages and benefits	306,612	-	-	4,375	310,987
Accrued interest payable	-	-	22,575	-	22,575
Due to other governments	742,777	31,769	-	88,494	863,040
Matured bonds and coupons payable	-	23,126	-	-	23,126
Deferred revenue	6,359,391	3,540,812	-	897,082	10,797,285
Total liabilities	7,758,613	3,595,707	522,227	1,129,580	13,006,127
Fund balances					
Reserved for encumbrances	37,117	-	-	-	37,117
Reserved for prepaid items	31,278	167	-	493	31,938
Reserved for inventories	35,295	-	-	118,475	153,770
Unreserved, reported in					
General Fund	496,045	-	-	-	496,045
Special Revenue Funds	-	-	-	(37,429)	(37,429)
Debt Service Fund	-	414,273	-	-	414,273
Capital Projects Funds	-	-	833,528	71,793	905,321
Total fund balances	599,735	414,440	833,528	153,332	2,001,035
Total liabilities and fund balances	\$ 8,358,348	\$ 4,010,147	\$ 1,355,755	\$ 1,282,912	\$ 15,007,162

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2009

Total governmental fund balances		\$	2,001,035
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			29,014,362
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:			
Property and other local taxes	162,478		
Municipal income tax	3,920,699		
Intergovernmental	1,276,375		
Special assessments	3,010,453		
Miscellaneous	56,502		
	8,426,507		8,426,507
In the statement of activities, interest is accrued on outstanding long term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(68,480)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Loans payable	(763,937)		
Note payable	(4,660,000)		
General obligation bonds	(5,010,000)		
Special assessment bonds	(262,086)		
Capital leases	(699,546)		
Compensated absences	(1,141,584)		
	(12,537,153)		(12,537,153)
Net assets of governmental activities		\$	26,836,271

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and other local taxes	\$ 2,546,818	\$ 554,220	\$ -	\$ 507,954	\$ 3,608,992
Municipal income taxes	7,791,879	-	-	-	7,791,879
Intergovernmental	1,708,693	86,496	1,776,795	985,466	4,557,450
Special assessments	-	78,946	-	-	78,946
Charges for services	1,228,359	-	-	190,030	1,418,389
Fines, licenses and permits	657,757	-	-	6,063	663,820
Interest	4,563	16,926	1,493	-	22,982
Miscellaneous	246,394	-	-	25,234	271,628
Total revenues	14,184,463	736,588	1,778,288	1,714,747	18,414,086
Expenditures					
Current					
Security of persons and property	8,223,845	-	-	227,234	8,451,079
Public health and welfare	791,517	-	-	-	791,517
Leisure time activities	111,647	-	-	369,766	481,413
Community environment	2,538,193	-	-	-	2,538,193
Basic utility services	223,917	-	-	-	223,917
Transportation	-	-	-	952,525	952,525
General government	1,907,049	31,936	-	-	1,938,985
Capital outlay	-	-	2,573,655	281,251	2,854,906
Debt service					
Principal	-	564,568	2,930,000	-	3,494,568
Capital lease	198,127	-	-	-	198,127
Interest and fiscal charges	24,561	252,863	102,575	-	379,999
Total expenditures	14,018,856	849,367	5,606,230	1,830,776	22,305,229
Excess (deficiency) of revenues over expenditures	165,607	(112,779)	(3,827,942)	(116,029)	(3,891,143)
Other financing sources (uses)					
Transfers-in	-	100,000	-	108,850	208,850
Transfers-out	(108,850)	-	-	(100,000)	(208,850)
Note proceeds	-	-	4,660,000	-	4,660,000
Capital lease proceeds	367,347	-	-	-	367,347
Total other financing sources (uses)	258,497	100,000	4,660,000	8,850	5,027,347
Excess (deficiency) of revenues over expenditures and other sources (uses)	424,104	(12,779)	832,058	(107,179)	1,136,204
Fund balances, beginning of year	175,631	427,219	1,470	260,511	864,831
Fund balances, end of year	\$ 599,735	\$ 414,440	\$ 833,528	\$ 153,332	\$ 2,001,035

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds		\$ 1,136,204
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
	Capital outlay	2,115,952
	Loss on disposal of assets	(36,807)
	Depreciation expense	<u>(2,724,888)</u>
		(645,743)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
	Municipal income tax	(202,380)
	Property and other local taxes	(7,664)
	Miscellaneous	56,917
	Special assessments	(48,000)
	Intergovernmental	<u>(48,174)</u>
		(249,301)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	Loan principal paid	53,793
	Note principal paid	2,930,000
	Bond principal paid	510,775
	Capital lease principal paid	<u>198,127</u>
		3,692,695
<p>The issuance of long-term debt, bonds and capital leases, provide current financial resources to governmental funds but increases long-term liabilities in the statement of net assets.</p>		
		(5,027,347)
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(26,925)
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(149,280)</u>
Change in net assets of governmental activities		<u>\$ (1,269,697)</u>

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and other local taxes	\$ 2,519,125	\$ 2,584,350	\$ 2,600,803	\$ 16,453
Municipal income taxes	7,930,538	7,801,750	7,801,741	(9)
Intergovernmental	1,654,173	1,667,055	1,627,308	(39,747)
Charges for services	1,614,751	1,230,255	1,228,359	(1,896)
Fines, licenses and permits	668,616	665,971	657,757	(8,214)
Interest	1,532	5,000	4,563	(437)
Miscellaneous	180,878	278,838	277,940	(898)
Total revenue	14,569,613	14,233,219	14,198,471	(34,748)
Expenditures				
Current				
Security of persons and property	8,216,925	8,110,068	8,089,260	20,808
Public health and welfare	769,823	1,009,938	835,580	174,358
Leisure time activities	155,025	122,934	123,077	(143)
Community environment	2,700,320	2,545,290	2,567,504	(22,214)
Basic utility services	279,950	234,050	227,819	6,231
General government	2,355,578	2,340,497	2,119,416	221,081
Total expenditures	14,477,621	14,362,777	13,962,656	400,121
Excess (deficiency) of revenues over expenditures	91,992	(129,558)	235,815	365,373
Other financing sources (uses)				
Transfers-out	-	(120,050)	(108,850)	11,200
Advance out	-	-	(206,900)	(206,900)
Total other financing sources (uses)	-	(120,050)	(315,750)	(195,700)
Excess (deficiency) of revenues over expenditures and other sources (uses)	91,992	(249,608)	(79,935)	169,673
Prior year encumbrances	79,312	79,312	79,312	-
Fund balance, at beginning of year	654,799	654,799	654,799	-
Fund balance, at end of year	\$ 826,103	\$ 484,503	\$ 654,176	\$ 169,673

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2009

Assets	
Equity in pooled cash	\$ 35,182
Due from other governments	2,000
Total assets	<u>37,182</u>
Liabilities	
Accounts payable	750
Due to others	36,432
Total liabilities	<u>\$ 37,182</u>

See accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Parma Heights, Ohio, (the City) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Parma Heights Charter was adopted by the electorate on January 1, 1954. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council and the Finance Director. The City's fiscal year corresponds with the calendar year.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Parma Heights, this includes police and fire, parks and recreation, planning, zoning, street maintenance and repairs, and refuse collection.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The following entities which perform activities within the City's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the City is not financially accountable for the entities nor are they fiscally dependent on the City.

Southwest Council of Governments – The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to area wide interest. This is a jointly governed organization. The City's participation is disclosed in Note 13.

Parma Community General Hospital Association – The Parma Community General Hospital Association is a not-for-profit adult care hospital controlled by a Board of Trustees which is composed of mayoral appointees from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills and Brooklyn Heights. This is a jointly governed organization. The City's participation is disclosed in Note 13.

Northeast Ohio Public Energy Council – The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. This is a jointly governed organization. The City's participation is disclosed in Note 13.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989 to its governmental activities. The most significant of the City's accounting policies are described below.

A. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The City 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Parma Heights and/or the general laws of Ohio.

Bond Retirement Fund – The bond retirement fund accounts for the accumulation of resources for, and the payment of principal and interest on long term debt and related costs.

Capital Projects Fund – The capital projects fund accounts for the City's construction projects.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no proprietary funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits from contractors and builders, the collection and distribution of court fines and forfeitures.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS

Government-wide Financial Statements – The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and 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 City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, tuition, grants, fees and rentals.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect when final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash" on the balance sheet.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Investment proceeds are restricted by the provisions of the Ohio Revised Code. The following funds received more interest earnings during the year than they would have received based on their average share of investments:

	Actual Interest Credited	Amount Assigned From Other City Funds
General	\$ 4,563	\$ 4,316

G. INVENTORY

Inventory items are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which it was consumed.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

All capital assets of the City are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of \$ 2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 years
Buildings and improvements	15-40 years
Machinery and equipment	5 - 10 years
Infrastructure	40 years

J. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

K. COMPENSATED ABSENCES

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's employees' leave balances.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

M. FUND BALANCE RESERVES

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, inventories and prepaids are recorded as a reservation of fund balance.

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government wide statement of net assets reports \$ 5,441,266 of restricted net assets none which is restricted by enabling legislation. Net assets restricted for other purposes include the activities for the operation of street construction, maintenance and repair and amounts from federal and state grants.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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 City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP). Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance
	General Fund
Budget basis	\$ (79,602)
Adjustments, increase (decrease)	
Revenue accruals	353,339
Expenditure accruals	150,367
GAAP basis, as reported	\$ 424,104

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2009, the CDBG, Police Pension, Fire Pension, and Capital Projects funds had deficit fund balances of \$ 99,887, \$ 19,496, \$ 28,815, and \$ 2,176,472 respectively. These deficit fund balances are the result of adjustments for accrued liabilities in these funds. The General fund is liable for any deficits in these funds and provides transfers when cash is needed, not when accruals occur.

NOTE 5 – DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following:

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 6) The State Treasurer’s investment pool (STAR Ohio); and
- 7) Certain bankers’ acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of debt of the City, and must be purchased with the expectation that it will be held until maturity.

Protection of the City’s deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City maintains a cash and investment pool used by various funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Equity in pooled cash.”

B. DEPOSITS

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City’s deposits was \$ 1,395,324 and the bank balance was \$ 1,522,536. Of the bank balance, \$ 562,229 is collateralized by federal depository insurance and \$ 960,307 was uninsured. Of the remaining balance, \$ 960,307 was collateralized with securities held by the pledging institution’s trust department not in the District’s name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio Law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. INVESTMENTS

As of December 31, 2009, the City had the following investments.

	Maturities	Fair Value
Manuscript bonds	n/a	\$ 262,089
Investment in STAR Ohio	n/a	870,597
		\$ 1,132,686

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2009, the City's investments in STAR Ohio were rated AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that may be invested in any one issuer. The City's allocation as of December 31, 2009 was 76.9 percent invested in STAR Ohio and 23.1 percent invested in manuscript bonds.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, and miscellaneous accounts receivable.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected in more than one year amount to \$ 2.6 million in the Bond Retirement Fund. At December 31, 2009, the amount of delinquent special assessments was \$ 446,607.

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2008 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 6 – RECEIVABLES (continued)

A. PROPERTY TAXES

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008.

The full tax rate for all City operations for the year ended December 31, 2009, was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real property - 2009	
Residential/agricultural	\$ 262,905,620
Other real estate	81,579,950
Tangible personal property - 2009	
Public utilities	3,891,950
Total valuation	\$ 348,377,520

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

B. INCOME TAXES

The City levies a 3% income tax on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a 100% credit for income taxes paid to other municipalities. This tax is collected and administered by the City. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

C. DUE FROM OTHER GOVERNMENTS

A summary of due from other governments follows:

Homestead and rollback	\$ 258,000
Gasoline tax	317,500
Grants	19,986
Local government	492,020
Motor vehicle	65,000
Auto registration	62,400
Estate tax	69,914
Miscellaneous	175,153
	\$ 1,459,973

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balance</u> 12/31/08	<u>Addition</u>	<u>Disposals</u>	<u>Balance</u> 12/31/09
Governmental activities				
Nondepreciable capital assets				
Land	\$ 1,344,328	\$ -	\$ -	\$ 1,344,328
Construction in process	389,058	1,611,606	31,556	1,969,108
	<u>1,733,386</u>	<u>1,611,606</u>	<u>31,556</u>	<u>3,313,436</u>
Depreciable capital assets				
Buildings and improvements	8,800,582	82,115	-	8,882,697
Machinery, equipment and vehicles	5,969,534	453,787	171,861	6,251,460
Infrastructure	70,973,341	-	-	70,973,341
Total capital assets being depreciated	<u>85,743,457</u>	<u>535,902</u>	<u>171,861</u>	<u>86,107,498</u>
Less accumulated depreciation				
Buildings and improvements	6,213,867	298,448	-	6,512,315
Machinery, equipment and vehicles	3,966,905	406,166	135,054	4,238,017
Infrastructure	47,635,966	2,020,274	-	49,656,240
Total accumulated depreciation	<u>57,816,738</u>	<u>2,724,888</u>	<u>135,054</u>	<u>60,406,572</u>
Depreciable capital assets, net of accumulated depreciation	<u>27,926,719</u>	<u>(2,188,986)</u>	<u>36,807</u>	<u>25,700,926</u>
Governmental activities capital assets, net	<u>\$ 29,660,105</u>	<u>\$ (577,380)</u>	<u>\$ 68,363</u>	<u>\$ 29,014,362</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 64,911
Security of persons and property	244,570
Transportation	1,329,498
Basic utility services	875,998
Leisure time activities	209,911
Total depreciation expense	<u>\$ 2,724,888</u>

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 8 – LONG-TERM DEBT

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General obligation bonds				
Library improvements	1988	2009	6.30% - 10.0%	\$ 1,000,000
Recreational facilities improvement	2001	2021	2.00% - 5.50%	2,750,000
Street improvement	2004	2019	2.00% - 5.00%	4,075,000
Various purpose improvements	2006	2011	4.00% - 4.25%	380,000
Special assessment bonds				
Retaining wall improvements	1990	2010	7.50%	32,772
Street improvements	1992	2012	6.25%	20,278
Street improvements	1995	2015	6.25%	28,513
Street improvements	1995	2015	6.20%	98,963
Street improvements	1998	2017	6.25%	40,008
Street improvements	1999	2019	5.75%	320,000
Ohio Public Works Commission loan	1999	2019	0.00%	356,940
Ohio Public Works Commission loan	1999	2019	0.00%	360,306
Ohio Public Works Commission loan	2002	2022	0.00%	368,333
Ohio Public Works Commission loan	2002	2022	0.00%	185,183
Ohio Water Development				
Authority loan	1995	2015	4.18%	218,870

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 8 – LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2009 were as follows:

	Outstanding 12/31/08	Additions	Reductions	Outstanding 12/31/09	Amount Due In One Year
Bond anticipation notes					
Maturity 9-10-09, 2.35%	\$ 2,930,000	\$ -	\$ 2,930,000	\$ -	\$ -
Maturity 9-8-10, 2.25%	-	3,010,000	-	3,010,000	3,010,000
Various purposes notes					
Maturity 4-10-10, 3.00%	-	1,650,000	-	1,650,000	1,650,000
	<u>2,930,000</u>	<u>4,660,000</u>	<u>2,930,000</u>	<u>4,660,000</u>	<u>4,660,000</u>
General obligations bonds:					
Library improvements	50,000	-	50,000	-	-
Recreational facilities improvement	2,055,000	-	115,000	1,940,000	115,000
Street improvements	3,155,000	-	245,000	2,910,000	260,000
Various purpose improvement	235,000	-	75,000	160,000	80,000
	<u>5,495,000</u>	<u>-</u>	<u>485,000</u>	<u>5,010,000</u>	<u>455,000</u>
Special assessment bonds:					
Retaining wall improvements	3,275	-	1,639	1,636	1,636
Street improvements	4,055	-	1,014	3,041	1,014
Street improvements	9,979	-	1,426	8,553	1,426
Street improvements	34,638	-	4,948	29,690	4,948
Street improvements	18,000	-	2,000	16,000	2,000
Street improvements	217,914	-	14,748	203,166	15,596
	<u>287,861</u>	<u>-</u>	<u>25,775</u>	<u>262,086</u>	<u>26,620</u>
Ohio Public Works Commission loans:					
Concrete street reconstruction	178,471	-	8,923	169,548	17,847
Concrete street reconstruction	180,153	-	9,008	171,145	18,015
Concrete street reconstruction	248,623	-	18,417	230,206	18,417
Concrete street reconstruction	124,999	-	4,630	120,369	9,259
	<u>732,246</u>	<u>-</u>	<u>40,978</u>	<u>691,268</u>	<u>63,538</u>
Ohio Water Development Authority Loan	<u>85,484</u>	<u>-</u>	<u>12,815</u>	<u>72,669</u>	<u>13,356</u>
Capital lease obligations	<u>530,326</u>	<u>367,347</u>	<u>198,127</u>	<u>699,546</u>	<u>190,164</u>
Compensated absences	<u>992,304</u>	<u>174,899</u>	<u>25,619</u>	<u>1,141,584</u>	<u>-</u>
	<u>\$ 11,053,221</u>	<u>\$ 5,202,246</u>	<u>\$ 3,718,314</u>	<u>\$ 12,537,153</u>	<u>\$ 5,408,678</u>

Bond anticipation notes, bonds payable, special assessment bonds and loans will be repaid from the Bond Retirement Fund. The capital leases will be repaid from the General Fund. Compensated absences will be repaid from the funds from which employees' salaries are paid.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 8 – LONG-TERM DEBT (continued)

Debt service requirements to retire bonds payable and loans payable outstanding at December 31, 2009 consisted of:

Year	Principal	Interest	Total
2010	\$ 5,218,514	\$ 364,422	\$ 5,582,936
2011	568,339	228,547	796,886
2012	504,875	209,056	713,931
2013	525,477	190,218	715,695
2014	537,181	169,887	707,068
2015-2019	2,837,824	495,797	3,333,621
2020-2022	503,813	30,875	534,688
	<u>\$ 10,696,023</u>	<u>\$ 1,688,802</u>	<u>\$ 12,384,825</u>

NOTE 9 – CAPITAL LEASE

The City is obligated under certain leases accounted for as capital leases. Assets under capital lease totaled \$ 1,046,396, at December 31, 2009. The leases are in effect through 2018. The following is a schedule of future minimum lease payments under capital lease together with the net present value of the minimum lease payments as of December 31, 2009.

	Amount
2010	\$ 222,687
2011	122,973
2012	122,973
2013	108,142
2014	108,142
Thereafter	122,814
Total minimum lease payments	807,731
Less amount representing interest	108,185
Net present value of minimum lease payments	<u>\$ 699,546</u>

NOTE 10 – INTERFUND TRANSFERS

Council authorized the transfers of \$ 100,000 from non-major funds to Debt Retirement fund to pay the debt service payments and \$108,850 from the General Fund to non-major funds to cover fund expenditures.

	Transfer from:		Total
	General Fund	Non-major Funds	
Transfers to:			
Debt Retirement	\$ -	\$ 100,000	\$ 100,000
Non-Major Funds	108,850	-	108,850
	<u>\$ 108,850</u>	<u>\$ 100,000</u>	<u>\$ 208,850</u>

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the traditional pension plan - a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year), members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the combined plan - a cost-sharing, multiple-employer defined benefit pension plan where OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit, member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying 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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional pension plan. In 2009, member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%. The 2009 employer contribution rate for state and local employers was 14.00% of covered payroll. For both public safety and law enforcement divisions, the employer contribution rate was 17.63% for 2009.

The City's required contributions for pension obligations for all plans for the years ended December 31, 2009, 2008, and 2007, were \$ 296,708, \$ 292,775, and \$ 367,399, respectively; 73 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's pension contributions to OP&F for police and firefighters were \$ 323,437 and \$ 400,524, respectively for the year ended December 31, 2009, \$ 329,803 and \$ 442,758, respectively for the year ended December 31, 2008, and \$ 334,948 and \$ 366,651, respectively for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 76.8 percent has been contributed for police officers and 74.3 percent has been contributed for firefighters for 2009.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the traditional pension plan - a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan - a defined contribution plan; and the combined plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage of disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code (ORC) permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 17.63%. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employers units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated 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 contribution allocated to health care was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. 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.

The City's contributions to OPERS allocated to fund post-employment benefits for the years ending December 31, 2009, 2008, and 2007, were \$ 220,647, \$ 292,775, and \$ 241,999, respectively; 73% has been contributed for 2009 and 100 percent for 2008 and 2007.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increased on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as a Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for the years ending December 31, 2009, 2008, and 2007 were \$ 327,648, \$ 347,854, and \$ 320,797, respectively, of which \$ 22,116, \$ 23,480, and \$ 21,654, respectively, was allocated to the healthcare plan. 79% has been contributed for 2009 and 100 percent for 2008 and 2007.

NOTE 13 – JOINTLY GOVERNED ORGANIZATION

A. SOUTHWEST COUNCIL OF GOVERNMENTS

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each City's degree of control is limited to its representation on the board.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("Haz Mat") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio 44017.

B. PARMA COMMUNITY GENERAL HOSPITAL ASSOCIATION

The Parma Community General Hospital Association is a not-for-profit adult care hospital controlled by a Board of Trustees which is composed of mayoral appointees from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills, and Brooklyn Heights. Each city has two representatives on the board, other than Parma, which has six. The operation, maintenance, and management of the Hospital is the exclusive charge of the Parma Community General Hospital Association. The City's degree of control is limited to its appointments to the Board of Trustees.

Additions to the Hospital have been financed by the issuance of hospital revenue bonds. The bonds are backed solely by the revenues of the Hospital. The cities have no responsibility for the payment of the bonds, nor is there any ongoing financial interest or responsibility by the City to the Hospital.

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization. There does exist, however, a residual equity interest upon the dissolution or sale of the Hospital, according to the terms of the original agreement among the Cities. The City of Parma Heights has made no contributions to the Hospital during the year. The Hospital's financial statements may be obtained by contacting the Parma Community General Hospital, Parma, Ohio.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 – JOINTLY GOVERNED ORGANIZATION (continued)

C. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC, Chairman, 1615 Clark Avenue, Cleveland, Ohio 44109.

NOTE 14 – CONTRACTUAL COMMITMENTS

As of December 31, 2009, the City had contractual commitments as follows:

Project	Project Authorization	Expended to Date	Outstanding Commitments
Independence Blvd reconstruction	\$ 2,358,624	\$ 1,015,565	\$ 1,343,059
Parma Park resurfacing	451,649	106,055	345,594
Parma Park water main project	1,028,679	853,305	175,374
Firing range roof replacement	57,137	54,851	2,286
Fire department parking lot impro	67,580	40,821	26,759
Fire department pumper	473,255	-	473,255
	<u>\$ 4,436,924</u>	<u>\$ 2,070,597</u>	<u>\$ 2,366,327</u>

NOTE 15 – CONTINGENCIES

For the year ended December 31, 2009, the City received assistance from various state and federal agencies. There are certain requirements of a compliance nature that have to be met and programs are subject to audit by the grantor agency. Any disallowed claims could be liabilities of the General Fund or other applicable funds. In the opinion of management, any claims that might arise would not have a material effect on the City's financial statements.

The City of Parma Heights, Ohio is defendant in certain lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 16 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have not been any significant reductions in insurance coverage from coverage in the prior year, and the amounts of settlements have not exceeded coverage for any of the prior three years.

The City has established a medical self-insurance program for City employees and their covered dependents. The City has elected to present hospitalization activity in the General Fund. This program is administered with the assistance of an outside third-party administrator (Medical Mutual of Ohio).

At year-end, self-insurance was in effect for losses up to \$ 50,000 per participant, with an aggregate stop loss threshold for the 2008 contract year of \$ 1,000,000. Excess losses are insured by a private insurance company.

Liabilities are accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended December 31, 2008 and 2007 are as follows. Incurred claims and claims payments are not segregated between events related to the current year and events related to prior years due to the impracticability of obtaining such information by separate period.

	2009	2008
Unpaid claims, beginning of year	\$ 107,086	\$ 123,733
Incurred claims	1,409,708	1,136,772
Claims payment	<u>(1,362,881)</u>	<u>(1,153,419)</u>
Unpaid claims, end of year	<u>\$ 153,913</u>	<u>\$ 107,086</u>

NOTE 17 – SUBSEQUENT EVENT

In April of 2010, the City issued Various Purpose Notes in the amount of \$ 1,660,000 to finance the cost of reconstructing Independence Boulevard and installing water and sanitary sewer lines and storm drainage facilities, where necessary, and making all related improvements.

In August 2010, the City issued Street Improvement Bond Anticipation Notes in the amount of \$ 3,085,000 for the purpose of paying, in anticipation of the levy and collection of special assessments, the costs of constructing Cardinal Avenue and adjoining streets.

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Mary Taylor, CPA

Auditor of State

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

City of Parma Heights
Cuyahoga County
6281 Pearl Road
Parma Heights, Ohio 44130

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the City'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 22, 2010.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 22, 2010



Mary Taylor, CPA
Auditor of State

CITY OF PARMA HEIGHTS

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
JANUARY 13, 2011**