



Dave Yost • Auditor of State

**CITY OF PARMA, OHIO
CUYAHOGA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

City of Parma
Cuyahoga County
6611 Ridge Road
Parma, Ohio 44129

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Police Levy 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 February 24, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 24, 2011

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The discussion and analysis of the City of Parma's (the City) 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:

- The assets of the City exceeded its liabilities at December 31, 2009 by \$74,696,862 (net assets). Of this amount, \$9.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Of the \$74,696,862 of net assets, business-type activities account for \$1,671,277 of net assets, while governmental activities net assets were \$73,025,585.
- The City's net assets decreased by \$670,940 during 2009 due to the difficult economic climate.
- Business-type activities net assets decreased by \$23,465. The decrease in business-type activities net assets was primarily attributed to a decrease in operating revenues.
- Governmental activities net assets decreased by \$647,475. The primary component of the net decrease was decrease in municipal income tax revenue.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,381,603 and is available for spending at the City's discretion. The unreserved fund balance equals 8.93 percent of total current general fund expenditures.
- The City's total governmental activities debt decreased by \$3,877,052 (10.3 percent) during the current fiscal year. The decrease was primarily attributable to payment of governmental activities debt agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's *Basic Financial Statements* are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets and the statement of activities provide information about the 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.

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Statement of Net Assets - The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities - The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: general government, public service, public safety, human resources, community development, public health, parks and recreation, and economic development. The business-type activities of the City consist of a municipal golf course. The City also has liability self-insurance, medical insurance, and worker's compensation internal service funds.

The government-wide financial statements can be found starting on page 17 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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 other nonmajor funds presented in total in one column.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 73 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes

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in fund balances for the General Fund, Debt Service Fund, City Income Tax Capital Acquisitions Fund and Police Levy Fund; all of which are considered to be major funds. Data from the other 69 nonmajor governmental funds are combined into a single fund, aggregated presentation.

The City adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement (non-GAAP basis) has been provided for the General Fund and each major special revenue fund.

The basic governmental fund financial statements can be found starting on page 19 of this report.

Proprietary Funds - The City maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The City uses internal service funds to account for its liability self-insurance, medical insurance, and workers' compensation insurance operations. Because these services predominantly benefit governmental rather than business-type activities functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Golf Course Fund, which is considered to be a major fund of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found starting on page 26 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City only has agency funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 32 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private-sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets and the changes in net assets. The change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City 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. The *Statement of Net Assets* and the *Statement of Activities* are divided into the following sections:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenues and Expenses
- General Revenues
- Net Assets Beginning of Year and Year End

A government-wide *Summary Statement of Net Assets* is presented on the following page.

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Table 1: Summary Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008-Restated	2009	2008	2009	2008-Restated
Assets						
Current and Other Assets	\$34,353,857	\$35,681,707	\$332,309	\$350,367	\$34,686,166	\$36,032,074
Capital Assets	83,708,369	86,473,909	1,519,058	1,566,925	85,227,427	88,040,834
Total Assets	118,062,226	122,155,616	1,851,367	1,917,292	119,913,593	124,072,908
Liabilities						
Long-Term Liabilities	33,784,685	37,661,737	155,467	203,653	33,940,152	37,865,390
Other Liabilities	11,251,956	10,820,819	24,623	18,897	11,276,579	10,839,716
Total Liabilities	45,036,641	48,482,556	180,090	222,550	45,216,731	48,705,106
Net Assets						
Invested in Capital Assets, net	53,639,070	52,869,396	1,432,145	1,426,679	55,071,215	54,296,075
Restricted For						
Debt Service	972,034	1,247,563	-	-	972,034	1,247,563
Security of Persons and Property	3,383,970	3,561,765	-	-	3,383,970	3,561,765
Transportation	1,351,208	903,924	-	-	1,351,208	903,924
Community Environment	1,147,090	624,239	-	-	1,147,090	624,239
Leisure Time Activities	784,099	775,185	-	-	784,099	775,185
Capital Projects	2,250,178	2,823,209	-	-	2,250,178	2,823,209
Unrestricted						
	9,497,936	10,867,779	239,132	268,063	9,737,068	11,135,842
Total Net Assets	\$73,025,585	\$73,673,060	\$1,671,277	\$1,694,742	\$74,696,862	\$75,367,802

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As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$74,696,862 at the close of the most recent fiscal year.

The largest portion of the City's net assets (73.72 percent) is invested in capital assets, net of related debt. The second largest portion of the City's net assets (13.04 percent) is unrestricted net assets.

The portion of the City's net assets (73.72 percent) reflected its investments in capital assets (e.g., land, land improvements, buildings, and equipment), is less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; 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 the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total net assets decreased by \$(670,940) with governmental net assets comprising \$(647,475) and business-type activities comprising \$(23,465) of that amount.

A government-wide *Summary Statement of Changes in Net Assets* is presented on the following page:

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Table 2: Summary Statement of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008-Restated	2009	2008	2009	2008-Restated
Revenues						
Program Revenues						
Charges for Services	\$9,200,120	\$8,886,154	\$1,005,089	\$1,048,296	\$10,205,209	\$9,934,450
Operating Grants, Contributions, and Interest	12,128,360	13,196,121	-	-	12,128,360	13,196,121
General Revenues						
Property Taxes	10,241,687	8,477,528	-	-	10,241,687	8,477,528
Income Taxes	33,269,578	37,093,234	-	-	33,269,578	37,093,234
Grants and Entitlements not Restricted to Specific Programs	6,721,835	7,172,564	-	-	6,721,835	7,172,564
Investment Earnings	55,516	344,207	-	-	55,516	344,207
Other	-	138,533	-	-	-	138,533
Total Revenues	71,617,096	75,308,341	1,005,089	1,048,296	72,622,185	76,356,637
Expenses						
Program Expenses						
General Government -						
Legislative and Executive	25,291,272	25,675,308	-	-	25,291,272	25,675,308
Security of Persons and Property	26,070,730	27,845,458	-	-	26,070,730	27,845,458
Public Health and Welfare	316,924	315,248	-	-	316,924	315,248
Transportation	5,694,671	5,175,906	-	-	5,694,671	5,175,906
Community Environment	8,445,835	8,583,458	-	-	8,445,835	8,583,458
Basic Utility Services	2,120,590	1,888,717	-	-	2,120,590	1,888,717
Leisure Time Activities	2,773,541	4,194,534	-	-	2,773,541	4,194,534
Interest and Fiscal Charges	1,551,008	1,561,473	-	-	1,551,008	1,561,473
Golf Course	-	-	1,028,554	1,091,525	1,028,554	1,091,525
Total Expenses	72,264,571	75,240,102	1,028,554	1,091,525	73,293,125	76,331,627
Change in Net Assets	(647,475)	68,239	(23,465)	(43,229)	(670,940)	25,010
Net Assets Beginning of Year - Restated	73,673,060	73,604,821	1,694,742	1,737,971	75,367,802	75,342,792
Total Net Assets - Restated	\$73,025,585	\$73,673,060	\$1,671,277	\$1,694,742	\$74,696,862	\$75,367,802

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Governmental Activities - Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 2.5 percent for 2009. Both residents and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has municipal income tax, the City provides 100 percent credit to those who pay income tax to another city. The income tax revenue for 2009 was \$33,269,578. Of the \$71,617,096 in total revenues, income tax accounts for 46.46 percent of that total. Property taxes of \$10,241,687 account for 14.30 percent of total revenues. Operating grants, contributions and interest, and general revenues from grants and entitlements account for 26.32 percent of total revenues, and charges for services, investment earnings, and other revenue make up the remaining 12.92 percent.

General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors its sources of revenues very closely for fluctuations, especially income tax.

Total expenses of governmental activities for 2009 were \$72,264,571. The largest program function for the City relates to security of persons and property, which includes the police and fire departments, with expenses of \$26,070,730, which is 36.08 percent of program expenses. General government-legislative and executive, is the next largest program expense at 35.00 percent, followed by community environment expenses of 11.69 percent. Public health and welfare, transportation, basic utility services, leisure time activities, and interest and fiscal charges comprised 17.23 percent.

Business-Type Activities - Business-type activities decreased the City's net assets by \$23,465. Charges for services decreased by \$43,207 and operating expenses decreased by \$62,971. Total expenses of business-type activities were \$1,028,554 for the golf course operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 19. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$13,499,003. Of that amount, \$12,659,735 constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of the fund balance, \$839,268, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or is reserved for inventory and loans.

The General Fund had total revenues of \$42,335,933 and expenditures of \$41,546,967, thereby increasing the General Fund's fund balance by \$788,966 to \$3,782,480.

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The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$3,381,603, while the total fund balance was \$3,782,480. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.14 percent of total general fund expenditures, while total fund balance represents 9.10 percent of that same amount.

Proprietary Funds - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Ridgewood Municipal Golf Course at the end of the year amounted to \$239,132. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY ANALYSIS

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.

During the course of 2009, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Auditor to the Finance Committee of Council for review before going to the whole council for ordinance enactment on the change. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

For the General Fund, original and revised budgeted revenues were \$45,132,671 and \$41,138,011, respectively. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Actual revenues were \$41,926,019.

The City's ending unencumbered cash balance in the general fund was \$2,094,961.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$85,227,427 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, vehicles, software, and infrastructure. As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements after January 1, 1980 have been included as part of governmental capital assets in the government-wide financial statements. The total decrease in the City's investment in capital assets for the current fiscal year was 3.20 percent (a 3.20 percent decrease for governmental activities and a 3.06 percent decrease for business-type activities). A summary of the City's capital assets, net of accumulated depreciation, is presented in the table on the following page:

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Table 3: Summary Statement of Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total
	2009	2008	2009	2008	
Non-Depreciable					
Land	\$7,166,623	\$6,717,012	\$1,078,077	\$1,078,077	\$7,795,089
Total	7,166,623	6,717,012	1,078,077	1,078,077	7,795,089
Depreciable					
Land improvements	378,427	378,427	263,700	263,700	642,127
Buildings	32,901,266	32,901,266	209,531	209,531	33,110,797
Equipment	7,480,714	7,129,877	776,053	776,053	7,905,930
Vehicles	11,026,083	10,682,298	64,475	64,475	10,746,773
Software	1,043,476	1,043,476	-	-	1,043,476
Infrastructure	66,167,786	66,167,786	-	-	66,167,786
Total	118,997,752	118,303,130	1,313,759	1,313,759	119,616,889
Accumulated Depreciation	42,456,006	38,546,233	872,778	824,911	39,371,144
Total Capital Assets	\$83,708,369	\$86,473,909	\$1,519,058	\$1,566,925	\$88,040,834

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See Note 10, *Capital Asset Activity*, of the *Basic Financial Statements* for additional information on the City's capital assets.

Debt - At the end of the current fiscal year, the City had \$33,940,152 in bonds, loans, capital leases and compensated absences outstanding with \$3,562,535 due within one year.

The General Obligation Bonds outstanding are comprised of unvoted general obligation bonds of the City payable from ad valorem property taxes and special obligation bonds.

The principal and interest for the Special Assessment Bonds outstanding will be retired with assessments levied against property owners and/or general levies of the City based on the improvements/benefit to the respective parties. Assessments are collected by the Cuyahoga County Auditor and will be received over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued to finance the improvements.

The Ohio Public Works Commission Loans are paid semi-annually from the Debt Service Fund and will be paid in full in the year 2021.

The Ohio Water Development Authority Loans are paid semi-annually from the Debt Service Fund and will be paid in full in the year 2019.

The City's overall legal debt margin was \$141,612,306 at December 31, 2009.

See Note 15, *Long-Term Obligations* of the *Basic Financial Statements* for additional information on the City's debt.

A summary of the City's outstanding debt is presented in the table on the following page:

City of Parma, Ohio
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Table 4: Summary Statement of Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Special Assessment Bonds	\$1,307,267	\$1,470,086	\$-	\$-	\$1,307,267	\$1,470,086
General Obligation Bonds	22,245,000	23,820,000	-	-	22,245,000	23,820,000
Ohio Public Works Commission Loans	1,444,543	1,619,768	-	-	1,444,543	1,619,768
Ohio Water Development Authority Loans	2,392,346	2,656,869	-	-	2,392,346	2,656,869
Capital Leases	3,579,346	5,537,536	86,913	140,246	3,666,259	5,677,782
Compensated Absences	2,816,183	2,557,478	68,554	63,407	2,884,737	2,620,885
Total	\$33,784,685	\$37,661,737	\$155,467	\$203,653	\$33,940,152	\$37,865,390

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CURRENT FINANCIAL RELATED ACTIVITIES

The City of Parma, like all municipalities both locally and nationally, continues to face the challenges of economic recession. Basic operating costs continue to rise due to negotiated salary increases, higher benefit costs, and federal and state mandates placed upon municipalities while federal and state funding is being reduced.

CONTACTING THE CITY'S OFFICE OF THE AUDITOR

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

Basic Financial Statements

City of Parma, Ohio
Statement of Net Assets
December 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$11,076,960	\$304,181	\$11,381,141
Cash and cash equivalents in segregated accounts	1,120,211	9,948	1,130,159
Municipal income taxes receivable	5,277,519	-	5,277,519
Property taxes receivable	9,349,028	-	9,349,028
Special assessments receivable	1,765,048	-	1,765,048
Accrued interest receivable	983	-	983
Due from other governments	5,155,345	-	5,155,345
Materials and supplies inventory	596,158	18,180	614,338
Loans receivable	12,605	-	12,605
Capital assets, nondepreciable	7,166,623	1,078,077	8,244,700
Capital assets, depreciable, net	76,541,746	440,981	76,982,727
Total assets	118,062,226	1,851,367	119,913,593
Liabilities			
Accounts payable	996,602	9,023	1,005,625
Contracts payable	320,656	-	320,656
Claims and judgements payable	962,571	-	962,571
Accrued wages and benefits	103,965	-	103,965
Compensated absences payable	194,169	1,108	195,277
Due to other governments	1,069,565	14,492	1,084,057
Deferred revenue	7,428,028	-	7,428,028
Accrued interest payable	176,400	-	176,400
Long-term liabilities:			
Due within one year	3,500,490	62,045	3,562,535
Due in more than one year	30,284,195	93,422	30,377,617
Total liabilities	45,036,641	180,090	45,216,731
Net assets			
Invested in capital assets, net of related debt	53,639,070	1,432,145	55,071,215
Restricted for:			
Debt service	972,034	-	972,034
Security of persons and property	3,383,970	-	3,383,970
Transportation	1,351,208	-	1,351,208
Community environment	1,147,090	-	1,147,090
Leisure time activities	784,099	-	784,099
Capital projects	2,250,178	-	2,250,178
Total restricted assets	9,888,579	-	9,888,579
Unrestricted	9,497,936	239,132	9,737,068
Total net assets	\$73,025,585	\$1,671,277	\$74,696,862

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	Net (Expense) Revenue and Changes in Net Assets				
	Program Revenues		Primary Government		
	Expenses	Charges for Services	Operating Grants Contributions and Interest	Governmental Activities	
	Business- Type Activities	Total			
Governmental Activities					
General government - legislative and executive	\$25,291,272	\$3,759,103	\$-	\$(21,532,170)	\$(21,532,169)
Security of persons and property	26,070,730	2,500,195	973,571	(22,596,964)	(22,596,964)
Public health and welfare	316,924	-	-	(316,924)	(316,924)
Transportation	5,694,671	3,038	3,361,438	(2,330,195)	(2,330,195)
Community environment	8,445,835	1,288,853	7,424,926	267,944	267,944
Basic utility services	2,120,590	923,647	-	(1,196,943)	(1,196,943)
Leisure time activities	2,773,541	725,284	368,425	(1,679,832)	(1,679,832)
Interest and fiscal charges	1,551,008	-	-	(1,551,008)	(1,551,008)
Total governmental activities	72,264,571	9,200,120	12,128,360	(50,936,092)	(50,936,091)
Business-Type Activities					
Golf Course	1,028,554	1,005,089	-	-	(23,465)
Total primary government	\$73,293,125	\$10,205,209	\$12,128,360	(50,936,092)	(50,959,556)
General Revenues					
Property taxes levied for:					
General purposes				4,505,123	4,505,123
Special revenue				5,422,215	5,422,215
Debt service				314,349	314,349
Income taxes levied for:					
General purposes				26,200,550	26,200,550
Capital outlay				7,069,028	7,069,028
Grants and entitlements not restricted to specific programs				6,721,835	6,721,835
Investment earnings				55,516	55,516
Total General Revenues				50,288,616	50,288,616
Change in Net Assets				(647,475)	(670,940)
Net Assets at Beginning of Year-Restated				73,673,060	75,367,802
Net Assets at End of Year				\$73,025,585	\$74,696,862

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2009

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in pooled cash and cash equivalents	\$2,238,893	\$914,057	\$1,729,803	\$454,468	\$4,427,673	\$10,064,894
Cash and cash equivalents in segregated accounts	818	-	-	-	1,119,393	1,120,211
Municipal income taxes receivable	4,156,047	-	1,121,472	-	-	5,277,519
Property taxes receivable	3,928,112	280,570	-	2,805,766	2,334,580	9,349,028
Interfund receivable	308,715	-	867,578	-	-	1,176,293
Special assessments receivable	-	1,765,048	-	-	-	1,765,048
Accrued interest receivable	-	-	-	-	983	983
Due from other governments	2,919,230	23,371	-	233,702	1,979,042	5,155,345
Materials and supplies inventory	191,318	-	-	404,840	-	596,158
Loans receivable	-	-	-	-	12,605	12,605
Total Assets	\$13,743,133	\$2,983,046	\$3,718,853	\$3,493,936	\$10,579,116	\$34,518,084
Liabilities						
Accounts payable	\$185,075	\$-	\$487,352	\$-	\$319,568	\$991,995
Contracts payable	318,749	-	761	-	1,146	320,656
Interfund payable	-	-	-	-	1,176,293	1,176,293
Accrued wages and benefits	41,024	-	-	-	62,941	103,965
Compensated absences payable	163,180	-	-	-	23,665	186,845
Due to other funds	899,203	-	-	-	-	899,203
Due to other governments	768,169	-	6,120	78,681	212,063	1,065,033
Deferred revenue	7,584,110	2,011,012	695,103	2,459,695	3,524,028	16,273,948
Accrued interest payable	1,143	-	-	-	-	1,143
Total Liabilities	9,960,653	2,011,012	1,189,336	2,538,376	5,319,704	21,019,081
Fund Balance						
Reserved for encumbrances	209,559	-	-	-	20,946	230,505
Reserved for inventory	191,318	-	-	-	404,840	596,158
Reserved for loans	-	-	-	-	12,605	12,605
Unreserved, undesignated (deficit), reported in:						
General fund	3,381,603	-	-	-	-	3,381,603
Special revenue funds	-	-	-	955,560	5,127,928	6,083,488
Debt service fund	-	972,034	-	-	-	972,034
Capital projects funds	-	-	2,529,517	-	(306,907)	2,222,610
Total fund balance	3,782,480	972,034	2,529,517	955,560	5,259,412	13,499,003
Total liabilities and fund balance	\$13,743,133	\$2,983,046	\$3,718,853	\$3,493,936	\$10,579,116	\$34,518,084

See accompanying notes to the basic financial statements

City of Parma, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009

Total Governmental Fund Balances		\$13,499,003
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		83,708,369
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</p>		
Municipal Income Taxes	\$3,271,077	
Special Assessments	1,765,048	
Intergovernmental	3,809,795	
		8,845,920
In the Statement of Activities, interest is accrued on outstanding bonds whereas, in governmental funds, an interest expenditure is reported when due		(171,027)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Assets		28,802
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p>		
General Obligation Bonds	(21,345,797)	
Special Assessment Bonds	(1,307,267)	
OPWC Loans	(1,444,543)	
OWDA Loans	(2,392,346)	
Compensated Absences	(2,816,183)	
Capital Leases Payable	(3,579,346)	
		(32,885,482)
Net Assets of Governmental Activities		\$73,025,585

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2009

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Municipal income tax	\$26,354,644	\$-	\$7,110,609	\$-	\$-	\$33,465,253
Property and other taxes	4,505,123	314,349	-	2,933,133	2,489,082	10,241,687
Charges for services	563,425	-	-	-	2,215,139	2,778,564
Fees, licenses and permits	1,831,969	-	-	-	26,038	1,858,007
Fines and forfeitures	2,383,106	-	-	-	453,284	2,836,390
Intergovernmental	6,344,768	46,740	613,860	469,452	12,092,480	19,567,300
Donations	71,414	-	-	-	202,915	274,329
Rents	220,900	-	-	-	262,206	483,106
Special assessments	-	242,616	-	-	928,639	1,171,255
Interest	52,417	-	-	-	3,099	55,516
Other	6,167	-	21,079	-	3,716	30,962
Total Revenues	\$42,333,933	603,705	7,745,548	3,402,585	18,676,598	72,762,369
Expenditures						
Current						
Legislative and executive	14,933,046	2,424	4,156,502	-	138,412	19,230,384
Security of persons and property	19,548,761	-	-	2,670,994	5,214,006	27,433,761
Public health and welfare	316,924	-	-	-	-	316,924
Transportation	-	-	-	-	4,493,859	4,493,859
Community environment	773,982	-	-	-	7,860,865	8,634,847
Basic utility services	-	-	-	-	1,997,927	1,997,927
Leisure time activities	2,277,052	-	-	-	680,271	2,957,323
Total Current Expenditures	37,849,765	2,424	4,156,502	2,670,994	20,385,340	65,065,025
Capital outlay	26,929	-	328,731	345,599	186,135	887,394
Debt service	-	2,177,567	1,308,792	14,196	16,645	3,517,200
Principal retirement	-	1,219,878	183,658	2,699	275	1,406,510
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	37,876,694	3,399,869	5,977,683	3,033,488	20,588,395	70,876,129
Excess of revenues over (under) expenditures	4,457,239	(2,796,164)	1,767,865	369,097	(1,911,797)	1,886,240

(continued)

City of Parma, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - continued
For the Year Ended December 31, 2009

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)						
Sale of capital assets	2,000	-	-	-	-	2,000
Transfers - in	-	2,914,150	-	-	5,188,751	8,102,901
Transfers - out	(3,670,273)	-	(2,202,446)	(850,000)	(1,994,568)	(8,717,287)
Total other financing sources (uses)	(3,668,273)	2,914,150	(2,202,446)	(850,000)	3,194,183	(612,386)
Net change in fund balances	788,966	117,986	(434,581)	(480,903)	1,282,386	1,273,854
Fund balances at beginning of year - restated	2,993,514	854,048	2,964,098	1,436,463	3,977,026	12,225,149
Fund balances at end of year	\$3,782,480	\$972,034	\$2,529,517	\$955,560	\$5,259,412	\$13,499,003

See accompanying notes to the basic financial statements

City of Parma, 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		\$1,273,854
<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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:</p>		
Capital Outlay	\$1,144,233	
Depreciation	<u>(3,909,773)</u>	(2,765,540)
<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 Taxes	(195,675)	
Intergovernmental	(991,434)	
Special Assessments	<u>39,837</u>	(1,147,272)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets</p>		
		4,011,980
<p>Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the Internal Service Funds are reported with governmental activities</p>		
		(1,678,969)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds</p>		
Compensated Absences	(258,705)	
Accrued Interest on Bonds	<u>(82,823)</u>	<u>(341,528)</u>
Change in Net Assets of Governmental Activities		<u><u>\$(647,475)</u></u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP) Basis and Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues				
Municipal income taxes	\$28,500,000	\$25,399,975	\$26,282,725	\$882,750
Property and other taxes	5,049,168	4,629,100	4,595,748	(33,352)
Charges for services	600,000	553,150	563,425	10,275
Fees, licenses, and permits	1,900,000	1,885,400	1,831,969	(53,431)
Fines and forfeitures	2,300,000	1,970,949	2,375,020	404,071
Intergovernmental	6,100,000	6,055,500	5,738,731	(316,769)
Donations	100,000	65,250	71,414	6,164
Rentals and leases	225,000	223,900	220,900	(3,000)
Interest	80,000	75,000	52,417	(22,583)
Royalties and commissions	10,000	9,700	6,167	(3,533)
Total Revenues	44,864,168	40,867,924	41,738,516	870,592
Expenditures				
Current				
General government	15,387,319	15,577,119	14,923,244	653,875
Security of persons and property	21,357,711	19,994,655	19,631,725	362,930
Public health and welfare	308,358	316,924	316,924	-
Community environment	854,382	785,589	770,845	14,744
Leisure time activities	2,519,172	2,303,277	2,235,302	67,975
Total current expenditures	40,426,942	38,977,564	37,878,040	1,099,524
Capital outlay	-	27,699	27,349	350
Total Expenditures	40,426,942	39,005,263	37,905,388	1,099,875
Excess of revenues over(under) expenditures	4,437,226	1,862,661	3,833,127	1,970,466
Other Financing Sources(Uses)				
Advances-in	185,503	185,503	185,503	-
Advances-out	(385,000)	(385,000)	(308,715)	76,285
Sale of land	-	2,000	2,000	-
Transfers-in	83,000	82,584	-	(82,584)
Transfers-out	(3,800,000)	(3,759,193)	(3,670,273)	88,920
Total Other Financing Sources(Uses)	(3,916,497)	(3,874,106)	(3,791,485)	82,621
Net change in fund balance	520,729	(2,011,445)	41,642	2,053,087
Fund balance at beginning of year	1,908,984	1,908,984	1,908,984	-
Prior year encumbrances appropriated	144,335	144,335	144,335	-
Fund balance at end of year	<u>\$2,574,048</u>	<u>\$41,874</u>	<u>\$2,094,961</u>	<u>\$2,053,087</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP) Basis and Actual
Police Levy Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and other taxes	\$2,915,109	\$2,917,000	\$2,997,865	\$80,865
Intergovernmental	450,000	448,100	469,452	21,352
Total Revenues	3,365,109	3,365,100	3,467,317	102,217
Expenditures				
Current				
Security of persons and property	2,970,744	2,878,293	2,595,891	282,402
Total current expenditures	2,970,744	2,878,293	2,595,891	282,402
Capital outlay	328,906	421,357	398,410	22,947
Total Expenditures	3,299,650	3,299,650	2,994,301	305,349
Excess of revenues over (under) expenditures	65,459	65,450	473,016	407,566
Other Financing Sources (Uses)				
Transfers-out	(850,000)	(850,000)	(850,000)	-
Total Other Financing Sources (Uses)	(850,000)	(850,000)	(850,000)	-
Net change in fund balance	(784,541)	(784,550)	(376,984)	407,566
Fund balance at beginning of year	756,914	756,914	756,914	-
Prior year encumbrances appropriated	35,372	35,372	35,372	-
Fund balance at end of year	<u>\$7,745</u>	<u>\$7,736</u>	<u>\$415,302</u>	<u>\$407,566</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fund Net Assets - Proprietary Funds
December 31, 2009

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Assets:		
Current Assets:		
Equity in pooled cash and cash equivalents	\$304,181	\$1,012,066
Cash and cash equivalents in segregated accounts	9,948	-
Due from other funds	-	899,203
Materials and supplies inventory	18,180	-
	332,309	1,911,269
Total Current Assets		
Non-Current Assets:		
Capital assets, non-depreciable	1,078,077	-
Capital assets, depreciable, net	440,981	-
	1,519,058	-
Total Non-Current Assets		
Total Assets	1,851,367	1,911,269
Liabilities:		
Current Liabilities:		
Accounts payable	9,023	4,607
Claims and judgements payable	-	962,571
Compensated absences payable	1,108	7,324
Due to other governments	14,492	4,532
Accrued interest payable	-	4,230
Capital leases - current portion	55,190	-
Bonds payable - current portion	-	131,058
	79,813	1,114,322
Total Current Liabilities		
Long-term Liabilities:		
Capital leases	31,723	-
Bonds payable	-	768,145
Compensated absences	68,554	-
	100,277	768,145
Total Long-term Liabilities		
Total Liabilities	180,090	1,882,467
Net Assets:		
Invested in capital assets, net of related debt	1,432,145	-
Unrestricted	239,132	28,802
	\$1,671,277	\$28,802
Total Net Assets		

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Operating Revenues:</i>		
Charges for services	\$628,197	\$4,422,286
Other	376,892	-
	1,005,089	4,422,286
<i>Operating Expenses:</i>		
Personal services	592,705	181,437
Contractual services	-	87,680
Claims	-	6,258,305
Materials and supplies	383,552	12,158
Depreciation	47,867	-
	1,024,124	6,539,580
Total Operating Revenues	1,005,089	4,422,286
Total Operating Expenses	1,024,124	6,539,580
Operating Income(Loss)	(19,035)	(2,117,294)
<i>Other Non-Operating Revenues(Expenses):</i>		
Interest and fiscal charges	(4,430)	(61,675)
Total Non-Operating Revenues(Expenses)	(4,430)	(61,675)
Income(Loss) Before Transfers	(23,465)	(2,178,969)
Transfers - In	-	500,000
Change in Net Assets	(23,465)	(1,678,969)
Net Assets at Beginning of Year	1,694,742	1,707,771
Net Assets at End of Year	\$1,671,277	\$28,802

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Cash Flows from Operating Activities:</i>		
Cash received from customers	\$628,197	\$—
Cash received from quasi-external operating transactions with other funds	—	4,546,063
Other operating revenues	376,892	—
Cash payments to suppliers for goods and services	(383,438)	(12,158)
Cash payments for claims	—	(5,981,793)
Cash payments for employee services and benefits	(579,802)	(172,490)
Cash payments for contractual services	—	(158,045)
	41,849	(1,778,423)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Transfer - in	—	500,000
Transfer - out	—	(181,222)
	—	318,778
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Lease principal payment	(53,333)	—
Interest paid on lease	(4,430)	—
	(57,763)	—
Net cash used in capital and related financing activities	(57,763)	—
Net increase (decrease) in cash and cash equivalents	(15,914)	(1,459,645)
Cash and cash equivalents, beginning of year	330,043	2,471,711
Cash and cash equivalents, end of year	\$314,129	\$1,012,066

(continued)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds - *continued*
For the Year Ended December 31, 2009

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>		
Operating income (loss)	\$(19,035)	\$(2,117,294)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	47,867	—
<i>Change in Assets and Liabilities:</i>		
Decrease/(Increase) in due from other funds	—	123,777
Decrease/(Increase) in material and supplies inventory	2,144	—
(Decrease)/Increase in accounts payable	1,648	1,192
(Decrease)/Increase in compensated absences payable	2,972	7,253
Increase in due to other governments	6,253	1,694
(Decrease) in accrued interest payable	—	(4,787)
Increase in claims payable	—	209,742
Net Cash Provided by Operating Activities	\$41,849	\$(1,778,423)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2009

	<u>Agency Funds</u>
<i>Assets:</i>	
Equity in pooled cash and cash equivalents	\$1,023,069
Cash and cash equivalents in segregated accounts	14,799
Cash and cash equivalents with fiscal and escrow agents	504,317
Due from other governments	<u>382,544</u>
Total assets	<u><u>\$1,924,729</u></u>
<i>Liabilities:</i>	
Due to other governments	\$382,544
Deposits held and due to others	<u>1,542,185</u>
Total liabilities	<u><u>\$1,924,729</u></u>

See accompanying notes to the basic financial statements

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

The City - The City of Parma, Ohio (the "City") is a political subdivision of the State of Ohio operated pursuant to state statute. The City was originally established as a township in 1826, incorporated as a village in 1924, and organized as a city in 1931. The City is organized as a Mayor/Council form of government. The Mayor, Council, Auditor, Treasurer and Law Director are elected, as are three Municipal Court Judges and a Clerk of Courts.

Reporting Entity - In evaluating how to define the governmental reporting entity, the City complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City ("primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City's financial reporting entity has no component units but includes in its financial statements the financial activities of all departments, agencies, boards and commissions that are part of the primary government, including police and fire protection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates one enterprise activity, a municipal golf course.

Included as part of the City's primary government in the determination of the City's reporting entity is the Parma Municipal Court (the "Court"). Although the Court's territorial jurisdiction extends beyond the boundaries of the City and the judges of the Court are separately elected, the Court's operations are not legally separate from the City. In addition, the City is responsible for budgeting and appropriating funds for the operation of the Court, establishing the compensation of certain Court employees, and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court, along with its share of the Court's administration and operating costs are recorded in the City's General Fund. Monies held by the Court in a fiduciary capacity are included in an agency fund in the accompanying financial statements.

The City is associated with the Parma Community General Hospital Association and the Southwest Council of Governments, which are identified as jointly governed organizations and discussed in detail in Note 16, *Jointly Governed Organizations*, of the *Basic Financial Statements*. The City has no ongoing financial interest or responsibility related to these organizations.

The City is also associated with the Parma Community Improvement Corporation (PCIC). The PCIC is a not-for-profit corporation that was founded in 1996. The five-member board, which consists of two members appointed by the City and three local residents, promotes industrial, commercial, distribution and research activities within the City. The PCIC has been excluded from the reporting entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements as of December 31, 2009 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the City complies with GASB guidance applicable to its business-type activities. The City also complies with Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued after November 30, 1989 to its business-type activities and to its proprietary funds that do not conflict with or contradict GASB pronouncements. 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 position.

(1) - Government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the City. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining. Fiduciary funds of the City are not included in these government-wide financial statements.

Interfund receivables and payables and bonds and notes issued by the City and held by the City as investments within governmental and business-type activities have been eliminated in the government-wide statement of net assets. Related interest amounts are eliminated in the government-wide statement of activities. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in the governmental activities statement of activities.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. General revenues identify the extent to which each governmental program or business-type activity is self-financing or draws from the general revenues of the City.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

(2) - **Fund financial statements** segregate 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 and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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.

(1) - **Governmental Funds** - Governmental funds are those through which most governmental functions 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 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 balances. The following are the City's major governmental funds:

(a) - **General Fund** - The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, and licenses, fees, and fines.

General Fund expenditures represent the costs of legislative and executive (general government), security of persons and property (including police and fire), public health and welfare, community environment, and leisure time activities. General Fund resources are also transferred annually to support other services that are accounted for in other separate funds.

(b) - **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

(c) - **City Income Tax Capital Acquisitions Fund** - The City Income Tax Capital Acquisitions Fund is used to account for the portion of the City's income tax to be used for the acquisition and maintenance of capital assets.

(d) - **Police Levy Fund** - The Police Levy Fund is used to account for activity associated with the police operating levy.

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

(2) - **Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

(a) - Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is the Municipal Golf Course Fund which is used to account for the financial activities of the Ridgewood Municipal Golf Course.

(b) - Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments or to other governments on a cost-reimbursement basis. The City's internal service funds report on liability insurance, medical insurance and worker's compensation.

(3) - Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. Private-purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. During 2009, the City did not utilize any private-purpose trust funds. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's significant agency funds are used to account for deposits related to the Parma Municipal Court District, the Parma Public Housing Agency, contractors and developers, sales taxes, and vital records. Other fiduciary funds include pension trust funds and investment trust funds. During 2009, the City did not utilize any such trust funds. Fiduciary funds are not included in the government-wide statements.

C - Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the *Statement of Net Assets*. The *Statement of Activities* presents increases (i.e., revenues) and decreases (i.e., expenses) in total 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D - Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified 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.

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

Exchange Transactions - Revenues 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year-end.

Non-exchange Transactions - Non-exchange 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, as explained in Note 6, *Property Taxes*, of the *Basic Financial Statements*.

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 non-exchange 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), fees, fines and forfeitures, licenses and permits, interest, and grants and entitlements.

(2) - Deferred Revenue

Deferred revenue arises when assets are recognized before 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.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

(3) - 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 Procedures

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. For the Parma Public Housing Agency, the City maintained a budget only for salary and fringe benefit costs. However, all activity has been included as part of the reporting entity in the combined schedules prepared in accordance with GAAP.

The legal level of budgetary control is at the fund/department level (personal services and other expenditures). Any budgetary modifications at this level may only be made by resolution of the City Council.

During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to the City Council for consideration and passages. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. As part of this determination, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances at December 31 of the preceding year. Upon a determination by the Auditor that the revenue to be collected by the City will be greater or less than the amount included in the official certificate, the Auditor shall certify the amount of the excess or deficiency to the County Budget Commission, and if it is deemed reasonable by the Commission, the County Budget Commission shall certify an amended official certificate reflecting the deficiency or excess. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund/department level (personal services and other expenditures). The appropriation ordinance may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

Funds appropriated may not be expended for purposes other than those designated in the appropriation measure. The allocation of appropriations among departments and major objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The "original budget" designation that appears in the statements of budgetary comparisons represents the original budget amounts adopted in the annual appropriation ordinance; the "final budget" designation represents the budget amount including all amendments and modifications passed by Council during the year.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation, and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the fund financial level, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the basic financial statements for proprietary funds.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

While 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 Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund* and *Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Police Levy Fund* are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are (1) revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis), (2) expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis) and, (3) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The following table reconciles the net change in fund balance from the GAAP-basis statements to the budgetary-basis statements for the General Fund and the Police Levy Fund:

Net Change in Fund Balance		
	General	Police Levy
GAAP basis	\$788,966	\$(480,903)
Increase(decrease) due to:		
Revenues accruals	(409,914)	64,732
Expenditure accruals	(337,410)	39,187
	\$41,642	\$(376,984)
Budget basis		

F - Cash and Cash Equivalents

Cash resources of certain individual funds are combined to form a pool of cash and investments that is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of certificates of deposit, repurchase agreements, U.S. government securities, STAR Ohio and time deposits, are carried at fair value (see Note 5, *Pooled and Segregated Cash and Investments*) based on quoted market values. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund.

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

G - Investments

The City reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City reports its investment in STAR Ohio at fair market value as of the date of the STAR Ohio statement.

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 at the time of the purchase and the expenditure/expense in the year in which services are consumed. The City did not have any prepaid items as of December 31, 2009.

I - Materials and Supplies Inventory

Inventory generally consists of construction materials and parts inventory not yet placed into service. Inventories of governmental funds are stated at cost while inventory of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds that indicates that it does not constitute available spendable resources even though it is a component of net current assets.

J - Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the City's capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of 5 years and an individual cost of more than \$5,000. Infrastructure assets and computer software assets are capitalized when the acquisition cost is greater than \$100,000.

Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed fixed assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements. As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements after January 1, 1980 have been included as part of governmental capital assets in the government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation threshold for proprietary fund capital assets are the same as those used for the general capital assets.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrades that materially add to the value or life of an asset and meet the above criteria are capitalized.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

Asset	Estimated Useful Life
Land	Not depreciated
Land Improvements	10-20 years
Buildings	70 years
Equipment and vehicles	10 years for governmental activities 15 years for business-type activities
Computer software	15 years
Infrastructure	5-50 years

K - Compensated Absences

The liability for compensated absences is based on GASB Statement 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. Normally, all vacation time is to be taken in the year available.

Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited. The City uses the vesting method to calculate its sick leave liability. Under this method, a liability for severance is based on sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments according to City union agreements.

In the government-wide and proprietary funds financial statements, the entire amount of unpaid compensated absences is reported as a liability. A liability for compensated absences is accrued in the governmental funds only if the amount is currently due and payable at year-end. These amounts are recorded as compensated absences payable in the fund from which the employees who have accumulated leave are paid.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L - Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized as revenues or expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

M - Fund Balances/Reserves

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Reservations include amounts for open encumbrances, inventory and loans receivable. Designations of fund balances represent tentative management plans that are subject to change.

N - Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred. The City accounts for loans receivable related to the Community Development Block Grants as a reservation of fund balance in the fund financial statements to the extent that these loans do not have to be repaid to the Federal government. The loan proceeds are earmarked for future reprogramming under federal guidelines and are not available to fund current operating expenditures of the City.

O - Encumbrances

Encumbrance accounting is employed in all City funds with the exception of Parma Public Housing. As part of the City's formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year-end are reported as a reservation of fund balances in the fund financial statements since they do not constitute expenditures or liabilities and are carried forward to the next fiscal year.

P - Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as transfers or direct expenses of the fund that is ultimately charged for such costs. Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

Q - Operating Revenues and Expenses

Operating revenues are those that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are charges for services for the golf course. Operating expenses are necessary costs incurred to provide the service for the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

R - Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consisted 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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S - 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.

T - Statement of Cash Flows

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

U - 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.

V - New Accounting Pronouncements - In 2007, the GASB issued Statement No. 51, *Accounting and Reporting for Intangible Assets* (an amendment of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*). This Statement will improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. These inconsistencies will be reduced through the clarification that intangible assets subject to the provisions of this Statement should be classified as capital assets, and through the establishment of new authoritative guidance that addresses issues specific to these intangible assets given their nature. Statement No. 51 will not be effective for the City until 2010 and, therefore, the City has not determined the impact, if any, that this Statement will have on its financial statements.

In 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. Statement No. 54 will not be effective for the City until 2011 and, therefore, the City has not determined the impact, if any, that this Statement will have on its financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCE

A - Change in Accounting Principles - For 2009, the City implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* (an amendment of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*). This Statement will improve financial reporting by establishing consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The implementation of GASB Statement No. 52 did not affect the presentation of the City's financial statements.

City of Parma, Ohio
Notes to the Basic Financial Statements
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For 2009, the City implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (an amendment of GASB Statements Nos. 7, 23, 25, 31, 40 and 43). This Statement will improve financial reporting by requiring governments to measure derivative instruments, with the exceptions of synthetic guaranteed investment contracts (SGICs) that are fully benefit responsive, at fair value in their economic resources measurement focus financial statements. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. The implementation of GASB Statement No. 53 did not affect the presentation of the City's financial statements.

B - Restatement of Fund Balance - During 2009, it was determined that Accrued Interest Receivable, Due from Other Governments, and Due to Other Governments in the Local Law Enforcement Block Grant Fund were overstated by \$5, \$11,003, and \$58, respectively. This restatement resulted in a change in the fund balance of the Local Law Enforcement Block Grant Fund from \$11,357 to \$407 and a change in Fund Balance for Total Governmental Funds from \$12,236,099 to \$12,225,149 at January 1, 2009.

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances - The following non-major funds had deficit fund balances on a GAAP basis at year-end:

Fund	Balance
Community Development Block Grant Fund	\$(139,725)
Street Lighting Fund	(164,245)
Sewer Maintenance Fund	(7,811)
West Creek Preservation Fund	(6,502)
Sewer Construction Fund	(694,550)
Street Improvements	(5,499)
Transportation for Livable Communities Fund	(13,360)
State Disaster Relief Program Fund	(125,485)
Neighborhood Stabilization Program Fund	(3,096)

Management is aware of these deficits and is analyzing fund operations to determine the appropriate action to eliminate them. The General Fund is liable for deficits in other funds and provides operating transfers when cash is required, not when deficits arising from accrual accounting occur.

NOTE 5 - POOLED AND SEGREGATED CASH AND INVESTMENTS

Except for monies of the Parma Public Housing Agency and the Parma Municipal Court, whose depository accounts are presented as "Cash and cash equivalents in segregated accounts" or as "Cash and cash equivalents with fiscal and escrow agents", monies of all other funds of the City are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments are presented

City of Parma, Ohio
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as "Equity in pooled cash and cash equivalents" on the statement of net assets. Individual fund integrity is maintained through the City's accounting records.

Certain funds have made cash disbursements in excess of their individual equities in the pooled cash accounts. Such amounts have been classified as interfund receivables and interfund payables between the General Fund and the respective funds that have made disbursements in excess of their individual equities in the pooled cash accounts.

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

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

During 2009, the City complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made, as well as the provisions of the statutes concerning security deposits. The City will continue to monitor compliance with applicable statutes in the future pertaining to its deposits and investments. At December 31, 2009, all of the City's deposits and investments (excluding STAR Ohio) were held by local banks or financial institutions that qualify under Ohio Revised Code §135.14(M)(I).

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

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

At year-end, the carrying amount of the City's deposits was \$13,920,485 and the actual bank balance was \$15,125,336. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, \$2,111,513 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$13,013,823 was uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name).

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

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

At December 31, 2009, the fair value of the City's investments were:

<u>Investment</u>	<u>Fair Value/ Carrying Value</u>
STAR Ohio	<u>\$133,000</u>
	<u><u>\$133,000</u></u>

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

At December 31, 2009, the City's investments had maturities as follows:

<u>Maturity</u>	<u>Portfolio Weighted/ Average Maturity</u>
Less than 1 year	100.00%

Credit Risk - State law limits investments in corporate debt to the top two ratings issued by nationally recognized statistical rating organizations. The City does not have a written policy limiting its corporate debt investments to the top ratings. However, U.S. Agencies are rated AAA, which is the top rating available

City of Parma, Ohio
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for those investment types. In addition, the underlying securities supporting the repurchase agreements in which the City invests are obligations of the U.S. government. The City also invests in STAR Ohio, which is rated AAAM by Standard & Poor's.

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

Reconciliation to Combined Balance Sheet Classification - The following table summarizes the City's deposits and investments as of December 31, 2009:

Deposits	\$13,920,485
Investments	133,000
 Total	 \$14,053,485

Reconciliation to the Basic Financial Statements - Total cash and investments are:

<i>Government-Wide Financial Statements</i>	
<i>Unrestricted</i>	
Equity in Pooled Cash and Cash Equivalents	\$11,381,141
Cash and Cash Equivalents in Segregated Accounts	1,130,159
 Total Government-Wide Financial Statements	 \$12,511,300
 <i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	
Equity in Pooled Cash and Cash Equivalents	\$10,064,894
Cash and Cash Equivalents in Segregated Accounts	1,120,211
 <i>Statement of Fund Net Assets - Proprietary Funds</i>	
Equity in Pooled Cash and Cash Equivalents	1,316,247
Cash and Cash Equivalents in Segregated Accounts	9,948
 Total Governmental and Proprietary Funds	 12,511,300
 <i>Statement of Fiduciary Assets and Liabilities</i>	
Equity in Pooled Cash and Cash Equivalents	1,023,069
Cash and Cash Equivalents in Segregated Accounts	14,799
Cash and Cash Equivalents with Fiscal and Escrow Agents	504,317
 Total Fund Financial Statements	 \$14,053,485

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2009 levy was based upon an assessed valuation of approximately \$1,574,072,550. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 7.10 mills, of which 0.20 mills is dedicated to debt service and 0.60 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. Assessed values are established by the Cuyahoga County Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

Real property taxes, excluding public utility property, are all assessed at 35% of appraised market value. Applicable real property tax dates are:

Collection Dates:	January 20 and June 20 of the current year
Lien Date:	January 1 of the year preceding the collection year
Levy Date:	October 1 of the year preceding the collection year

An electric company's taxable transmission and distribution property is assessed at 88% of true value, while all of its other taxable property is assessed at 25% of true value. Applicable public utility tangible personal property tax dates are:

Collection Dates:	January 20 and June 20 of the current year
Lien Date:	December 31 of the second year preceding the collection year
Levy Date:	October 1 of the year preceding the collection year

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The full tax rate for all City operations for the year ended December 31, 2009, was \$7.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property certified for tax year 2009 are as follows:

Property Type	Assessed Value
Real	\$1,551,190,800
Public Utility	22,881,750
Total Assessed Value	\$1,574,072,550

NOTE 7 - INCOME TAXES

The City levies a municipal income tax of 2.5% on all salaries, wages, commissions and other compensation earned within the City. A portion of the City income tax is restricted to use for capital expenditures and debt service and is included in the City Income Tax Capital Acquisitions Fund. All other income tax revenue is included in the General Fund. Employers are required to withhold income tax from all employees working within the City, without regard to the employees' city of residence. The income tax withheld by employers must be remitted to the City on a monthly basis if the amount exceeds \$100 per month, otherwise quarterly. Persons under 18 years of age are not subject to the City income tax.

Corporations and area businesses are also subject to the 2.5% City income tax. All net profits earned by resident business are subject to City income tax, less the amount credited for taxes paid to another municipality. All non-resident businesses' net profits earned within the City are subject to the City income tax.

City residents are also subject to a 2.5% income tax on all income earned outside the City. A credit of 100%, up to a maximum of 2%, is allowed on all municipal income taxes paid to another community.

All taxpayers incurring a liability that exceeds \$100 are required to pay estimated taxes on a quarterly basis.

In 2009, income tax proceeds were credited, on a cash basis, 78.75% to the General Fund and 21.25% to the City Income Tax Capital Acquisitions Fund.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

The following table summarizes the City's intergovernmental receivables at December 31, 2009:

Receivable	Assessed Value
Local Government	\$1,851,705
Gasoline Tax	1,257,063
Permissive Motor Vehicle License Tax	253,752
Motor Vehicle License Registration	259,848
Homestead and Rollback	761,474
Liquor Permits	42,312
Parma Municipal Court	382,544
Estate Tax	346,647
Tangible Personal Property	-
Total Intergovernmental Receivables	\$5,155,345

NOTE 9 - COMPENSATED ABSENCES

Accumulated Vacation - City employees earn vacation leave at varying rates based upon length of service. Vacation leave is earned in one year and must be used in the next year. Any unused vacation leave is eliminated from the employee's vacation leave balance. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave to a maximum of the amount of vacation leave earned in the prior year but not yet used and, on a pro rata basis, vacation leave earned during the current year. At December 31, 2009, the total vacation obligation for the City as a whole amounted to \$255.

Accumulated Unpaid Sick Leave - City employees earn sick leave at the rate of four and six tenths hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, an employee (or his estate) with ten or more years of service (except five or more years of service for American Federation of State, County, and Municipal Employees union members) is paid for one-third of his accumulated sick leave not to exceed various ceilings depending on the department for which the employee worked. The total obligation for sick leave accrual for the City as a whole as of December 31, 2009, was \$1,657,596.

Accumulated Overtime - All City employees earn overtime for work performed in excess of regular hours. Limitations of maximum accumulation of overtime hours are specified in the union agreements. During 2009, overtime was accumulated at a rate of one and one-half hours of overtime for each excess hour worked. All unpaid, accumulated overtime is paid to employees upon separation or death. Overtime is paid at the current wage rate in effect when the overtime is paid. At December 31, 2009, accumulated, unpaid overtime for the City as a whole was \$1,422,163.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 10 - CAPITAL ASSET ACTIVITY

Capital asset activity of the Governmental Activities for the year ended December 31, 2009 is summarized in the following table:

	Balances 12/31/2008	Additions	Disposals	Balances 12/31/2009
<i>Governmental Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$6,717,012	\$451,324	\$(1,713)	\$7,166,623
Total Nondepreciable Assets	6,717,012	451,324	(1,713)	7,166,623
<i>Depreciable Assets</i>				
Land Improvements	378,427	-	-	378,427
Buildings	32,901,266	-	-	32,901,266
Equipment	7,129,877	350,837	-	7,480,714
Vehicles	10,682,298	343,785	-	11,026,083
Software	1,043,476	-	-	1,043,476
Infrastructure	66,167,786	-	-	66,167,786
Total Depreciable Assets	118,303,130	694,622	-	118,997,752
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	86,541	25,228	-	111,769
Buildings	6,400,358	633,782	-	7,034,140
Equipment	3,556,268	608,513	-	4,164,781
Vehicles	6,651,111	769,967	-	7,421,078
Software	513,017	69,565	-	582,582
Infrastructure	21,338,938	1,802,718	-	23,141,656
Total Accumulated Depreciation	38,546,233	3,909,773	-	42,456,006
Total Depreciable Assets, net	79,756,897	(3,215,151)	-	76,541,746
Total Governmental Activities, net	\$86,473,909	\$(2,763,827)	\$1,713	\$83,708,369

(continued)

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Balances 12/31/2008	Additions	Disposals	Balances 12/31/2009
<i>Business-Type Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$1,078,077	\$-	\$-	\$1,078,077
Total Nondepreciable Assets	1,078,077	-	-	1,078,077
<i>Depreciable Assets</i>				
Land Improvements	263,700	-	-	263,700
Buildings	209,531	-	-	209,531
Equipment	776,053	-	-	776,053
Vehicles	64,475	-	-	64,475
Total Depreciable Assets	1,313,759	-	-	1,313,759
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	163,800	17,580	-	181,380
Buildings	94,250	2,994	-	97,244
Equipment	528,231	23,693	-	551,924
Vehicles	38,630	3,600	-	42,230
Total Accumulated Depreciation	824,911	47,867	-	872,778
Total Depreciable Assets, net	488,848	(47,867)	-	440,981
Total Business-Type Activities, net	\$1,566,925	\$(47,867)	\$-	\$1,519,058

During 2009, depreciation expense was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$961,956	\$-
Security of Persons and Property	807,035	-
Transportation	1,904,063	-
Community Environment	56,084	-
Basic Utility Services	34,615	-
Leisure Time Activities	146,020	-
Golf Course	-	47,867
Total	\$3,909,773	\$47,867

NOTE 11 - RISK MANAGEMENT

Self Insurance - The City is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries various insurance coverages for such risks. An excess coverage insurance (stop loss) policy covers claims in excess of \$250,000 per occurrence and an aggregate of \$10,000,000 per occurrence. Settled claims have not exceeded coverage in any of the last three years and there has been no significant reduction in coverage from the prior year.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported 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 (IBNR). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net assets. In the fund financial statements, claims liabilities that relate to internal service funds are reported; however, the long-term portion of claims liabilities is not reported for governmental funds.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

A liability of \$52,500 provided by the City's Law Director has been recorded.

Changes in the Liability Insurance Self-Insurance Fund claims liability amount for 2007 through 2009 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2007	\$254,500	\$384,728	\$(80,228)	\$559,000
2008	559,000	99,375	(330,875)	327,500
2009	327,500	-	(203,443)	52,500

Medical Self Insurance - In October 1988, the City replaced its major health insurance with a Medical Insurance Self Insurance fund. A third-party administrator, Medical Mutual of Ohio, reviews all claims that are then paid by the Medical Insurance Self Insurance fund. The City pays a premium for reinsurance specific stop-loss coverage for the claim period October 1 through September 30, which carries a deductible of \$100,000 per person.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The Medical Insurance Self Insurance fund generates revenues by charging an actuarially determined premium to each fund based on the number of employees enrolled in the self-insured plan and their type of coverage. The Medical Insurance Self Insurance fund subsequently pays for all costs of providing claims servicing and claims payment.

A liability, estimated by the third party administrator, in the amount of \$435,992 has been recorded to reflect unpaid claims cost including incurred but not reported claims as of December 31, 2009. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the Medical Insurance Self-Insurance Fund claims liability amount for 2007 through 2009 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2007	\$471,853	\$4,431,003	\$(4,553,076)	\$349,780
2008	349,780	4,292,673	(4,346,392)	296,061
2009	296,061	5,190,282	(5,050,351)	435,992

Workers Compensation Insurance Fund (WCIF) - Effective January 1, 2006, the City commenced participation in the Ohio Bureau of Workers' Compensation retrospective rating and payment plan under which the City assumes a portion of the risk in return for a possible reduction in premiums. Under this plan, the City pays a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for any injured employees, with a claim limit of \$250,000. The City previously participated in the retroactive rating plan through December 31, 1996. A liability in the amount of \$474,079, based on information provided by the Ohio Bureau of Workers' Compensation, has been recorded to reflect unpaid claims cost, including incurred but not reported claims, as of December 31, 2009. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

All costs of workers claims, premiums, administrative costs and other additional assessments are paid out of the WCIF. Changes in the Workers' Compensation Insurance Fund claims liability amount for 2007 through 2009 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2007	\$64,379	\$689,475	\$(558,880)	\$194,974
2008	194,974	661,980	(727,686)	129,268
2009	129,268	1,068,023	(723,212)	474,079

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 12 - INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions - During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations, and service debt. The City has the following types of transactions among funds:

Reciprocal interfund services provided and used - Purchases and sales of goods and services between funds for a price approximating their external exchange value. These activities include liability, medical, and workers' compensation insurance and storeroom operations.

Nonreciprocal interfund transfers - Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.

Nonreciprocal interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

Interfund Balances - Interfund balances at December 31, 2009 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

A summary of Governmental-Activities interfund receivables and payables as of December 31, 2009 are:

Fund	Receivables	Payables
General Fund	\$308,715	\$-
City Income Tax Capital Acquisitions Fund	867,578	-
Other Governmental Funds	-	1,176,293
Total	<u>\$1,176,293</u>	<u>\$1,176,293</u>

Governmental-Activities due to/due from other funds as of December 31, 2009 are:

Fund	Due From	Due To
General Fund	\$-	\$899,203
Internal Service Funds	899,203	-
Total	<u>\$899,203</u>	<u>\$899,203</u>

City of Parma, Ohio
Notes to the Basic Financial Statements
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A summary of Governmental-Activities transfers as of December 31, 2009 are:

Fund	Transfers-In	Transfers-Out
General	\$-	\$3,670,273
Debt Service	2,914,150	-
City Income Tax Capital Acquisitions	-	2,202,446
Police Levy Fund	-	850,000
Other Governmental	5,188,751	1,994,568
Internal Service	500,000	-
Total	<u>\$8,602,901</u>	<u>\$8,717,287</u>

The transfers-in and transfers-out do not balance due to a \$295,608 transfer-in to various agency funds from the General Fund and a \$181,222 transfer-in to the Debt Service Fund from the Medical Insurance Fund, which net to \$114,386.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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 (TP) is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan (CO) is a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614.222.5601 or 800.222.7377.

City of Parma, Ohio
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For the year ended December 31, 2009, the members of all three plans, except those in law enforcement participating in the Traditional Pension Plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the Traditional Pension Plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The City's contribution rate for pension benefits for 2009 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 17.63 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2009, 2008, and 2007 were \$1,415,724, \$1,350,524, and \$1,450,960, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

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 to fund pension obligations while the City is required to contribute 19.5 percent for police and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$886,322 and \$1,366,826 for the year ended December 31, 2009, \$933,254 and \$1,405,580 for the year ended December 31, 2008, and \$901,739 and \$1,430,806 for the year ended December 31, 2007, respectively. The full amount has been contributed for 2008 and 2007. 74.99 percent for police and 73.95 percent for firefighters has been contributed for 2009, with the remainder being reported as a liability.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System - Ohio Public Employees Retirement System (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 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 the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension Plan and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by contacting OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by telephone at 614.222.5601 or 800.222.7377. The Ohio Revised Code 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 employers and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employer units contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer 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 administered in accordance with, Internal Revenue Code §401(h), *Qualified Pension, Profit-Sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. 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. For January 1 through March 31, 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll and from April 1 through December 31, the employer contribution allocated to the health care plan was 5.5% of covered payroll. 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 fund post-employment benefits for the years ended December 31, 2009, 2008, and 2007 were \$1,023,690, \$1,350,524, and \$955,722 respectively. The full amount has been contributed for 2009, 2008, and 2007.

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

OP&F provides access to post-retirement healthcare coverage for 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 a person. The healthcare coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 healthcare coverage to eligible participants and to establish and amend benefits are codified in Title VII, *Municipal Corporations*, Chapter 742, *Police and Fire Pension Fund* of the Ohio Revised Code. OP&F issues a stand-alone financial report which may be obtained by contacting OP&F, 140 East Town Street, Columbus, OH 43215-5164, or by telephone at 614.228.2975.

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 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for healthcare in two separate accounts: (1) an account for health care benefits administered as an IRS Code §115, *Income of States, Municipalities, etc.* trust and (2) an account for Medicare Part B reimbursements administered under IRS Code §401(h), *Qualified Pension, Profit-sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. Both accounts are part of the defined benefit pension plan administered by the OP&F Board of Trustees under authority granted by the Ohio Revised Code. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the IRS Code §115 trust and to the IRS Code §401(h) account as an employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Board of Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of IRS Code §115 and IRS Code §401(h).

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The OP&F Board of Trustees is also 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 ended December 31, 2009, 2008, and 2007 were \$2,253,148, \$2,338,834, and \$2,332,545, respectively, of which \$1,004,074, \$717,874, and \$714,058, respectively was allocated to the healthcare plan.

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2009 is summarized in the following table:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Original Issue	Principal Balance 12/31/2008	Increase	Decrease	Principal Balance 12/31/2009	Amount Due Within One Year
Governmental Activities						
Special Assessment Bonds						
3.790%-(1990 OWDA) Bruening Drive	\$185,005	\$127,196	\$0	\$9,012	\$118,184	\$4,635
5.250%-(2000) Street Improvements	2,255,000	1,305,000	0	150,000	1,155,000	155,000
4.120%-(1997 OWDA) Burden Drive	65,984	37,890	0	3,807	34,083	1,962
Total Special Assessment Bonds	2,505,989	1,470,086	0	162,819	1,307,267	161,597
General Obligation (G.O.) Bonds						
Unvoted Bonds						
5.561%-(1995) Various Purpose Bonds	815,700	382,020	0	46,223	335,797	48,942
5.561%-(1995) Various Purpose Bonds	2,184,300	1,022,980	0	123,777	899,203	131,058
5.533%-(1995) Refunding Bonds	3,900,000	950,000	0	305,000	645,000	315,000
5.402%-(1999) Justice Center Bonds	1,610,000	1,080,000	0	75,000	1,005,000	80,000
2.000%-(2003) Park Acquisition Bonds	3,000,000	2,420,000	0	125,000	2,295,000	125,000
4.280%-(2005) Fire Station Improvement Bonds	7,000,000	6,265,000	0	260,000	6,005,000	270,000
4.280%-(2005) Road Improvement Bonds	1,700,000	1,250,000	0	160,000	1,090,000	165,000
4.070%-(2006) Refunding Bonds	10,200,000	9,925,000	0	460,000	9,465,000	475,000
4.878%-(2006) Various Purpose Bonds	560,000	525,000	0	20,000	505,000	20,000
Total Unvoted G.O. Bonds	30,970,000	23,820,000	0	1,575,000	22,245,000	1,630,000
Total G.O. Bonds		23,820,000	0	1,575,000	22,245,000	1,630,000
Ohio Public Works Commission Loans						
0%-(1993) Brookdale Watermain	287,007	64,577	0	14,350	50,227	7,175
0%-(1994) Broadview Road Watermain	116,419	29,105	0	5,821	23,284	2,910
0%-(1995) State Road Watermain	139,367	48,781	0	6,968	41,813	3,484
0%-(1995) West 24th Street Watermain	70,711	27,198	0	3,626	23,572	1,813
0%-(1996) Brookpark Road Watermain	385,263	173,368	0	19,263	154,105	9,632
0%-(1997) State Road Watermain III	250,242	112,610	0	12,512	100,098	6,256
0%-(1999) State Road Sewer Rejuvenation	1,197,683	568,900	0	59,884	509,016	29,942
0%-(1999) Ridge Road Watermain II	383,897	211,143	0	19,195	191,948	9,597
0%-(1999) Gabriella Drive Watermain	383,825	211,107	0	19,191	191,916	9,596
0%-(1999) Chestnut Hills Sanitary Sewer	288,298	172,979	0	14,415	158,564	7,207
Total Ohio Public Works Commission Loans	3,502,712	1,619,768	0	175,225	1,444,543	87,612

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Original Issue	Principal Balance 12/31/2008	Increase	Decrease	Principal Balance 12/31/2009	Amount Due Within One Year
Ohio Water Development Authority Loans						
4.350%-(1996) West 16th Sanitary Sewer	157,250	84,025	0	10,511	73,514	5,427
4.350%-(1996) Ackley Road Sanitary Sewer	51,304	27,415	0	3,429	23,986	1,771
4.040%-(1999) Chestnut Hills Sewer	1,901,141	1,101,367	0	119,185	982,182	61,404
4.120%-(1999) Brookpark/West 60th Sewer	306,381	179,478	0	18,032	161,446	9,295
4.120%-(1999) Ridge Road Watermain	737,688	444,228	0	41,698	402,530	21,495
4.120%-(1999) State Road Watermain	1,095,912	659,947	0	61,947	598,000	31,933
4.120%-(1999) Broadview Road Sewer	178,917	110,504	0	9,721	100,783	5,011
3.910%-(1999) Brookpark/Rosesside Sewer	110,112	49,905	0	0	49,905	0
Total Ohio Water Development Authority Loans	4,538,705	2,656,869	0	264,523	2,392,346	136,336
Other General Long-Term Obligations						
Capital Leases		5,537,536	0	1,958,190	3,579,346	1,203,327
Compensated Absences		2,557,478	355,028	96,323	2,816,183	281,618
Total Other General Long-Term Obligations		8,095,014	355,028	2,054,513	6,395,529	1,484,945
Total All Governmental Activities Obligations		\$37,661,737	\$355,028	\$4,232,080	\$33,784,685	\$3,500,490
Business-Type Activities						
Capital Leases		\$140,246	\$-	\$53,333	\$86,913	\$55,190
Compensated Absences		63,407	5,147	0	68,554	6,855
Total Business-Type Activities Long-Term Obligations		\$203,653	\$5,147	\$53,333	\$155,467	\$62,045

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

All bonds are secured by the full faith and credit of the City. Such bonds and notes are payable from ad valorem property taxes levied within the limitations provided by law, irrespective of whether such bonds or notes are secured by other receipts of the City in addition to such ad valorem property taxes.

Special assessment (S.A.) bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner fails to pay the assessment, payment would be made by the City. General Obligation (G.O.) bonds, with the exception of the internal service fund various purpose bonds, will be paid from the *Debt Service Fund*. The Ohio Public Works Commission (O.P.W.C.) and Ohio Water Development Authority (O.W.D.A.) loans will be repaid from the *Debt Service Fund*. Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital leases will be paid from the *City Income Tax Capital Acquisitions Fund*, municipal golf course enterprise fund and other governmental funds.

The City's overall legal debt margin was \$141,612,306 at December 31, 2009.

Principal and interest requirements to retire the City's governmental-activities general obligation bonds, special assessment bonds, O.W.D.A. loans and O.P.W.C. loans at December 31, 2009 are:

	G. O. Bonds		S. A. Bonds		O.W.D.A. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$1,630,000	\$978,660	\$161,597	\$63,037	\$136,336	\$47,974
2011	1,690,000	909,983	13,581	57,996	284,040	88,577
2012	1,415,000	834,908	14,114	57,463	298,775	77,835
2013	1,475,000	773,150	14,668	56,909	311,127	65,483
2014	1,545,000	709,350	15,244	56,333	323,991	52,620
2015-2019	6,870,000	2,573,913	1,074,695	62,533	1,038,077	78,237
2020-2024	7,025,000	1,053,711	13,368	382	0	0
2025-2029	595,000	27,538	0	0	0	0
Total	\$22,245,000	\$7,861,213	\$1,307,267	\$354,653	\$2,392,346	\$410,726

	O.P.W.C. Loans		Total	
	Principal	Interest	Principal	Interest
2010	\$87,612	\$0	\$2,015,545	\$1,089,671
2011	175,226	0	2,162,847	1,056,556
2012	175,226	0	1,903,115	970,206
2013	175,226	0	1,976,021	895,542
2014	157,965	0	2,042,200	818,303
2015-2019	632,460	0	9,615,232	2,714,683
2020-2024	40,828	0	7,079,196	1,054,093
2025-2029	0	0	595,000	27,538
Total	\$1,444,543	\$0	\$27,389,156	\$8,626,592

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Capital Lease Arrangements - The City has entered into leases for the acquisition of vehicles and equipment. These lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Number 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. For governmental funds, capital lease payments are reflected as debt service expenditures in the basic financial statements. The capital lease payments of \$1,339,633 on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* in the City Income Tax Capital Acquisitions Fund, Police Levy Fund and Nonmajor Governmental Funds do not equal the capital lease payments of \$1,958,190 in *Note 15 - Long-Term Obligations* due to an adjustment of \$618,557 made to properly reflect the capital leases balance at December 31, 2009. In the enterprise fund, capital lease principal payments have been reclassified to reduce the liability and the interest payments have been reclassified as interest and fiscal charges expense.

The assets recorded by the City under capital leases as of December 31, 2009 are:

Asset	Governmental Activities	Business-Type Activities
Equipment	\$2,239,316	\$158,635
Vehicles	2,536,086	17,168
Less:		
Accumulated depreciation	(1,735,319)	(27,548)
Carrying value	\$3,040,083	\$148,255

Future minimum lease payments and the present value of the minimum lease payments as of December 31, 2009 are:

Year	Governmental Activities	Business-Type Activities
2010	\$1,339,063	\$57,763
2011	949,343	32,372
2012	615,071	-
2013	430,471	-
2014	273,057	-
2015-2017	321,673	-
Total minimum lease payments	3,928,678	90,135
Amount representing interest	(349,332)	3,222
Present value of minimum lease payments	\$3,579,346	\$86,913

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Defeasance of Debt - On August 15, 1995, the City of Parma issued \$3.9 million in General Obligation Bonds. Proceeds were used to defease \$3,500,000 of its 1990 various-purpose general obligation bonds scheduled to mature in 2011 by placing the proceeds of the new bond issue in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 series bonds. On December 31, 2009, \$655,000 of bonds outstanding are considered defeased.

On March 23, 2006, the City issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the Series 1998 Justice Center General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. On December 31, 2009, \$9,145,000 of bonds outstanding are considered defeased.

On November 22, 2006, at the request of the Cuyahoga County General Health District (the District), the City Council authorized and approved the defeasance of \$2,395,000 of the 2003 Health District Bonds scheduled to mature over the next 15 years. The District placed unrestricted available funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding bonds. On December 31, 2009, \$2,070,000 of bonds outstanding are considered defeased.

Conduit Debt Obligations - To assist the PRL Corporation (the "Corporation"), an Ohio corporation wholly owned by the Parma Community General Hospital Association, in financing the costs of acquiring the Medical Arts Center IV, the City of Parma issued \$9,140,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Corporation. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2009 the Bonds outstanding aggregated \$8,400,000.

To assist the Sheet Metal Workers Local #33 Cleveland District Joint Apprenticeship and Training Fund (the "Fund"), an Ohio nonprofit organization, to finance the acquisition, construction, and equipping of a training facility, the City of Parma issued \$3,500,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Fund. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2009 the Bonds outstanding aggregated \$3,310,000.

To assist the Catholic Charities Facilities Corporation (the "Corporation"), a nonprofit corporation organized under the laws of the State of Ohio to finance the costs of acquisition, construction, furnishing and equipping a new residential intensive treatment center, a multipurpose center, a new medical clinic, administrative offices and related facilities on the Corporation's Parmadale Campus, the City of Parma issued \$5,800,000 Healthcare Facilities Revenue Bonds, Series 2008 (Catholic Charities Facilities Corporation) (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Corporation. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2009 the Bonds outstanding aggregated \$5,700,000.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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 that 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 operations, maintenance, and management of the Hospital are 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 in the Government-Wide Financial Statements. 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 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.

Southwest Council of Governments - The Southwest Council of Governments 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 that 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, Parma Heights, Ohio.

NOTE 17 - CONTINGENCIES

General Contingencies - Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, those claims which are considered "probable" are accrued (see Note 11, *Risk Management*), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2009, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, aggregated \$52,500 for governmental funds.

These estimates were based on a case-by-case review of outstanding claims by the City's Law Director.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Contingencies Under Grant Programs - The City participates in a number of federally assisted Investment Act grant programs, principal of which are Community Development Block Grants. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits have been completed by granting agencies for the Parma Public Housing Agency grants. The City believes that disallowed costs on other grants, if any, would not be material.

NOTE 18 - SUBSEQUENT EVENTS

On October 26, 2010, the City issued \$1,575,000 of Various Purpose Capital Improvement Notes, Series 2010 with an average coupon rate of 1.25% maturing October 25, 2011.

City of Parma
Cuyahoga County
Federal Awards Expenditures Schedule
December 31, 2009

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures	Non-Cash Expenditures
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Western Reserve Area Agency on Aging:</i>				
Aging Cluster:				
Special Programs for the Aging - Title III-B	N/A	93.044	\$112,328	\$0
Total Special Programs for the Aging - Title III-B			<u>112,328</u>	<u>0</u>
Special Programs for the Aging - Title III-C1	N/A	93.045	11,853	45,110
Special Programs for the Aging - Title III-C2	N/A	93.045	23,782	23,308
Total Special Programs for the Aging - Title III-C			<u>35,635</u>	<u>68,418</u>
Total Aging Cluster			<u>147,963</u>	<u>68,418</u>
<i>Passed through Western Reserve Area Agency on Aging</i>				
Nutrition Services Incentive Program	N/A	93.053	0	24,069
Total U.S. Department of Health and Human Services			<u>147,963</u>	<u>92,487</u>
<u>U.S. Department of Justice</u>				
<i>Passed Through the State of Ohio, Office of the Attorney General:</i>				
Victims of Crime Act Grant 2009	2008VAGENE573	16.575	22,656	0
Victims of Crime Act Grant 2010	2009VAGENE573	16.575	7,838	0
Total Victims of Crime Act Grants			<u>30,494</u>	<u>0</u>
Total U.S. Department of Justice			<u>30,494</u>	<u>0</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant 2008	N/A	14.218	9,031	0
Community Development Block Grant 2009	N/A	14.218	1,095,999	0
Total Community Development Block Grants			<u>1,105,030</u>	<u>0</u>
<i>Passed Through Cuyahoga County Department of Development</i>				
Home Investment Partnerships Program 2008	CE0600802	14.239	205,180	0
Total Home Investment Partnerships Programs			<u>205,180</u>	<u>0</u>
Total U.S. Department of Housing and Urban Development			<u>1,310,210</u>	<u>0</u>
<u>U.S. Department of Transportation</u>				
<i>Passed Through Ohio Department of Public Safety:</i>				
Safety Incentive Grant for Use of Seat Belts - Cuyahoga County Safe Community Grant	N/A	20.600	7,381	0
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force	N/A	20.608	11,582	0
Total U.S. Department of Transportation			<u>18,963</u>	<u>0</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$1,507,630</u>	<u>\$92,487</u>

**CITY OF PARMA
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Parma's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting for all programs. The City has excluded federal financial assistance reported for the Annual Contribution Contract C – Housing Assistance Payment Program.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance, meals received from the Western Reserve Area Agency on Aging, is reported on the Schedule at the value of \$0.46 per meal served.

For congregate meals, the U.S. Department of Health and Human Services allocates \$2.75 per meal. For home delivered meals, the U.S. Department of Health and Human Services allocates \$2.88 per meal.

For the year ended December 31, 2009, the City served 22,783 congregate meals and 10,359 home delivered meals through the City's Senior Citizens Center meal programs. Therefore, \$92,487 was allocated to the U.S. Department of Health and Human Services.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to persons from low-moderate income households to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans directly to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2009, the gross amount of loans outstanding under this program was \$0 pursuant to notice dated February 9, 2009.

The City has established a revolving loan program to provide low-interest loans to commercial entities. The Federal Department of Housing and Urban Development (HUD) grants money to these loans directly to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2009, the gross amount of loans outstanding under this program was \$30,096.

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable for direct programs; not available for pass-through programs.



Dave Yost • 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
Cuyahoga County
6611 Ridge Road
Solon, Ohio 44129

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, 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 February 24, 2011. 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 opinions 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 February 24, 2011.

We intend this report solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 24, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Parma
Cuyahoga County
6611 Ridge Road
Parma, Ohio 44129

To the Members of Council:

Compliance

We have audited the compliance of the City of Parma, Cuyahoga County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Parma's major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Annual Contribution Contract C – Housing Assistance Payment Program, which received \$4,866,492 in federal awards which is not included in the City's Federal Awards Expenditures Schedule for the year ended December 31, 2009. Our audit of Federal awards, described below, did not include the operations of Annual Contribution Contract C – Housing Assistance Payment Program because the City engaged another auditor to audit its Federal award programs in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Parma, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance (Continued)

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the City Council, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 24, 2011

**CITY OF PARMA
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant, CFDA #14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF PARMA
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Statements on Auditing Standards 112 – Effects on Comprehensive Annual Financial Report	Yes	
2008-002	Reconciliation and Accountability over Parma Public Housing Agency, financial records reflected financial activity which did not agree with the activity the City reported.	Yes	



Dave Yost • Auditor of State

CITY OF PARMA

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
MARCH 22, 2011