



Mary Taylor, CPA
Auditor of State

**CITY OF PARMA, OHIO
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2008, 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, 2008, 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.

As described in Note 3B, C and D to the financial statements, the City restated the balance for capital assets at December 31, 2007, restated cash and cash equivalents with fiscal and escrow agents in the Debt Service Fund resulting in a change in fund balance in the Debt Service Fund and Total Governmental Funds at December 31, 2007, and restated net assets of governmental activities at December 31, 2007, respectively.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditures schedule is required by 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. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

April 28, 2010

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are as follows:

- The assets of the City exceeded its liabilities at December 31, 2008 by \$75,378,752 (net assets). Of this amount, \$11.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Of the \$75,378,752 of net assets, business-type activities account for \$1,694,742 of net assets, while governmental activities net assets were \$73,684,010.
- The City's net assets increased by \$35,960 during 2008 due to close monitoring of expenses.
- Business-type activities net assets decreased by \$43,229. The decrease in business-type activities net assets was primarily attributed to an increase in operating expenses.
- Governmental activities net assets increased by \$79,189. The primary component of the net increase was close monitoring of expenses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,644,448 and is available for spending at the City's discretion. The unreserved fund balance equals 6.35 percent of total current year general fund expenditures.
- The City's total governmental activities debt decreased by \$794,651 (2.1 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. This report also contains other supplementary information in addition to the basic 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 69 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 65 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 2008?" 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.

City of Parma, Ohio
Management's Discussion and Analysis
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Table 1: Summary Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007-Restated	2008	2007	2008	2007-Restated
Assets						
Current and Other Assets	\$35,692,657	38,178,768	350,367	370,722	36,043,024	38,549,490
Capital Assets	86,473,909	86,023,684	1,566,925	1,473,665	88,040,834	87,497,349
Total Assets	122,166,566	124,202,452	1,917,292	1,844,387	124,083,858	126,046,839
Liabilities						
Long-Term Liabilities	37,661,737	38,456,388	203,653	75,939	37,865,390	38,532,327
Other Liabilities	10,820,819	12,141,243	18,897	30,477	10,839,716	12,171,720
Total Liabilities	48,482,556	50,597,631	222,550	106,416	48,705,106	50,704,047
Net Assets						
Invested in Capital Assets, net	52,869,396	51,086,401	1,426,679	1,448,473	54,296,075	52,534,874
Restricted For						
Debt Service	1,247,563	1,044,521	-	-	1,247,563	1,044,521
Security of Persons and Property	3,561,765	2,738,681	-	-	3,561,765	2,738,681
Transportation	903,924	1,145,581	-	-	903,924	1,145,581
Community Environment	624,239	958,595	-	-	624,239	958,595
Leisure Time Activities	775,185	1,636,312	-	-	775,185	1,636,312
Capital Projects	2,823,209	4,302,662	-	-	2,823,209	4,302,662
Unrestricted						
	10,878,729	10,692,068	268,063	289,498	11,146,792	10,981,566
Total Net Assets	\$73,684,010	\$73,604,821	\$1,694,742	\$1,737,971	\$75,378,752	\$75,342,792

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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 \$75,378,752 at the close of the most recent fiscal year.

The largest portion of the City's net assets (72.03 percent) is invested in capital assets, net of related debt. The second largest portion of the City's net assets (14.79 percent) is unrestricted net assets.

The portion of the City's net assets (72.03 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 increased \$35,960 with governmental net assets comprising \$79,189 and business-type activities comprising \$(43,229) of that amount.

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

City of Parma, Ohio
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Table 2: Summary Statement of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007-Restated	2008	2007	2008	2007-Restated
Revenues						
Program Revenues						
Charges for Services	\$8,886,154	7,072,156	1,048,296	1,063,457	9,934,450	8,135,613
Operating Grants, Contributions, and Interest	13,196,121	10,863,310	-	-	13,196,121	10,863,310
Capital Grants and Contributions	-	2,395,000	-	-	-	2,395,000
General Revenues						
Property Taxes	8,477,528	11,269,583	-	-	8,477,528	11,269,583
Income Taxes	37,093,234	35,118,380	-	-	37,093,234	35,118,380
Grants and Entitlements not Restricted to Specific Programs	7,172,564	9,545,312	-	-	7,172,564	9,545,312
Investment Earnings	344,207	1,215,915	-	15,500	344,207	1,231,415
Other	138,533	1,173,422	-	-	138,533	1,173,422
Total Revenues	75,308,341	78,653,078	1,048,296	1,078,957	76,356,637	79,732,035
Expenses						
Program Expenses						
General Government - Legislative and Executive	25,664,358	26,762,767	-	-	25,664,358	26,762,767
Security of Persons and Property	27,845,458	26,920,154	-	-	27,845,458	26,920,154
Public Health and Welfare	315,248	308,358	-	-	315,248	308,358
Transportation	5,175,906	5,529,278	-	-	5,175,906	5,529,278
Community Environment	8,583,458	7,664,099	-	-	8,583,458	7,664,099
Basic Utility Services	1,888,717	1,471,453	-	-	1,888,717	1,471,453
Leisure Time Activities	4,194,534	4,628,300	-	-	4,194,534	4,628,300
Interest and Fiscal Charges	1,561,473	1,685,603	-	-	1,561,473	1,685,603
Golf Course	-	-	1,091,525	1,104,600	1,091,525	1,104,600
Total Expenses	75,229,152	74,970,012	1,091,525	1,104,600	76,320,677	76,074,612
Change in Net Assets	79,189	3,683,066	(43,229)	(25,643)	35,960	3,657,423
Net Assets Beginning of Year - Restated	73,604,821	69,921,755	1,737,971	1,763,614	75,342,792	71,685,369
Total Net Assets - Restated	\$73,684,010	\$73,604,821	\$1,694,742	\$1,737,971	\$75,378,752	\$75,342,792

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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 2008. 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 2008 was \$37,093,234. Of the \$75,308,341 in total revenues, income tax accounts for 49.26 percent of that total. Property taxes of \$8,477,528 account for 11.26 percent of total revenues. Operating grants, contributions and interest, and general revenues from grants and entitlements account for 27.05 percent of total revenues, and charges for services, investment earnings, and other revenue make up the remaining 12.43 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 2008 were \$75,229,152. The largest program function for the City relates to security of persons and property, which includes the police and fire departments, with expenses of \$27,845,458, which is 37.01 percent of program expenses. General government-legislative and executive, is the next largest program expense at 34.12 percent, followed by community environment expenses of 11.41 percent. Public health and welfare, transportation, basic utility services, leisure time activities, and interest and fiscal charges comprised 17.46 percent.

Business-Type Activities - Business-type activities decreased the City's net assets by \$43,229. Charges for services decreased by \$15,161 and operating expenses decreased by \$13,075. Total expenses of business-type activities were \$1,091,525 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, 2008, the City's governmental funds reported combined ending fund balances of \$12,236,099. Of that amount, \$11,675,908 constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of the fund balance, \$560,191, 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 \$45,018,228 and expenditures of \$46,205,206, thereby decreasing the General Fund's fund balance by \$1,186,978 to \$2,993,514.

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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 \$2,644,448, while the total fund balance was \$2,993,514. 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 5.72 percent of total general fund expenditures, while total fund balance represents 6.48 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 \$268,063. 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 2008, 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 \$45,440,177 and \$45,848,306, respectively. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Actual revenues were \$46,075,571.

The City's ending unencumbered cash balance in the general fund was \$1,908,984.

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, 2008, amounts to \$88,040,834 (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 increase in the City's investment in capital assets for the current fiscal year was 0.62 percent (a 0.52 percent increase for governmental activities and a 6.33 percent increase 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	
	2008	2007-Restated	2008	2007	2008	2007-Restated	
Non-Depreciable							
Land	6,717,012	6,525,136	1,078,077	1,078,077	7,795,089	7,603,213	
Construction-in-Progress	-	-	-	-	-	-	
Total	6,717,012	6,525,136	1,078,077	1,078,077	7,795,089	7,603,213	
Depreciable							
Land improvements	378,427	250,847	263,700	263,700	642,127	514,547	
Buildings	32,901,266	32,809,830	209,531	209,531	33,110,797	33,019,361	
Equipment	7,129,877	5,015,717	776,053	648,209	7,905,930	5,663,926	
Vehicles	10,682,298	11,043,535	64,475	47,307	10,746,773	11,090,842	
Software	1,043,476	934,245	-	-	1,043,476	934,245	
Infrastructure	66,167,786	65,167,786	-	-	66,167,786	65,167,786	
Total	118,303,130	115,221,960	1,313,759	1,168,747	119,616,889	116,390,707	
Accumulated Depreciation	38,546,233	35,723,412	824,911	773,159	39,371,144	36,496,571	
Total Capital Assets	\$86,473,909	\$86,023,684	1,566,925	1,473,665	\$88,040,834	\$87,497,349	

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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 \$37,865,390 in bonds, loans, notes, capital leases and compensated absences outstanding with \$3,610,038 due within one year.

General Obligation Notes represent unvoted general obligation bond anticipation notes payable from ad valorem property taxes.

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 \$158,440,196 at December 31, 2008.

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:

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Table 4: Summary Statement of Debt

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Special Assessment Bonds	1,470,086	1,622,420	-	-	1,470,086	1,622,420
General Obligation Bonds	23,820,000	25,320,000	-	-	23,820,000	25,320,000
Ohio Public Works Commission Loans	1,619,768	1,794,993	-	-	1,619,768	1,794,993
Ohio Water Development Authority Loans	2,656,869	2,910,880	-	-	2,656,869	2,910,880
Police and Firemen's Pension Liability	-	18,745	-	-	-	18,745
Capital Leases	5,537,536	4,428,466	140,246	25,192	5,677,782	4,453,658
Compensated Absences	2,557,478	2,360,884	63,407	50,747	2,620,885	2,411,631
Total	\$37,661,737	38,456,388	203,653	75,939	37,865,390	38,532,327

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$11,743,783	\$320,095	\$12,063,878
Cash and cash equivalents in segregated accounts	719,922	9,948	729,870
Municipal income taxes receivable	5,381,869	-	5,381,869
Property taxes receivable	10,225,607	-	10,225,607
Special assessments receivable	1,725,212	-	1,725,212
Accrued interest receivable	988	-	988
Due from other governments	5,565,591	-	5,565,591
Materials and supplies inventory	317,080	20,324	337,404
Loans receivable	12,605	-	12,605
Capital assets, nondepreciable	6,717,012	1,078,077	7,795,089
Capital assets, depreciable, net	79,756,897	488,848	80,245,745
Total assets	122,166,566	1,917,292	124,083,858
Liabilities			
Accounts payable	630,036	7,375	637,411
Contracts payable	332,088	-	332,088
Claims and judgements payable	752,829	-	752,829
Accrued wages and benefits	83,242	-	83,242
Compensated absences payable	195,238	3,283	198,521
Due to other governments	607,644	8,239	615,883
Deferred revenue	8,125,607	-	8,125,607
Accrued interest payable	94,135	-	94,135
Long-term liabilities:			
Due within one year	3,550,364	59,674	3,610,038
Due in more than one year	34,111,373	143,979	34,255,352
Total liabilities	48,482,556	222,550	48,705,106
Net assets			
Invested in capital assets, net of related debt	52,869,396	1,426,679	54,296,075
Restricted for:			
Debt service	1,247,563	-	1,247,563
Security of persons and property	3,561,765	-	3,561,765
Transportation	903,924	-	903,924
Community environment	624,239	-	624,239
Leisure time activities	775,185	-	775,185
Capital projects	2,823,209	-	2,823,209
Total restricted assets	9,935,885	-	9,935,885
Unrestricted	10,878,729	268,063	11,146,792
Total net assets	\$73,684,010	\$1,694,742	\$75,378,752

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	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	\$25,664,358	3,444,489	-	(22,219,869)	-	(22,219,869)
Security of persons and property	27,845,458	2,062,211	1,043,068	(24,740,179)	-	(24,740,179)
Public health and welfare	315,248	-	-	(315,248)	-	(315,248)
Transportation	5,175,906	8,608	4,295,075	(872,223)	-	(872,223)
Community environment	8,583,458	1,447,742	7,753,486	617,770	-	617,770
Basic utility services	1,888,717	897,734	-	(990,983)	-	(990,983)
Leisure time activities	4,194,534	1,025,370	104,492	(3,064,672)	-	(3,064,672)
Interest and fiscal charges	1,561,473	-	-	(1,561,473)	-	(1,561,473)
Total governmental activities	\$75,229,152	8,886,154	13,196,121	(53,146,877)	-	(53,146,877)
Business-Type Activities						
Golf Course	1,091,525	1,048,296	-	-	(43,229)	(43,229)
Total primary government	\$76,320,677	9,934,450	13,196,121	(53,146,877)	(43,229)	(53,190,106)
General Revenues						
Property taxes levied for:						
General purposes				3,694,127	-	3,694,127
Special revenue				4,456,049	-	4,456,049
Debt service				327,352	-	327,352
Income taxes levied for:						
General purposes				29,216,704	-	29,216,704
Capital outlay				7,876,530	-	7,876,530
Grants and entitlements not restricted to specific programs				7,172,564	-	7,172,564
Investment earnings				344,207	-	344,207
Gains on disposal of capital assets				138,533	-	138,533
Total General Revenues				53,226,066	-	53,226,066
Change in Net Assets				79,189	(43,229)	35,960
Net Assets Beginning of Year-Restated				73,604,821	1,737,971	75,342,792
Net Assets End of Year				73,684,010	1,694,742	75,378,752

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2008

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in pooled cash and cash equivalents	\$2,052,865	789,597	1,943,109	792,285	3,694,216	9,272,072
Cash and cash equivalents in segregated accounts	453	-	-	-	719,469	719,922
Municipal income taxes receivable	4,238,222	-	1,143,647	-	-	5,381,869
Property taxes receivable	4,358,321	311,245	-	3,112,731	2,443,310	10,225,607
Interfund receivable	185,503	-	868,331	-	-	1,053,834
Special assessments receivable	-	1,725,212	-	-	-	1,725,212
Accrued interest receivable	-	-	-	-	988	988
Due from other governments	3,278,185	23,359	-	233,578	2,030,469	5,565,591
Materials and supplies inventory	139,507	-	-	-	177,574	317,081
Loans receivable	-	-	-	-	12,605	12,605
Total Assets	\$14,253,056	2,849,413	3,955,087	4,138,594	9,078,631	34,274,781
Liabilities						
Accounts payable	\$176,492	-	253,916	-	196,213	626,621
Contracts payable	320,549	-	188	-	11,351	332,088
Interfund payable	-	-	-	-	1,053,834	1,053,834
Accrued wages and benefits	32,819	-	-	-	50,352	83,171
Compensated absences payable	169,222	-	-	-	26,016	195,238
Due to other funds	1,022,980	-	-	-	-	1,022,980
Due to other governments	485,471	-	200	327	118,808	604,806
Deferred revenue	9,050,866	1,995,365	736,685	2,701,804	3,634,081	18,118,801
Accrued interest payable	1,143	-	-	-	-	1,143
Total Liabilities	11,259,542	1,995,365	990,989	2,702,131	5,090,655	22,038,682
Fund Balance						
Reserved for encumbrances	209,559	-	-	-	20,946	230,505
Reserved for inventory	139,507	-	-	-	177,574	317,081
Reserved for loans	-	-	-	-	12,605	12,605
Unreserved, undesignated (deficit), reported in:						
General fund	2,644,448	-	-	-	-	2,644,448
Special revenue funds	-	-	-	1,436,463	4,140,154	5,576,617
Debt service fund	-	854,048	-	-	-	854,048
Capital projects funds	-	-	2,964,098	-	(363,303)	2,600,795
Total fund balance	2,993,514	854,048	2,964,098	1,436,463	3,987,976	12,236,099
Total liabilities and fund balance	\$14,253,056	2,849,413	3,955,087	4,138,594	9,078,631	34,274,781

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, 2008

Total Governmental Fund Balances		\$12,236,099
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		86,473,909
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	3,466,752	
Special Assessments	1,725,212	
Intergovernmental	<u>4,801,229</u>	9,993,193
In the Statement of Activities, interest is accrued on outstanding bonds whereas, in governmental funds, an interest expenditure is reported when due		(88,205)
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		1,707,771
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(22,797,020)	
Special Assessment Bonds	(1,470,086)	
OPWC Loans	(1,619,768)	
OWDA Loans	(2,656,869)	
Compensated Absences	(2,557,478)	
Capital Leases Payable	<u>(5,537,536)</u>	<u>(36,638,757)</u>
Net Assets of Governmental Activities		<u><u>\$73,684,010</u></u>

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, 2008

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Municipal income tax	\$28,984,240	-	7,813,802	-	-	36,798,042
Property and other taxes	4,592,894	320,493	-	3,036,753	2,589,938	10,540,078
Charges for services	561,592	-	275	-	2,259,222	2,821,089
Fees, licenses and permits	1,611,028	-	-	-	15,305	1,626,333
Fines and forfeitures	2,234,807	-	-	-	332,049	2,566,856
Intergovernmental	5,949,474	46,716	239,976	467,155	11,018,801	17,722,122
Donations	6,225	-	-	-	259,357	265,582
Rents	260,136	-	-	-	281,770	541,906
Special assessments	-	299,215	-	-	806,714	1,105,929
Interest	325,663	-	-	-	18,544	344,207
Other	12,151	-	38,340	-	5,670	56,161
Total Revenues	\$44,538,210	666,424	8,092,393	3,503,908	17,587,370	74,388,305
Expenditures						
Current						
Legislative and executive	15,786,501	2,997	5,250,517	-	455,209	21,495,224
Security of persons and property	22,184,229	-	-	1,295,244	4,978,012	28,457,485
Public health and welfare	308,023	-	-	-	-	308,023
Transportation	-	-	-	-	5,905,320	5,905,320
Community environment	866,386	-	-	-	7,721,787	8,588,173
Basic utility services	-	-	-	-	1,876,318	1,876,318
Leisure time activities	2,514,308	-	-	-	1,923,839	4,438,147
Total Current Expenditures	41,659,447	2,997	5,250,517	1,295,244	22,860,485	71,068,690
Capital outlay	5,319	-	3,248,722	450,345	159,975	3,864,361
Debt service	-	2,090,442	958,412	17,654	84,179	3,150,687
Principal retirement	-	1,291,554	124,801	2,233	2,368	1,420,956
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	41,664,766	3,384,993	9,582,452	1,765,476	23,107,007	79,504,694
Excess of revenues over (under) expenditures	2,873,444	(2,718,569)	(1,490,059)	1,738,432	(5,519,637)	(5,116,389)

(continued)

City of Parma, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - continued
For the Year Ended December 31, 2008

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)						
Sale of fixed assets	-	-	-	-	147,220	147,220
Transfers - in	480,018	2,921,611	-	-	6,850,425	10,252,054
Transfers - out	(4,540,440)	-	(2,433,941)	(950,000)	(3,039,500)	(10,963,881)
Inception of capital leases	-	-	2,150,571	-	-	2,150,571
Total other financing sources (uses)	(4,060,422)	2,921,611	(283,370)	(950,000)	3,958,145	1,585,964
Net change in fund balances	(1,186,978)	203,042	(1,773,429)	788,432	(1,561,492)	(3,530,425)
Fund balances at beginning of year - restated	4,180,492	651,006	4,737,527	648,031	5,549,468	15,766,524
Fund balances at end of year	\$2,993,514	854,048	2,964,098	1,436,463	3,987,976	12,236,099

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$(3,530,425)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 capital outlay exceeded depreciation in the current period:

Capital Outlay	4,739,944	
Depreciation	(4,151,186)	
		588,758

Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal (138,533)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Municipal Income Taxes	295,192	
Property and Other Taxes	(2,062,550)	
Intergovernmental	2,646,563	
Special Assessments	(232,477)	
Other	133,244	
		779,972

Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases and debt issuance (2,150,571)

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 3,025,319

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 1,789,468

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

Compensated Absences	(196,594)	
Accrued Interest on Bonds	(88,205)	
		(284,799)

Change in Net Assets of Governmental Activities \$79,189

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, 2008

	Budgeted Amounts			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
<u>Revenues</u>				
Municipal Income Taxes	\$ 29,373,750	\$ 29,373,750	\$ 29,346,996	\$ (26,754)
Property and Other Taxes	4,476,127	5,006,884	4,595,986	(410,898)
Charges for Services	600,000	566,379	561,592	(4,787)
Fees, Licenses, and Permits	1,300,000	1,328,180	1,611,028	282,848
Fines and Forfeitures	2,000,000	1,982,042	2,206,310	224,268
Intergovernmental	6,076,300	6,589,516	6,509,358	(80,158)
Donations	-	-	6,225	6,225
Rentals and Leases	220,000	219,600	260,136	40,536
Interest	125,000	125,000	325,663	200,663
Royalties and Commissions	10,000	8,700	12,709	4,009
Total Revenues	44,181,177	45,200,051	45,436,003	235,952
<u>Expenditures</u>				
Current:				
General Government	15,762,683	16,562,940	16,042,373	520,567
Security of Persons and Property	24,057,041	23,729,382	22,923,760	805,622
Public Health and Welfare	308,358	308,358	308,358	-
Community Environment	988,250	948,338	881,887	66,451
Leisure Time Activities	2,790,389	2,720,648	2,564,556	156,092
	43,906,721	44,269,666	42,720,934	1,548,732
Capital Outlay	-	23,972	6,813	17,159
Total Expenditures	43,906,721	44,293,638	42,727,747	1,565,891
Excess of Revenues Over (Under) Expenditures	274,456	906,413	2,708,256	1,801,843
<u>Other Financing Sources (Uses)</u>				
Advances - In	159,000	159,000	159,550	550
Advances - Out	-	-	(185,503)	(185,503)
Transfers - In	1,100,000	489,255	480,018	(9,237)
Transfers - Out	(4,770,972)	(4,934,197)	(4,540,440)	393,757
Total Other Financing Sources (Uses)	(3,511,972)	(4,285,942)	(4,086,375)	199,567
Net Change in Fund Balance	(3,237,516)	(3,379,529)	(1,378,119)	2,001,410
Fund Balance at Beginning of Year	3,119,461	3,119,461	3,119,461	-
Prior Year Encumbrances Appropriated	167,642	167,642	167,642	-
Fund Balance (Deficit) at End of Year	\$ 49,587	\$ (92,426)	\$ 1,908,984	\$ 2,001,410

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, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<u>Revenues</u>				
Property and Other Taxes	\$ 3,050,000	\$ 3,120,000	\$ 3,038,961	\$ (81,039)
Intergovernmental	295,000	225,000	467,155	242,155
Total Revenues	<u>3,345,000</u>	<u>3,345,000</u>	<u>3,506,116</u>	<u>161,116</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,370,601	1,753,731	1,298,931	454,800
	2,370,601	1,753,731	1,298,931	454,800
Capital Outlay	-	616,870	501,589	115,281
Total Expenditures	<u>2,370,601</u>	<u>2,370,601</u>	<u>1,800,520</u>	<u>570,081</u>
Excess of Revenues Over (Under) Expenditures	<u>974,399</u>	<u>974,399</u>	<u>1,705,596</u>	<u>731,197</u>
<u>Other Financing Sources (Uses)</u>				
Transfers - Out	(950,000)	(950,000)	(950,000)	-
Total Other Financing Sources (Uses)	(950,000)	(950,000)	(950,000)	-
Net Change in Fund Balance	24,399	24,399	755,596	731,197
Fund Balance at Beginning of Year	1,318	1,318	1,318	-
Fund Balance (Deficit) at End of Year	<u>\$ 25,717</u>	<u>\$ 25,717</u>	<u>\$ 756,914</u>	<u>\$ 731,197</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business - Type Activity - Golf Course	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
Assets		
Current assets		
Equity in pooled cash and cash equivalents	\$ 320,095	2,471,711
Cash and cash equivalents in segregated accounts	9,948	0
Due from other funds	0	1,022,980
Materials and supplies inventory	20,324	0
Total current assets	<u>350,367</u>	<u>3,494,691</u>
Non-current assets		
Capital assets, nondepreciable	1,078,077	0
Capital assets, depreciable, net	488,848	0
Total non-current assets	<u>1,566,925</u>	<u>0</u>
Total assets	<u>1,917,292</u>	<u>3,494,691</u>
Liabilities		
Current liabilities		
Accounts payable	7,375	3,415
Claims and judgements payable	0	752,829
Compensated absences payable	3,283	71
Due to other governments	8,239	2,838
Accrued interest payable	0	4,787
Capital lease - current portion	53,333	0
Bonds payable - current portion	0	123,777
Total current liabilities	<u>72,230</u>	<u>887,717</u>
Long-term liabilities		
Capital leases	86,913	0
Bonds payable	0	899,203
Compensated absences	63,407	0
Total long-term liabilities	<u>150,320</u>	<u>899,203</u>
Total liabilities	<u>222,550</u>	<u>1,786,920</u>
Net assets		
Invested in capital assets, net of related debt	1,426,679	0
Unrestricted	268,063	1,707,771
Total net assets	<u>\$1,694,742</u>	<u>1,707,771</u>

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, 2008

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Operating Revenues:</i>		
Charges for services	\$658,375	\$6,434,306
Other	389,921	-
Total Operating Revenues	1,048,296	6,434,306
<i>Operating Expenses:</i>		
Personal services	624,552	172,268
Contractual services	-	14,892
Claims	-	5,054,028
Materials and supplies	411,737	27,185
Depreciation	51,752	-
Total Operating Expenses	1,088,041	5,268,373
Operating Income(Loss)	(39,745)	1,165,933
<i>Other Non-Operating Revenues(Expenses):</i>		
Interest and fiscal charges	(3,484)	(68,465)
Total Non-Operating Revenues(Expenses)	(3,484)	(68,465)
Income(Loss) Before Transfers	(43,229)	1,097,468
Transfers - In	-	692,000
Change in Net Assets	(43,229)	1,789,468
Net Assets at Beginning of Year	1,737,971	(81,697)
Net Assets at End of Year	\$1,694,742	\$1,707,771

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Cash Flows from Operating Activities:</i>		
Cash received from customers	\$658,375	\$-
Cash received from quasi-external operating transactions with other funds	-	6,550,802
Other operating revenues	389,921	-
Cash payments to suppliers for goods and services	(420,546)	(34,025)
Cash payments for claims	-	(5,410,259)
Cash payments for employee services and benefits	(617,097)	(176,264)
Cash payments for contractual services	-	(16,184)
Net cash provided by operating activities	<u>10,653</u>	<u>914,070</u>
<i>Cash Flows from Noncapital Financing Activities:</i>		
Transfer - in	-	692,000
Transfer - out	-	(180,174)
Net cash provided by noncapital financing activities	<u>-</u>	<u>511,826</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Lease principal payment	(25,090)	-
Interest paid on lease	(3,484)	-
Net cash used in capital and related financing activities	<u>(28,574)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(17,921)	1,425,896
Cash and cash equivalents beginning of year	<u>347,964</u>	<u>1,045,815</u>
Cash and cash equivalents end of year	<u><u>\$330,043</u></u>	<u><u>\$2,471,711</u></u>

(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, 2008

	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)	\$(39,745)	\$1,165,933
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	51,752	-
<i>Change in Assets and Liabilities:</i>		
Decrease in due from others	-	116,496
Decrease in material and supplies inventory	(2,434)	-
(Decrease) in accounts payable	(1,560)	(8,132)
(Decrease) in accrued wages and benefits	(5,549)	(3,683)
Increase in compensated absences payable	13,071	71
(Decrease) in due to other governments	(4,882)	(384)
(Decrease) in accrued interest payable	-	(5,306)
(Decrease) in claims payable	-	(350,925)
Net Cash Provided by Operating Activities	\$10,653	\$914,070

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 686,167
Cash and cash equivalents in segregated accounts	13,382
Cash and cash equivalents with fiscal and escrow agents	421,517
Due from other governments	<u>388,275</u>
Total assets	<u><u>\$1,509,341</u></u>
Liabilities	
Due to other governments	\$ 388,275
Deposits held and due to others	<u>1,121,066</u>
Total liabilities	<u><u>\$ 1,509,341</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, 2008 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, 2008

(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, 2008

(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 2008, 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. Other fiduciary funds include pension trust funds and investment trust funds. During 2008, 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, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

(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 2008.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008

Following is a summary of the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Police Levy Fund.

	General	Police Levy
GAAP basis	\$(1,186,978)	\$788,432
Increase(decrease) due to:		
Revenues accruals	1,057,343	2,208
Expenditure accruals	(1,104,149)	328
Outstanding encumbrances	(144,335)	(35,372)
Budget basis	\$(1,378,119)	\$755,596

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, StarOhio 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 StarOhio at fair market value as of the date of the StarOhio statement.

H - Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008 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, 2008.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

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

<u>Asset</u>	<u>Estimated Useful Life</u>
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 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.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 operating 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 operating 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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 2008.

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.

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 2007, the GASB issued 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. Statement No. 52 will not be effective for the City until 2009 and, therefore, the City has not determined the impact, if any, that this Statement will have on its financial statements.

City of Parma, Ohio
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For the Year Ended December 31, 2008

In 2008, the GASB issued 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. Statement No. 53 will not be effective for the City until 2009 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 CAPITAL ASSETS BALANCE

A - Change in Accounting Principles - For 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (an amendment of NCGA Interpretation No. 6 and GASB Statement No. 10, supersedes GASB Statement No. 12, an amendment of GASB Statements No. 16, No. 27 and GASB Interpretation No. 6). This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of GASB Statement No. 45 did not effect the presentation of the City's financial statements.

For 2008, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (an amendment of NCGA Statements Nos. 1 and 4, NCGA Interpretation No. 6, GASB Statement No. 10, and GASB Interpretation No. 6). This Statement establishes standards for accounting and financial reporting for pollution remediation obligations. The implementation of GASB Statement No. 49 did not effect the presentation of the City's financial statements.

For 2008, the City implemented GASB Statement No. 50, *Pension Disclosures*, (an amendment of GASB Statements Nos. 25 and 27). This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in so doing, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and employers that provide pension benefits. The implementation of GASB Statement No. 50 did not effect the presentation of the City's financial statements.

B - Restatement of Capital Assets Balance - During 2008, the balance for capital assets at December 31, 2007 was restated from \$85,783,088 to \$86,023,684, a net change of \$240,596.

C - Restatement of Fund Balance - During 2008, it was determined that Cash and Cash Equivalents with Fiscal and Escrow Agents in the Debt Service Fund was overstated by \$645,000. This restatement resulted in a change in the fund balance of the Debt Service Fund from \$1,296,006 to \$651,006 and a change in Fund Balance for Total Governmental Funds from \$16,411,524 to \$15,766,524 at December 31, 2007.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

D - Restatement of Net Assets - Net assets of governmental activities were restated by \$(404,404) from \$74,009,225 to \$73,604,821 at December 31, 2007 due to the overstatement of Cash and Cash Equivalents with Fiscal and Escrow Agents of \$(645,000) and the understatement of Capital Assets, Depreciable, Net by \$240,596.

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Requesting an Amended Certificate of Estimated Resources - Contrary to Ohio Revised Code §5705.36(A)(4), which requires obtaining a reduced *Amended Certificate of Estimated Resources* if the amount of the deficiency will reduce available resources below the current level of appropriation and Ohio Revised Code §5705.36(A)(5), which requires the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the *Certificate of Estimated Resources*, or the *Amended Certificate of Estimated Resources*, which was certified prior to making the appropriation or supplemental appropriation. The following fund(s) had, at year-end, actual receipts (unencumbered fund balance plus actual receipts) less than appropriations:

Fund	Receipts ¹	Appropriations ²	Variance (Unfavorable)
Community Development Block Grant Fund	\$1,256,115	\$1,439,855	\$(183,470)

1 - Beginning unencumbered fund balance plus actual receipts

2 - Total appropriations approved by Council as of 12/31/2008

In order to address this violation of Ohio Revised Code §5705.36(A)(4) and §5705.36(A)(5), the City will request a reduced *Certificate of Estimated Resources* and reduce appropriations when appropriations exceed actual receipts.

Appropriations Exceeding Estimated Resources - Contrary to Ohio Revised Code §5705.39, the following fund(s) had final appropriations in excess of final estimated resources as reported on the *Official Certificate of Estimated Resources*:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$48,967,767	\$49,060,193	\$(92,426)

In order to address this violation of Ohio Revised Code §5705.39, the City will monitor budgetary accounts to eliminate this weakness in future periods.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

Fund	Balance
Street Lighting Fund	\$(134,419)
Fair Housing Fund	(341,567)
West Creek Preservation Fund	(6,502)
Henninger Homestead Fund	(8,885)
State Disaster Relief Program Fund	(124,485)
Sewer Construction Fund	(653,945)

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 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 due to other funds and due from other funds 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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

in reverse purchase agreements.

During 2008, 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, 2008, 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 \$13,531,814 and the actual bank balance was \$14,483,759. 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*, \$1,846,061 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 \$12,637,698 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).

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 (STAROhio); 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 (StarOhio). 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.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

At December 31, 2008, the fair value of the City's investments were:

<u>Investment</u>	<u>Fair Value/ Carrying Value</u>
STAROhio	<u>\$383,000</u>
	<u><u>\$383,000</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, 2008, 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 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 StarOhio, which is rated AAA 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.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Reconciliation to Combined Balance Sheet Classification - The following table summarizes the City's deposits and investments as of December 31, 2008:

Deposits	\$13,531,814
Investments	<u>383,000</u>
 Total	 <u><u>\$13,914,814</u></u>

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	\$12,063,878
Cash and Cash Equivalents in Segregated Accounts	<u>729,870</u>
 Total Government-Wide Financial Statements	 <u><u>\$12,793,748</u></u>
 <i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	
Equity in Pooled Cash and Cash Equivalents	\$9,272,072
Cash and Cash Equivalents in Segregated Accounts	719,922
 <i>Statement of Net Assets - Proprietary Funds</i>	
Equity in Pooled Cash and Cash Equivalents	2,791,806
Cash and Cash Equivalents in Segregated Accounts	<u>9,948</u>
 Total Governmental and Proprietary Funds	 12,793,748
 <i>Statement of Fiduciary Net Assets</i>	
Equity in Pooled Cash and Cash Equivalents	686,167
Cash and Cash Equivalents in Segregated Accounts	13,382
Cash and Cash Equivalents with Fiscal and Escrow Agents	<u>421,517</u>
 Total Fund Financial Statements	 <u><u>\$13,914,814</u></u>

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 2008 levy was based upon an assessed valuation of approximately \$1,746,838,257. 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

Tangible personal property taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2008, the percentage used to determine taxable value of personal property and inventory was 25% of true value for capital assets and 23% of true value for inventory. Applicable tangible personal property tax dates are:

Collection Dates:	April 30 and September 30 of the current year
Listing Date:	December 31 of the preceding 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, 2008

The full tax rate for all City operations for the year ended December 31, 2008, was \$7.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property certified for tax year 2008 are as follows:

Property Type	Assessed Value
Real	\$1,712,057,090
Tangible Personal	13,184,937
Public Utility	21,596,230
Total Assessed Value	\$1,746,838,257

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 2008, 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, 2008

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

The following table summarizes the City's intergovernmental receivables at December 31, 2008:

Receivable	Assessed Value
Local Government	\$2,140,996
Gasoline Tax	1,296,812
Permissive Motor Vehicle License Tax	259,345
Motor Vehicle License Registration	260,275
Homestead and Rollback	760,971
Liquor Permits	39,617
Parma Municipal Court	388,275
Estate Tax	391,832
Miscellaneous	27,468
Total Intergovernmental Receivables	\$5,565,591

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, 2008, the total vacation obligation for the City as a whole amounted to \$127.

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, 2008, was \$1,479,727.

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 2008, 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, 2008, accumulated, unpaid overtime for the City as a whole was \$1,344,789.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10 - CAPITAL ASSET ACTIVITY

Capital asset activity of the Governmental Activities for the year ended December 31, 2008 is summarized in the following table:

	Balances- Restated 12/31/2007	Additions	Disposals	Balances 12/31/2008
<i>Governmental Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$6,525,136	200,851	(8,975)	6,717,012
Total Nondepreciable Assets	6,525,136	200,851	(8,975)	6,717,012
<i>Depreciable Assets</i>				
Land Improvements	250,847	127,580	-	378,427
Buildings	32,809,830	91,436	-	32,901,266
Equipment	5,015,717	2,182,694	(68,534)	7,129,877
Vehicles	11,043,535	1,028,152	(1,389,389)	10,682,298
Software	934,245	109,231	-	1,043,476
Infrastructure	65,167,786	1,000,000	-	66,167,786
Total Depreciable Assets	115,221,960	4,539,093	(1,457,923)	118,303,130
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	61,313	25,228	-	86,541
Buildings	5,766,576	633,782	-	6,400,358
Equipment	3,033,061	591,741	(68,534)	3,556,268
Vehicles	6,882,790	1,028,152	(1,259,831)	6,651,111
Software	443,452	69,565	-	513,017
Infrastructure	19,536,220	1,802,718	-	21,338,938
Total Accumulated Depreciation	35,723,412	4,151,186	(1,328,365)	38,546,233
Total Depreciable Assets, net	79,498,548	387,907	(129,558)	79,756,897
Total Governmental Activities, net	\$86,023,684	588,758	(138,533)	86,473,909

(continued)

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balances- Restated 12/31/2007	Additions	Disposals	Balances 12/31/2008
<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	648,209	127,844	-	776,053
Vehicles	47,307	17,168	-	64,475
Total Depreciable Assets	1,168,747	145,012	-	1,313,759
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	146,220	17,580	-	163,800
Buildings	91,256	2,994	-	94,250
Equipment	500,653	27,578	-	528,231
Vehicles	35,030	3,600	-	38,630
Total Accumulated Depreciation	773,159	51,752	-	824,911
Total Depreciable Assets, net	395,588	93,260	-	488,848
Total Business-Type Activities, net	\$1,473,665	93,260	-	1,566,925

During 2008, depreciation expense was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$994,680	-
Security of Persons and Property	769,960	-
Transportation	2,162,154	-
Community Environment	53,339	-
Basic Utility Services	38,581	-
Leisure Time Activities	132,472	-
Golf Course	-	\$51,752
Total	\$4,151,186	\$51,752

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 \$327,500 provided by the City's Law Director has been recorded.

Changes in the Liability Insurance Self-Insurance Fund claims liability amount for 2006 through 2008 were:

Year	January 1	Claims	Payments	December 31
2006	\$86,500	\$242,787	\$(74,787)	\$254,500
2007	254,500	384,728	(80,228)	559,000
2008	559,000	99,375	(330,875)	327,500

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.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

servicing and claims payment.

A liability, estimated by the third party administrator, in the amount of \$296,061 has been recorded to reflect unpaid claims cost including incurred but not reported claims as of December 31, 2008. 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 2006 through 2008 were:

Year	January 1	Claims	Payments	December 31
2006	\$446,718	\$5,266,455	\$(5,241,320)	\$471,853
2007	471,853	4,431,003	(4,553,076)	349,780
2008	349,780	4,292,673	(4,346,392)	296,061

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 \$129,268, 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, 2008. 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 2006 through 2008 were:

Year	January 1	Claims	Payments	December 31
2006	\$49,212	\$722,536	\$(707,369)	\$64,379
2007	64,379	689,475	(558,880)	194,974
2008	194,974	661,980	(727,686)	129,268

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,

City of Parma, Ohio
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For the Year Ended December 31, 2008

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 operating 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, 2008 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, 2008 are:

Fund	Receivables	Payables
General Fund	\$185,503	\$-
City Income Tax Capital Acquisitions Fund	868,331	-
Other Governmental Funds	-	1,053,834
Total	\$1,053,834	\$1,053,834

Governmental-Activities due to/due from other funds as of December 31, 2008 are:

Fund	Due From	Due To
General Fund	\$-	\$1,022,980
Internal Service Funds	1,022,980	-
Total	\$1,022,980	\$1,022,980

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

A summary of Governmental-Activities transfers as of December 31, 2008 are:

Fund	Transfers-In	Transfers-Out
General	\$480,018	\$4,540,440
Debt Service	2,921,611	-
City Income Tax Capital Acquisitions	-	2,433,941
Police Levy Fund	-	950,000
Other Governmental	6,850,425	3,039,500
Internal Service	692,000	-
Total	<u>\$10,944,054</u>	<u>\$10,963,881</u>

The transfers-in and transfers-out do not balance due to a \$200,000 transfer-in to an agency fund from the General Fund and a \$180,173 transfer-in to the Debt Service Fund from the Medical Insurance Fund, which net to \$19,827.

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.

For the year ended December 31, 2008, 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 2008 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 17.40 percent of covered payroll. The Ohio Revised Code provides

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, 2007, and 2006 were \$1,350,524, \$1,450,960, and \$1,510,447, respectively; 100 percent has been contributed for 2008, 2007, and 2006.

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 \$933,254 and \$1,405,580 for the year ended December 31, 2008, \$901,739 and \$1,430,806 for the year ended December 31, 2007 and \$816,241 and \$1,188,365 for the year ended December 31, 2006, respectively. The full amount has been contributed for 2007 and 2006. 76.95 percent for police and 75.99 percent for firefighters has been contributed for 2008, with the remainder being reported as a liability.

In addition to current contributions, the City paid its final installment on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2008, the City has no outstanding 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.

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*.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 2008, 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 17.40%. 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 2008, the employer contribution allocated to the health care plan was 7.0% 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, 2008, 2007, and 2006 were \$1,350,524, \$955,722 and \$738,806 respectively. The full amount has been contributed for 2008, 2007, and 2006.

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.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, 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).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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, 2008, 2007, and 2006 were \$2,338,834, \$2,332,545, and \$2,004,606 respectively, of which \$717,874, \$714,058, and \$707,890 respectively was allocated to the healthcare plan.

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2008 is summarized in the following table:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Original Issue	Principal Balance 12/31/2007	Increase	Decrease	Principal Balance 12/31/2008	Amount Due Within One Year
Governmental Activities						
Special Assessment Bonds						
3.790%-(1990 OWDA) Bruening Drive	\$185,005	135,876	0	8,680	127,196	4,464
5.250%-(2000) Street Improvements	2,255,000	1,445,000	0	140,000	1,305,000	150,000
4.120%-(1997 OWDA) Burden Drive	65,984	41,544	0	3,654	37,890	1,884
Total Special Assessment Bonds	2,505,989	1,622,420	0	152,334	1,470,086	156,348
General Obligation (G.O.) Bonds						
Unvoted Bonds						
5.561%-(1995) Various Purpose Bonds	815,700	425,524	0	43,504	382,020	46,223
5.561%-(1995) Various Purpose Bonds	2,184,300	1,139,476	0	116,496	1,022,980	123,777
5.533%-(1995) Refunding Bonds	3,900,000	1,240,000	0	290,000	950,000	305,000
5.173%-(1998) Justice Center Bonds	12,000,000	390,000	0	390,000	0	0
5.402%-(1999) Justice Center Bonds	1,610,000	1,150,000	0	70,000	1,080,000	75,000
2.000%-(2003) Park Acquisition Bonds	3,000,000	2,540,000	0	120,000	2,420,000	125,000
4.280%-(2005) Fire Station Improvement Bonds	7,000,000	6,515,000	0	250,000	6,265,000	260,000
4.280%-(2005) Road Improvement Bonds	1,700,000	1,400,000	0	150,000	1,250,000	160,000
4.070%-(2006) Refunding Bonds	10,200,000	9,975,000	0	50,000	9,925,000	460,000
4.878%-(2006) Various Purpose Bonds	560,000	545,000	0	20,000	525,000	20,000
Total Unvoted G.O. Bonds	42,970,000	25,320,000	0	1,500,000	23,820,000	1,575,000
Total G.O. Bonds		25,320,000	0	1,500,000	23,820,000	1,575,000
Ohio Public Works Commission Loans						
0%-(1993) Brookdale Watermain	287,007	78,927	0	14,350	64,577	7,175
0%-(1994) Broadview Road Watermain	116,419	34,926	0	5,821	29,105	2,910
0%-(1995) State Road Watermain	139,367	55,749	0	6,968	48,781	3,484
0%-(1995) West 24th Street Watermain	70,711	30,824	0	3,626	27,198	1,813
0%-(1996) Brookpark Road Watermain	385,263	192,631	0	19,263	173,368	9,632
0%-(1997) State Road Watermain III	250,242	125,122	0	12,512	112,610	6,256
0%-(1999) State Road Sewer Rejuvenation	1,197,683	628,784	0	59,884	568,900	29,942
0%-(1999) Ridge Road Watermain II	383,897	230,338	0	19,195	211,143	9,597
0%-(1999) Gabriella Drive Watermain	383,825	230,298	0	19,191	211,107	9,596
0%-(1999) Chestnut Hills Sanitary Sewer	288,298	187,394	0	14,415	172,979	7,207
Total Ohio Public Works Commission Loans	3,502,712	1,794,993	0	175,225	1,619,768	87,612

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Original Issue	Principal Balance 12/31/2007	Increase	Decrease	Principal Balance 12/31/2008	Amount Due Within One Year
Ohio Water Development Authority Loans						
4.350%-(1996) West 16th Sanitary Sewer	157,250	94,093	0	10,068	84,025	5,198
4.350%-(1996) Ackley Road Sanitary Sewer	51,304	30,700	0	3,285	27,415	1,696
4.040%-(1999) Chestnut Hills Sewer	1,901,141	1,215,879	0	114,512	1,101,367	58,997
4.120%-(1999) Brookpark/West 60th Sewer	306,381	196,789	0	17,311	179,478	8,924
4.120%-(1999) Ridge Road Watermain	737,688	484,260	0	40,032	444,228	20,636
4.120%-(1999) State Road Watermain	1,095,912	719,418	0	59,471	659,947	30,658
4.120%-(1999) Broadway Road Sewer	178,917	119,836	0	9,332	110,504	4,811
3.910%-(1999) Brookpark/Roseside Sewer	110,112	49,905	0	0	49,905	0
Total Ohio Water Development Authority Loans	4,538,705	2,910,880	0	254,011	2,656,869	130,920
Other General Long-Term Obligations						
Police & Firemen's Pension Liability		18,745	0	18,745	0	0
Capital Leases		4,428,466	2,150,571	1,041,501	5,537,536	1,344,736
Compensated Absences		2,360,884	384,261	187,667	2,557,478	255,748
Total Other General Long-Term Obligations		6,808,095	2,534,832	1,247,913	8,095,014	1,600,484
Total All Governmental Activities Obligations		\$38,456,388	2,534,832	3,329,483	37,661,737	3,550,364
Business-Type Activities						
Capital Leases		\$25,192	143,943	28,889	140,246	53,333
Compensated Absences		50,747	13,728	1,068	63,407	6,341
Total Business-Type Activities Long-Term Obligations		\$75,939	157,671	29,957	203,653	59,674

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 \$158,440,196 at December 31, 2008.

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, 2008 are:

	G. O. Bonds		S. A. Bonds		O.W.D.A. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$1,575,000	1,042,148	\$156,348	70,561	\$130,920	53,391
2010	1,630,000	978,660	168,068	66,104	269,940	98,683
2011	1,690,000	909,983	193,581	57,996	284,040	88,577
2012	1,415,000	834,908	204,114	48,013	298,776	77,835
2013	1,475,000	773,150	214,668	37,484	311,127	65,483
2014-2018	7,015,000	2,887,903	507,064	47,117	1,358,148	130,780
2019-2023	7,075,000	1,362,633	26,243	1,256	3,918	77
2024-2028	1,945,000	113,976	0	0	0	0
Total	<u>\$23,820,000</u>	<u>8,903,361</u>	<u>\$1,470,086</u>	<u>328,531</u>	<u>\$2,656,869</u>	<u>514,826</u>

	O.P.W.C. Loans		Total	
	Principal	Interest	Principal	Interest
2009	\$87,612	0	\$1,949,880	1,166,100
2010	175,226	0	2,243,234	1,143,447
2011	175,226	0	2,342,847	1,056,556
2012	175,226	0	2,093,116	960,756
2013	175,226	0	2,176,021	876,117
2014-2018	737,624	0	9,617,836	3,065,800
2019-2023	93,628	0	7,198,789	1,363,966
2024-2028	0	0	1,945,000	113,976
Total	<u>\$1,619,768</u>	<u>0</u>	<u>\$29,566,723</u>	<u>9,746,718</u>

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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. 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, 2008 are:

Asset	Governmental Activities	Business-Type Activities
Equipment	\$2,491,929	\$307,902
Vehicles	3,533,889	17,168
Less:		
Accumulated depreciation	(2,027,452)	(85,484)
Carrying value	<u>\$3,998,366</u>	<u>\$239,586</u>

Future minimum lease payments and the present value of the minimum lease payments as of December 31, 2008 are:

Year	Governmental Activites	Business-Type Activities
2009	\$1,531,616	\$57,763
2010	1,337,055	57,763
2011	949,343	32,372
2012	613,063	-
2013	430,471	-
2014-2017	1,235,679	-
Total minimum lease payments	6,097,227	147,898
Amount representing interest	(559,691)	7,652
Present value of minimum lease payments	<u>\$5,537,536</u>	<u>\$140,246</u>

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, 2008, \$950,000 of bonds outstanding are considered defeased.

City of Parma, Ohio
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For the Year Ended December 31, 2008

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, 2008, \$9,555,000 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, 2008, \$2,180,000 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, 2008 the Bonds outstanding aggregated \$8,600,000.

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, 2008 the Bonds outstanding aggregated \$3,375,000.

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, 2008 the Bonds outstanding aggregated \$5,800,000.

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, 2008, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, aggregated \$327,500 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
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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

At the May 5, 2009 general election, the voters of the City passed a renewal tax levy for the purpose of maintaining and adding fire apparatus, appliances and buildings, payment of the firefighters employers pension contribution and the payment of salaries of permanent firefighters at a rate of one and one-half mills for each dollar of valuation, which amounts to 0.150 cents for each one hundred dollars of valuation, for five years commencing in 2009, first due in calendar year 2010.

City of Parma
Cuyahoga County
Federal Awards Expenditures Schedule
December 31, 2008

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	\$136,062	\$0
Total Special Programs for the Aging - Title III-B			<u>136,062</u>	<u>0</u>
Special Programs for the Aging - Title III-C1	N/A	93.045	12,569	22,177
Special Programs for the Aging - Title III-C2	N/A	93.045	27,458	22,748
Total Special Programs for the Aging - Title III-C			<u>40,027</u>	<u>44,925</u>
Total Aging Cluster			<u>176,089</u>	<u>44,925</u>
<i>Passed through Western Reserve Area Agency on Aging</i>				
Nutrition Services Incentive Program	N/A	93.053	0	40,359
Total U.S. Department of Health and Human Services			<u>176,089</u>	<u>85,284</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program 2008	N/A	16.607	3,364	0
Total Bulletproof Vest Partnership Program 2008			<u>3,364</u>	<u>0</u>
<i>Passed Through the State of Ohio, Office of the Attorney General:</i>				
Victims of Crime Act Grant 2007	2008VAGENE573	16.575	25,175	0
Victims of Crime Act Grant 2008	2009VAGENE573	16.575	7,249	0
Total Victims of Crime Act Grants			<u>32,424</u>	<u>0</u>
Total U.S. Department of Justice			<u>35,788</u>	<u>0</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant 2007	N/A	14.218	32,421	0
Community Development Block Grant 2008	N/A	14.218	992,427	0
Total Community Development Block Grants			<u>1,024,848</u>	<u>0</u>
<i>Passed Through Cuyahoga County Department of Development</i>				
Home Investment Partnerships Program 2008	CE0600802	14.239	477,360	0
Total Home Investment Partnerships Programs			<u>477,360</u>	<u>0</u>
Fair Housing Assistance Program	N/A	14.401	28,700	0
Total Fair Housing Assistance Program			<u>28,700</u>	<u>0</u>
Total U.S. Department of Housing and Urban Development			<u>1,530,908</u>	<u>0</u>

The accompanying notes to this schedule are an integral part of the schedule.

City of Parma
Cuyahoga County
Federal Awards Expenditures Schedule
December 31, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of the Interior/National Park Service</u>				
<i>Passed Through Ohio Historic Preservation Society</i> Certified Local Government Grant-Henninger House	N/A	15.904	15,000	0
Total U.S. Department of the Interior			15,000	0
<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	457	0
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force	N/A	20.608	455	0
Total U.S. Department of Transportation			912	0
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,758,697	\$85,284

The accompanying notes to this schedule are an integral part of the schedule.

**CITY OF PARMA
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008**

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 the City to 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 \$1.00 per meal served.

For congregate meals, the U.S. Department of Health and Human Services allocates \$2.63 per meal. For home delivered meals, the U.S. Department of Health and Human Services allocates \$2.76 per meal.

For the year ended December 31, 2008, the City served 21,957 congregate meals and 9,977 home delivered meals through the City's Senior Citizens Center meal programs. Therefore, \$85,284 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, 2008, the gross amount of loans outstanding under this program was \$12,541.

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, 2008, the gross amount of loans outstanding under this program was \$67,712.

CFDA – Catalog of Federal Domestic Assistance.

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

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Mary Taylor, CPA

Auditor of State

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

City of Parma
Cuyahoga County
6611 Ridge Road
Parma, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 28, 2010, wherein we noted the City restated the December 31, 2007 capital asset balance, cash and cash equivalents with fiscal and escrow agents in the Debt Service Fund, and net assets of governmental activities. 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 expressing our opinions on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated April 28, 2010.

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 noncompliance or other matters that we reported to the City's management in a separate letter dated April 28, 2010.

The City Auditor's response to finding 2008-001 and the City Treasurer's response to finding 2008-002 identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

April 28, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. 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.

Federal programs on the Annual Contribution Contract C – Housing Assistance Payment Program are subjected to audit procedures under the OMB Circular A-133 and are reported on separately by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 apply to each of its major federal programs for the year ended December 31, 2008. In a separate letter to the City's management dated April 28, 2010 we reported a matter related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

April 28, 2010

CITY OF PARMA
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008

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)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<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 other 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant: CFDA #14.218 Home Investment Partnerships Program: CFDA #14.239
<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

**CITY OF PARMA
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008
(CONTINUED)**

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

FINDING NUMBER 2008-001

Statement on Auditing Standards 112 - Effects on Basic Financial Statements – Material Weakness

Paragraph 18 of the *Statement on Auditing Standards 112* documents that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

Sound financial reporting is the responsibility of the Auditor and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the City's accounting records:

1. The City's Capital Asset Activity footnote, Note 10, improperly reported "additions" in the Business Type Activities. Therefore, the following balances within the footnote changed:

The depreciable assets building balance at December 31, 2008 decreased by \$218,266, from \$427,797 to \$209,531. The total depreciable assets balance at December 31, 2008 decreased by \$218,266, from \$1,532,025 to \$1,313,759. The total depreciable assets, net balance at December 31, 2008 decreased by \$218,266, from \$707,114 to \$488,848. The overall effect on business-type activities capital assets, net of accumulated depreciation balance at December 31, 2008 decreased by \$218,266, from \$1,785,191 to \$1,566,925 (to agree to the Business-Type Activities Statement of Net Assets).

2. The City adjusted inception of capital leases in the City Income Tax Capital Acquisitions Fund due to unrecorded capital leases in 2007 (\$182,563) and 2008 (\$375,320). These adjustments resulted in an increase of \$557,883 to inception of capital leases in the City Income Tax Capital Acquisitions Fund.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the City Council adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year.

Officials' Response:

The City will work to eliminate this situation in the future.

**CITY OF PARMA
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008
(CONTINUED)**

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

FINDING NUMBER 2008-002

Reconciliation and Accountability over Parma Public Housing Agency – Significant Deficiency

Parma Public Housing Agency (the Agency) prepares and submits a monthly financial reporting package (including bank statements, a void check list, and a check register) to the City Treasurer's Office. The Treasurer monitors and reconciles the Agency's bank accounts. However, the Treasurer's reconciliation did not include all of the Agency's bank accounts, such as the Sweep Money Market Savings Account included in the National City Bank Operating Account. One reason for this could be the Agency opens and closes bank accounts without properly notifying the Treasurer. The Agency's accountant prepares the Agency's financial statements which are audited annually by an independent public accounting firm. Our review of the Agency's financial records reflects financial activity which does not agree with the activity the City is reporting in their accounting ledgers. The City reported financial activity for the Agency which does not account for accrual adjustments at year-end.

We recommend the Treasurer's reconciliation include all bank accounts for the Agency, and the cash activity reported by the Agency reconcile to the City's account ledgers. Year-end accrual adjustments reported by the Agency should be included in the City's financial reporting.

Officials' Response:

We will coordinate our efforts to ensure the Parma Public Housing Agency financial activity is reported monthly in the City's account ledgers, opening and closing of bank accounts are approved by the Treasurer's Office and year-end accrual adjustments are included in the City's financial reporting for the Agency.

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF PARMA
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.39, Appropriations Exceeding Estimated Resources.	No	Not corrected. <i>Re-issued as Management Letter Comment</i>
2007-002	Ohio Rev. Code Section 5705.10 (H), Negative Cash Fund Balances.	No	Not corrected. <i>Re-issued as Management Letter Comment</i>
2007-003	Statements on Auditing Standards 112 – Effects on Comprehensive Annual Financial Report	No	Not corrected. <i>Re-issued as 2008-001</i>
2007-004	Budgetary – Estimated Resources	Yes	
2007-005	Reconciliation and Accountability over Parma Public Housing Agency, financial records reflected financial activity which did not agree with the activity the City reported.	No	Not corrected. <i>Re-issued as 2008-002.</i>



Mary Taylor, CPA
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
JUNE 22, 2010**