



Dave Yost • Auditor of State

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund.....	19
Statement of Fiduciary Assets and Liabilities – Agency Funds	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures.....	45
Notes to the Schedule of Federal Awards Expenditures	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	49
Schedule of Findings.....	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

September 21, 2011

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Management's discussion and analysis of the City of Parma Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- Total net assets increased by \$ 5,167,960 or 19.3% in 2010. This was comprised of an increase in unrestricted net assets of \$ 7,773,363, which was offset by decreases in invested in capital assets, net of related debt of \$ 1,715,143 and restricted net assets of \$ 890,260.
- Capital assets, net of depreciation, increased by \$ 2,926,522 or 10.1% in 2010. The majority of this increase is the result of large construction projects not fully completed in construction in process.
- Current and other assets increased by \$ 895,272 or 6.0% in 2010. The most notable changes in current and other assets were increases in the total equity in pooled cash and cash equivalents of \$ 610,517, accounts receivable of \$ 220,364, and due from other governments of \$ 447,163 offset by a significant decrease of \$ 307,470 in taxes receivable.
- Total liabilities decreased by \$ 1,346,166 or 7.8% in 2010. This decrease was largely due to decreases in accounts payable of \$ 209,342, accrued wages and salaries of \$ 228,840, due to other governments of \$147,212 and long term debt of \$ 2,355,693.

Using This Financial Report

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

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

Reporting the City of Parma Heights As A Whole

Statement of Net Assets and the Statement of Net Activities

While this document contains information about the funds used by the City to provide services to our residents, the view of the City as a whole considers all financial transactions and measures how the City did financially during fiscal year 2010. The *Statement of Net Assets* and the *Statement of Activities* include assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. The changes in assets are important because it tells whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

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

Reporting the City of Parma Heights' Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 UNAUDITED

The City of Parma Heights As A Whole

The Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

Table 1
 Total Net Assets

	2010	2009
Assets		
Current and other assets	\$ 15,902,434	\$ 15,007,162
Capital assets, net	31,940,884	29,014,362
Total assets	47,843,318	44,021,524
Liabilities		
Current liabilities	5,657,627	4,648,100
Long term liabilities		
Due within one year	3,752,494	5,408,678
Due in more than one year	6,428,966	7,128,475
Total liabilities	15,839,087	17,185,253
Net assets		
Invested in capital assets, net of related debt	20,113,650	21,828,793
Restricted	4,551,006	5,441,266
Unrestricted	7,339,575	(433,788)
Total net assets	\$ 32,004,231	\$ 26,836,271

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. For the City of Parma Heights, total assets exceed total liabilities by \$ 32,004,231 as of December 31, 2010.

The largest portion of the City's net assets (62.8%) reflects investments in capital assets (land, buildings, machinery, equipment, construction in progress, vehicles and infrastructure) less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's residents; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets increased by \$ 3,821,794 from 2009 to 2010, and the City's total liabilities decreased by \$ 1,346,166. The increase in assets is the result of a net increase to current assets (equity in pooled cash, accounts receivables, due to other governments, inventory, prepaids, and taxes and special assessment receivables) of \$ 895,272 and a net increase in the additions, deletions, and depreciation of capital assets during the year of \$ 2,926,522.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 UNAUDITED

The decrease in liabilities of \$ 1,346,166 has occurred in part to decreases in accounts payable, accrued wages and salaries, due to other governments and the paying down of long term debt.

The City's net assets increased by \$ 5,167,960 during the current year. The increase was primarily due to construction projects financed through Issue 1 grants and reimbursements from other local governments, reduction of long term debt and other current liabilities and an increase of equity in pooled cash due to the issuance of notes in 2010.

In order to further understand what makes up the changes in net assets for the current year, the following Table 2 provides further details regarding the results of activities for the current year and 2009.

Table 2
 Changes in Net Assets

	2010	2009
Revenues		
Program revenues		
Charges for services and sales	\$ 2,122,624	\$ 1,736,293
Operating grants and contributions	193,546	278,038
Capital grants and contributions	5,040,736	1,831,754
Total program revenues	7,356,906	3,846,085
General revenues		
Property taxes and special assessments	3,602,389	3,661,430
Income taxes	7,485,011	7,589,499
Grants and entitlements, unrestricted	2,415,480	2,370,328
Interest	40,817	22,982
Miscellaneous	558,195	674,461
Total general revenues	14,101,892	14,318,700
Total revenues	21,458,798	18,164,785
Program expenses		
Security of persons and property	7,847,133	8,539,235
Public health and welfare	375,773	791,882
Leisure time activities	519,050	662,871
Community environment	2,780,283	2,542,594
Basic utility services	1,024,663	1,100,531
Transportation	1,415,758	2,117,714
General government	1,865,090	3,272,731
Interest	463,088	406,924
Total program expenses	16,290,838	19,434,482
Increase (decrease) in net assets	5,167,960	(1,269,697)
Net asset at beginning of year	26,836,271	28,105,968
Net assets at end of year	\$ 32,004,231	\$ 26,836,271

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 UNAUDITED

Governmental Activities

Several revenue sources fund our governmental activities, with property tax and income tax usually being the largest contributors. However in 2010, the City's largest contributor was municipal income tax with 34.9% of total revenue and program revenue which received several capital grants making program revenue the second largest contributor with 34.3% of total revenue. Property taxes were 16.8% and grants and entitlements, unrestricted in general revenue, totaling \$ 2,415,480 accounts for 11.3% of total governmental activity revenue. These unrestricted grants and entitlements are comprised of distributions from the State and County.

Security of persons and property, including our Police and Fire Departments, accounted for \$ 7,847,133, which is 48.2% of total governmental activity expenses. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for \$ 1,865,090 or 11.4%. The remaining 40.4% of the governmental activity expense was divided between the remaining six areas of functional expense: Public health and welfare, Leisure time activities, Community environment, Basic utility services, Transportation and Interest.

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

Table 3
 Governmental Activities

	Total Cost	Net Expense
Program expenses		
Security of persons and property	\$ 7,847,133	\$ 6,412,696
Public health and welfare	375,773	254,989
Leisure time activities	519,050	(232,512)
Community environment	2,780,283	2,594,185
Basic utility services	1,024,663	(1,376,132)
Transportation	1,415,758	(389,559)
General government	1,865,090	1,207,177
Interest	463,088	463,088
Total cost of services	<u>\$ 16,290,838</u>	<u>\$ 8,933,932</u>

Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2010, there was a difference of \$ 7,356,906 between the Total Cost of Services and the Net Cost of Services. The most significant contributing factors are as follows:

- Security of persons and property expenses were reduced by \$ 1,434,437 primarily through charges for services and sales consisting of Mayor's Court fines and costs, Parma Municipal Court fines and costs reflecting Parma Heights' cases heard at the municipal court, and various operating grants and fees charged for ambulance services. The City also received a capital grant for the purchase of fire equipment.
- Leisure time activities expenses were reduced by \$ 751,562 primarily through charges for services and sales for parks and recreation programs and communication tower site lease payments for tower sites located on recreation properties. The City received a capital grant for improvements to city parks.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

- Community environment expenses were reduced by \$ 186,098, in program revenue which consists of building department permits and commercial license fees.
- Public health and welfare expenses were reduced by \$ 120,784 in program revenues derived from miscellaneous grants.
- Basic utility services were reduced by \$ 2,400,795 due primarily to capital contributions for the water main projects.
- Transportation was reduced by \$ 1,805,317 due to an Issue 1 grant for road construction.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 21,489,205 and total expenditures of \$ 24,696,855. The most significant fund is the General Fund, which had a fund balance at year-end of \$ 1,102,230. General Fund revenue plus other financing sources exceed expenditures plus other financing uses by \$ 502,495.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The City amended its General Fund budget throughout fiscal year 2010 to reflect changes in circumstances against budgeted estimates. All recommendations for budget amendments are initially presented to the Finance Committee of Council for review before being presented to the full City Council. The whole Council then enacts the budgetary changes by adopting an Amended Appropriations Ordinance. The General Fund supports many of the City's major activities or services, such as Police and Fire Departments, the Department of Public Service, as well as the Legislative and Executive activities. The General Fund is monitored closely, looking for possible revenue short falls or overspending by individual departments.

The original budgeted revenues for the General Fund were \$ 13,792,866, as certified to the County Budget Commission in December 2009. The final budgeted revenue amount was \$ 13,707,432, as certified to the County Budget Commission in December 2010. The decrease in budgeted revenues of \$ 85,434 was derived primarily from the following: a decrease in income tax revenues of \$137,500, a decrease in court fines/costs of \$ 251,250, a decrease in ambulance usage fees of \$69,376, a decrease in sanitary sewer maintenance cost reimbursements of \$ 25,000, and a decrease in intergovernmental grants of \$23,635. These decreases were offset by the following increases in budgeted revenues: an increase in property tax revenues of \$91,038, an increase in commercial activity tax of \$ 40,900, an increase in cell tower lease fees of \$ 71,000, an increase in refunds and reimbursements of \$ 60,000 (due primarily to a one time insurance reimbursement), an increase in cable franchise fees of \$ 34,000, an increase in estate taxes of \$ 31,000, and revenue of \$ 116,000 from traffic speed enforcement cameras installed during 2010. The City collected slightly in excess of 100% of its budgeted revenue total for 2010.

The original appropriations or expenditure estimates, for the General Fund was \$ 13,883,214. The final appropriation total was \$ 14,085,608. The increase of \$ 202,394 was primarily due to increases in the following program areas: \$89,711 in security of persons and property, \$ 43,429 in public health and welfare, \$ 213,377 in community environment. These increases were offset by decreases in the following program areas: \$3,143 in leisure time activities, \$75,500 in basic utility services and \$65,480 in general government.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 UNAUDITED

Capital Assets and Debt Administration

Capital Assets

Table 4
 Capital Assets
 (Net of Depreciation)

	2010	2009
Land	\$ 1,344,328	\$ 1,344,328
Construction in process	6,367,794	1,969,108
Buildings and improvements	2,413,618	2,370,382
Machinery, equipment and vehicles	2,518,317	2,013,443
Infrastructure	19,296,827	21,317,101
	\$ 31,940,884	\$ 29,014,362

The City's total capital assets for governmental activities increased in 2010 by \$ 2,926,522. The majority of this increase was from construction projects accounted for in construction in process. (See Note 7 for additional detailed information on Capital Assets).

Debt

As of December 31, 2010, the City of Parma Heights had \$ 10,181,460 in long-term debt obligations, comprised as shown below. Payments due within one year total \$ 3,752,494.

Table 5
 Long-Term Debt

	2010	2009
Loans payable	\$ 687,043	\$ 763,937
Bond anticipation note	3,085,000	3,010,000
Various purpose notes	-	1,650,000
Bonds payable		
General obligation bonds	4,555,000	5,010,000
Special assessment bonds	235,466	262,086
Capital lease obligations	509,382	699,546
Compensated absences	1,109,569	1,141,584
	\$ 10,181,460	\$ 12,537,153

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

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

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

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

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

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

Note 9 and Note 10 of the financial statements present additional information about the City's debt.

Current Financial Outlook

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

The City has maintained core services, despite the following factors resulting from the adverse economy. 2010 income tax revenues, while beginning to increase (approximately .37% over 2009) are still lagging behind 2008 levels by 5%; as job losses, workweek hour reductions and overtime reductions continue among employers in our region. While the City's 2011 budget continues to reflect the county wide devaluation of property values and overall flat revenues; income tax revenues for the first five months of the year are running 2.80% ahead of 2010 collections for the same period.

The City responded to these overall flat revenue reductions with ongoing workweek hour reductions and furlough days, reduction in benefits, and wage freezes in 2010. These cost reduction efforts have accelerated in 2011 with executive level pay cuts, additional furlough time, lay-offs, and consolidation of positions. The City also instituted a fee for the collection of refuse and recyclables, effective April 1, 2010. These efforts are allowing the City to continue offering the same level of core services.

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

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

Contacting the City's Finance Department

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

This page intentionally left blank.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2010

	Governmental Activities
Assets	
Equity in pooled cash	\$ 3,103,345
Accounts receivable	285,450
Due from other governments	1,907,136
Inventories and supplies	133,394
Prepaid items	22,112
Taxes receivable	7,485,644
Special assessments receivable	2,965,353
Capital assets	
Nondepreciable capital assets	7,712,122
Depreciable capital assets, net	24,228,762
Total assets	47,843,318
 Liabilities	
Accounts and contracts payable	625,859
Claims payable	104,853
Accrued salaries, wages and benefits	82,147
Accrued interest payable	93,033
Matured bonds and coupons payable	23,126
Due to other governments	715,828
Deferred revenue	2,352,781
Notes payable	1,660,000
Long term liabilities	
Due within one year	3,752,494
Due in more than one year	6,428,966
Total liabilities	15,839,087
 Net assets	
Invested in capital assets, net of related debt	20,113,650
Restricted for:	
Debt service	3,496,693
Capital projects	314,525
Highway and streets	555,870
Public safety	34,608
Recreation	148,686
Other purposes	624
Unrestricted	7,339,575
Total net assets	\$ 32,004,231

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Security of persons and property	\$ 7,847,133	\$ 1,105,177	\$ 100	\$ 329,160	\$ (6,412,696)
Public health and welfare	375,773	-	120,784	-	(254,989)
Leisure time activities	519,050	220,259	69,167	462,136	232,512
Community environment	2,780,283	186,098	-	-	(2,594,185)
Basic utility services	1,024,663	174,442	-	2,226,353	1,376,132
Transportation	1,415,758	-	-	1,805,317	389,559
General government	1,865,090	436,648	3,495	217,770	(1,207,177)
Interest	463,088	-	-	-	(463,088)
Total governmental activities	<u>\$ 16,290,838</u>	<u>\$ 2,122,624</u>	<u>\$ 193,546</u>	<u>\$ 5,040,736</u>	<u>(8,933,932)</u>

General revenues

Property taxes and special assessments levied for:

General purpose	2,499,562
Other purposes	345,968
Debt service	604,812
Capital improvements	152,047

Municipal income taxes levied for:

General purpose	7,485,011
Grants and entitlements not restricted to specific purposes	2,415,480
Interest	40,817
Miscellaneous	558,195

Total general revenues 14,101,892

Change in net assets	5,167,960
Net assets at beginning of year	26,836,271
Net assets at end of year	<u>\$ 32,004,231</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 BALANCE SHEET – GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash	\$ 554,067	\$ 351,202	\$ 1,989,657	\$ 185,293	\$ 3,080,219
Restricted cash	-	23,126	-	-	23,126
Taxes receivable	6,377,178	601,628	-	506,838	7,485,644
Special assessments receivable	-	2,965,353	-	-	2,965,353
Due from other governments	1,016,737	44,300	304,747	541,352	1,907,136
Accounts receivable	57,930	-	-	227,520	285,450
Inventories and supplies	21,429	-	-	111,965	133,394
Prepaid items	21,637	-	-	475	22,112
Total assets	\$ 8,048,978	\$ 3,985,609	\$ 2,294,404	\$ 1,573,443	\$ 15,902,434
Liabilities and fund balances					
Liabilities					
Accounts and contracts payable	\$ 60,410	\$ -	\$ 492,678	\$ 72,771	\$ 625,859
Claims payable	104,853	-	-	-	104,853
Accrued salaries, wages and benefits	80,602	-	-	1,545	82,147
Accrued interest payable	-	-	63,355	-	63,355
Due to other governments	629,996	-	-	85,832	715,828
Matured bonds and coupons payable	-	23,126	-	-	23,126
Deferred revenue	6,070,887	3,486,261	304,747	886,986	10,748,881
Note payable	-	-	1,660,000	-	1,660,000
Total liabilities	6,946,748	3,509,387	2,520,780	1,047,134	14,024,049
Fund balances					
Reserved for encumbrances	33,065	-	-	3,528	36,593
Reserved for prepaid items	21,637	-	-	475	22,112
Reserved for inventories	21,429	-	-	111,965	133,394
Unreserved, reported in					
General Fund	1,026,099	-	-	-	1,026,099
Special Revenue Funds	-	-	-	115,224	115,224
Debt Service Fund	-	476,222	-	-	476,222
Capital Projects Funds	-	-	(226,376)	295,117	68,741
Total fund balances	1,102,230	476,222	(226,376)	526,309	1,878,385
Total liabilities and fund balances	\$ 8,048,978	\$ 3,985,609	\$ 2,294,404	\$ 1,573,443	\$ 15,902,434

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2010

Total governmental fund balances		\$	1,878,385
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			31,940,884
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:			
Property and other local taxes	156,165		
Municipal income tax	3,630,443		
Intergovernmental	1,627,636		
Special assessments	2,965,353		
Miscellaneous	16,503		
			8,396,100
In the statement of activities, interest is accrued on outstanding long term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(29,678)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Loans payable	(687,043)		
Note payable	(3,085,000)		
General obligation bonds	(4,555,000)		
Special assessment bonds	(235,466)		
Capital leases	(509,382)		
Compensated absences	(1,109,569)		
			(10,181,460)
Net assets of governmental activities		\$	32,004,231

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS
 CUYAHOGA COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and other local taxes	\$ 2,442,144	\$ 578,980	\$ -	\$ 487,562	\$ 3,508,686
Municipal income taxes	7,775,267	-	-	-	7,775,267
Intergovernmental	1,510,768	88,523	4,031,670	1,733,882	7,364,843
Special assessments	-	72,132	-	11,463	83,595
Charges for services	1,276,166	-	-	193,851	1,470,017
Fines, licenses and permits	674,039	-	-	5,415	679,454
Interest	5,027	35,000	790	-	40,817
Miscellaneous	319,132	-	-	247,394	566,526
Total revenues	14,002,543	774,635	4,032,460	2,679,567	21,489,205
Expenditures					
Current					
Security of persons and property	8,399,669	-	-	209,530	8,609,199
Public health and welfare	374,606	-	-	-	374,606
Leisure time activities	155,902	-	-	324,912	480,814
Community environment	2,249,362	-	-	536,174	2,785,536
Basic utility services	147,577	-	-	-	147,577
Transportation	-	-	-	736,370	736,370
General government	1,797,099	-	-	6,780	1,803,879
Capital outlay	-	-	3,391,584	488,324	3,879,908
Debt service					
Principal	-	558,514	4,660,000	-	5,218,514
Capital lease	190,164	-	-	-	190,164
Interest and fiscal charges	65,169	279,339	125,780	-	470,288
Total expenditures	13,379,548	837,853	8,177,364	2,302,090	24,696,855
Excess (deficiency) of revenues over expenditures	622,995	(63,218)	(4,144,904)	377,477	(3,207,650)
Other financing sources (uses)					
Transfers-in	1,200	125,000	-	120,500	246,700
Transfers-out	(121,700)	-	-	(125,000)	(246,700)
Note proceeds	-	-	3,085,000	-	3,085,000
Total other financing sources (uses)	(120,500)	125,000	3,085,000	(4,500)	3,085,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	502,495	61,782	(1,059,904)	372,977	(122,650)
Fund balances, beginning of year	599,735	414,440	833,528	153,332	2,001,035
Fund balances, end of year	<u>\$ 1,102,230</u>	<u>\$ 476,222</u>	<u>\$ (226,376)</u>	<u>\$ 526,309</u>	<u>\$ 1,878,385</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds		\$ (122,650)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
	Capital outlay	5,695,826
	Loss on disposal of assets	(8,616)
	Depreciation expense	<u>(2,760,686)</u>
		2,926,524
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
	Municipal income tax	(290,256)
	Property and other local taxes	(6,313)
	Miscellaneous	(39,999)
	Special assessments	(45,100)
	Intergovernmental	<u>351,261</u>
		(30,407)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	Loan principal paid	76,894
	Note principal paid	4,660,000
	Bond principal paid	481,620
	Capital lease principal paid	<u>190,164</u>
		5,408,678
<p>The issuance of long-term debt, bonds and capital leases, provide current financial resources to governmental funds but increases long-term liabilities in the statement of net assets.</p>		
		(3,085,000)
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		38,800
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>32,015</u>
Change in net assets of governmental activities		<u>\$ 5,167,960</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and other local taxes	\$ 2,150,099	\$ 2,241,137	\$ 2,222,017	\$ (19,120)
Municipal income taxes	7,790,490	7,715,770	7,829,171	113,401
Intergovernmental	1,579,736	1,564,585	1,587,580	22,995
Charges for services	1,341,295	1,245,815	1,227,551	(18,264)
Fines, licenses and permits	670,709	664,276	674,039	9,763
Interest	2,151	4,821	4,851	30
Miscellaneous	258,386	271,028	274,789	3,761
Total revenue	13,792,866	13,707,432	13,819,998	112,566
Expenditures				
Current				
Security of persons and property	8,739,208	8,828,919	8,898,698	(69,779)
Public health and welfare	340,880	384,309	380,509	3,800
Leisure time activities	169,106	165,963	165,096	867
Community environment	2,061,742	2,275,119	2,269,461	5,658
Basic utility services	237,450	161,950	157,819	4,131
General government	2,334,828	2,269,348	2,095,770	173,578
Total expenditures	13,883,214	14,085,608	13,967,353	118,255
Excess (deficiency) of revenues over expenditures	(90,348)	(378,176)	(147,355)	230,821
Other financing sources (uses)				
Transfers-in	-	1,200	1,200	-
Transfers-out	-	(121,875)	(121,875)	-
Total other financing sources (uses)	-	(120,675)	(120,675)	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(90,348)	(498,851)	(268,030)	230,821
Prior year encumbrances	41,318	41,318	41,318	-
Fund balance, at beginning of year	654,176	654,176	654,176	-
Fund balance, at end of year	\$ 605,146	\$ 196,643	\$ 427,464	\$ 230,821

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010

Assets	
Equity in pooled cash	\$ 55,709
Total assets	<u>55,709</u>
Liabilities	
Accounts payable	87
Due to other governments	300
Due to others	<u>55,322</u>
Total liabilities	<u>\$ 55,709</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

Southwest Council of Governments – The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to area wide interest. This is a jointly governed organization. The City's participation is disclosed in Note 14.

Parma Community General Hospital Association – The Parma Community General Hospital Association is a not-for-profit adult care hospital controlled by a Board of Trustees which is composed of mayoral appointees from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills and Brooklyn Heights. This is a jointly governed organization. The City's participation is disclosed in Note 14.

Northeast Ohio Public Energy Council – The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. This is a jointly governed organization. The City's participation is disclosed in Note 14.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS

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

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

D. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. BUDGETARY PROCESS

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

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

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

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND CASH EQUIVALENTS

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

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

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

	Actual Interest Credited	Amount Assigned to Other City Funds
General fund	\$ 5,027	\$ 3,351

G. INVENTORY

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

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which it was consumed.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

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

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

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

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

J. INTERFUND BALANCES

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

K. COMPENSATED ABSENCES

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

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. FUND BALANCE RESERVES

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

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government wide statement of net assets reports \$ 4,551,006 of restricted net assets none which is restricted by enabling legislation. Net assets restricted for other purposes include the activities for the operation of street construction, maintenance and repair and amounts from federal and state grants.

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

O. INTERFUND ACTIVITY

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

P. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. ESTIMATES

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Net Change in Fund Balance
	General Fund
Budget basis	\$ (268,030)
Adjustments, increase (decrease)	
Revenue accruals	182,545
Expenditure accruals	587,980
GAAP basis, as reported	\$ 502,495

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2010, Police Pension, Fire Pension, and Capital Projects funds had deficit fund balances of \$ 21,509, \$ 21,509, and \$ 226,376, respectively. These deficit fund balances are the result of adjustments for accrued liabilities in these funds. The General fund is liable for any deficits in these funds and provides transfers when cash is needed, not when accruals occur.

Contrary to Ohio Revised Code (ORC) 5705.41(B), budgetary expenditures exceeded appropriations by \$ 69,779 in the General fund, Security of Persons and Property line item at December 31, 2010.

NOTE 5 – DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

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

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

B. DEPOSITS

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City’s deposits was \$ 1,231,419 and the bank balance was \$ 1,911,116. Of the bank balance, \$ 579,559 is collateralized by federal depository insurance and \$ 1,331,557 was uninsured. Of the remaining balance, \$ 1,331,557 was collateralized with securities held by the pledging institution’s trust department not in the District’s name.

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

C. INVESTMENTS

As of December 31, 2010, the City had the following investments.

	Maturities	Fair Value
Investment in STAR Ohio	less than 6 months	\$ 1,927,635

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

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

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2010, the City's investments in STAR Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that may be invested in any one issuer. The City's allocation as of December 31, 2010 was 100 percent invested in STAR Ohio.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, and miscellaneous accounts receivable.

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

Special assessments expected to be collected in more than one year amount to \$ 2.6 million in the Bond Retirement Fund. At December 31, 2010, the amount of delinquent special assessments was \$ 688,678.

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2009 taxes.

The 2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 6 – RECEIVABLES (continued)

A. PROPERTY TAXES

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009.

The full tax rate for all City operations for the year ended December 31, 2010, was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property - 2010		
Residential/agricultural	\$	262,901,500
Other real estate		80,750,170
Tangible personal property - 2010		
Public utilities		4,005,430
Total valuation	\$	347,657,100

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

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

B. INCOME TAXES

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

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

C. DUE FROM OTHER GOVERNMENTS

A summary of due from other governments follows:

Homestead and rollback	\$	232,900
Gasoline tax		305,500
Grants		19,733
Local government		499,464
Motor vehicle		66,475
Auto registration		62,500
Estate tax		311,912
Miscellaneous		408,652
	\$	1,907,136

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Addition</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
Governmental activities				
Nondepreciable capital assets				
Land	\$ 1,344,328	\$ -	\$ -	\$ 1,344,328
Construction in process	1,969,108	4,572,319	173,633	6,367,794
	<u>3,313,436</u>	<u>4,572,319</u>	<u>173,633</u>	<u>7,712,122</u>
Depreciable capital assets				
Buildings and improvements	8,882,697	355,619	-	9,238,316
Machinery, equipment and vehicles	6,251,460	941,521	84,172	7,108,809
Infrastructure	70,973,341	-	-	70,973,341
Total capital assets being depreciated	<u>86,107,498</u>	<u>1,297,140</u>	<u>84,172</u>	<u>87,320,466</u>
Less accumulated depreciation				
Buildings and improvements	6,512,315	312,383	-	6,824,698
Machinery, equipment and vehicles	4,238,017	428,029	75,554	4,590,492
Infrastructure	49,656,240	2,020,274	-	51,676,514
Total accumulated depreciation	<u>60,406,572</u>	<u>2,760,686</u>	<u>75,554</u>	<u>63,091,704</u>
Depreciable capital assets, net of accumulated depreciation	<u>25,700,926</u>	<u>(1,463,546)</u>	<u>8,618</u>	<u>24,228,762</u>
Governmental activities capital assets, net	<u>\$ 29,014,362</u>	<u>\$ 3,108,773</u>	<u>\$ 182,251</u>	<u>\$ 31,940,884</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 70,343
Security of persons and property	287,921
Transportation	1,310,676
Basic utility services	875,998
Leisure time activities	215,748
Total depreciation expense	<u>\$ 2,760,686</u>

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 8 – NOTE PAYABLES

Note payable during the year consisted of the following various purpose bond anticipation notes:

	Outstanding 12/31/09	Additions	Reductions	Outstanding 12/31/10
Bond anticipation notes				
Various purposes notes				
Maturity 4-27-11, 1.50%	\$ -	\$ 1,660,000	\$ -	\$ 1,660,000

NOTE 9 – LONG-TERM DEBT

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

	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Bond anticipation notes				
Street improvement notes	9-1-10	9-1-11	1.25%	\$ 3,085,000
General obligation bonds				
Recreational facilities improvement	2001	2021	2.00% - 5.50%	2,750,000
Street improvement	2004	2019	2.00% - 5.00%	4,075,000
Various purpose improvements	2006	2011	4.00% - 4.25%	380,000
Special assessment bonds				
Retaining wall improvements	1990	2010	7.50%	32,772
Street improvements	1992	2012	6.25%	20,278
Street improvements	1995	2015	6.25%	28,513
Street improvements	1995	2015	6.20%	98,963
Street improvements	1998	2017	6.25%	40,008
Street improvements	1999	2019	5.75%	320,000
Ohio Public Works Commission loan	1999	2019	0.00%	356,940
Ohio Public Works Commission loan	1999	2019	0.00%	360,306
Ohio Public Works Commission loan	2002	2022	0.00%	368,333
Ohio Public Works Commission loan	2002	2022	0.00%	185,183
Ohio Water Development Authority loan	1995	2015	4.18%	218,870

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 9 – LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2010 were as follows:

	Outstanding 12/31/09	Additions	Reductions	Outstanding 12/31/10	Amount Due In One Year
Bond anticipation notes:					
Street improvement notes					
Maturity 9-8-10, 2.25%	\$ 3,010,000	\$ -	\$ 3,010,000	\$ -	\$ -
Maturity 9-1-11, 1.25%		3,085,000	-	3,085,000	3,085,000
Various purposes notes					
Maturity 4-10-10, 3.00%	1,650,000	-	1,650,000	-	-
	<u>4,660,000</u>	<u>3,085,000</u>	<u>4,660,000</u>	<u>3,085,000</u>	<u>3,085,000</u>
General obligations bonds:					
Recreational facilities improvement	1,940,000	-	115,000	1,825,000	120,000
Street improvements	2,910,000	-	260,000	2,650,000	265,000
Various purpose improvement	160,000	-	80,000	80,000	80,000
	<u>5,010,000</u>	<u>-</u>	<u>455,000</u>	<u>4,555,000</u>	<u>465,000</u>
Special assessment bonds:					
Retaining wall improvements	1,636	-	1,636	-	-
Street improvements	3,041	-	1,014	2,027	1,014
Street improvements	8,553	-	1,426	7,127	1,426
Street improvements	29,690	-	4,948	24,742	4,948
Street improvements	16,000	-	2,000	14,000	2,000
Street improvements	203,166	-	15,596	187,570	16,492
	<u>262,086</u>	<u>-</u>	<u>26,620</u>	<u>235,466</u>	<u>25,880</u>
Ohio Public Works Commission loans:					
Concrete street reconstruction	169,548	-	17,847	151,701	17,847
Concrete street reconstruction	171,145	-	18,015	153,130	18,016
Concrete street reconstruction	230,206	-	18,417	211,789	18,417
Concrete street reconstruction	120,369	-	9,259	111,110	9,259
	<u>691,268</u>	<u>-</u>	<u>63,538</u>	<u>627,730</u>	<u>63,539</u>
Ohio Water Development Authority Loan	<u>72,669</u>	<u>-</u>	<u>13,356</u>	<u>59,313</u>	<u>13,920</u>
Capital lease obligations	<u>699,546</u>	<u>-</u>	<u>190,164</u>	<u>509,382</u>	<u>99,155</u>
Compensated absences	<u>1,141,584</u>	<u>37,459</u>	<u>69,474</u>	<u>1,109,569</u>	<u>-</u>
	<u>\$ 12,537,153</u>	<u>\$ 3,122,459</u>	<u>\$ 5,478,152</u>	<u>\$ 10,181,460</u>	<u>\$ 3,752,494</u>

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

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 9 – LONG-TERM DEBT (continued)

Debt service requirements to retire bonds payable and loans payable outstanding at December 31, 2010 consisted of:

Year	Principal	Interest	Total
2011	\$ 3,653,339	\$ 228,547	\$ 3,881,886
2012	504,875	209,056	713,931
2013	525,477	190,218	715,695
2014	537,181	169,887	707,068
2015	522,536	148,450	670,986
2016-2020	2,552,963	367,772	2,920,735
2021-2022	266,138	10,450	276,588
	<u>\$ 8,562,509</u>	<u>\$ 1,324,380</u>	<u>\$ 9,886,889</u>

NOTE 10 – CAPITAL LEASE

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligation is included under long-term debt. At December 31, 2010, assets under capital lease totaled \$ 1,080,045 with related accumulated depreciation of \$ 219,772. The leases are in effect through 2018. The following is a schedule of future minimum lease payments under capital lease together with the net present value of the minimum lease payments as of December 31, 2010.

	Amount
2011	\$ 122,973
2012	122,973
2013	108,142
2014	108,142
2015	75,369
2016-2018	47,445
Total minimum lease payments	585,044
Less amount representing interest	75,662
Net present value of minimum lease payments	<u>\$ 509,382</u>

NOTE 11 – INTERFUND TRANSFERS

Council authorized the transfers of \$ 125,000 from non-major funds to Debt Retirement fund to pay the debt service payments and \$121,700 from the General Fund to non-major funds to cover fund expenditures.

	Transfer from:		Total
	General Fund	Non-major Funds	
Transfers to:			
Debt Retirement	\$ -	\$ 125,000	\$ 125,000
Non-Major Funds	121,700	-	121,700
	<u>\$ 121,700</u>	<u>\$ 125,000</u>	<u>\$ 246,700</u>

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the traditional pension plan - a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year), members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the combined plan - a cost-sharing, multiple-employer defined benefit pension plan where OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit, member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the member-directed plan. OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional pension plan. In 2010, member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The 2010 employer contribution rate for state and local employers was 14.00% of covered payroll. For both public safety and law enforcement divisions, the employer contribution rate was 17.87% for 2010.

The City's required contributions for pension obligations for all plans for the years ended December 31, 2010, 2009, and 2008, were \$ 318,882, \$ 296,708, and \$ 292,775, respectively; 86 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

B. OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's pension contributions to OP&F for police and firefighters were \$ 324,547 and \$ 405,190, respectively for the year ended December 31, 2010, \$323,437 and \$400,524, respectively for the year ended December 31, 2009, and \$ 329,803 and \$ 442,758, respectively for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 74 percent has been contributed for police officers and 73 percent has been contributed for firefighters for 2010.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 17.87%. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employers units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS allocated to fund post-employment benefits for the years ending December 31, 2010, 2009, and 2008, were \$ 182,437, \$ 220,647, and \$ 292,775, respectively; 86% has been contributed for 2010 and 100 percent for 2009 and 2008.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

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

B. OHIO POLICE AND FIRE PENSION FUND

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

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

The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$ 330,058, \$ 327,648, and \$ 347,854, respectively, of which \$ 22,279, \$ 22,116, and \$ 23,480, respectively, was allocated to the healthcare plan. 73% has been contributed for 2010 and 100 percent for 2009 and 2008.

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

A. SOUTHWEST COUNCIL OF GOVERNMENTS

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

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

B. PARMA COMMUNITY GENERAL HOSPITAL ASSOCIATION

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

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

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization. There does exist, however, a residual equity interest upon the dissolution or sale of the Hospital, according to the terms of the original agreement among the Cities. The City of Parma Heights has made no contributions to the Hospital during the year. The Hospital's financial statements may be obtained by contacting the Parma Community General Hospital, Parma, Ohio, 44129.

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 14 – JOINTLY GOVERNED ORGANIZATION (continued)

C. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

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

NOTE 15 – CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had contractual commitments as follows:

Project	Project Authorization	Expended to Date	Outstanding Commitments
Independence Blvd reconstruction	\$ 2,562,222	\$ 2,369,522	\$ 192,700
Parma Park resurfacing	558,412	541,005	17,407
Parma Park water main project	1,028,679	930,494	98,185
2009/10 Watermain replacement	1,070,500	898,021	172,479
2009/10 Watermain replacement	899,723	556,020	343,703
	<u>\$ 6,119,536</u>	<u>\$ 5,295,062</u>	<u>\$ 824,474</u>

NOTE 16 – CONTINGENCIES

For the year ended December 31, 2010, the City received assistance from various state and federal agencies. There are certain requirements of a compliance nature that have to be met and programs are subject to audit by the grantor agency. Any disallowed claims could be liabilities of the General Fund or other applicable funds. In the opinion of management, any claims that might arise would not have a material effect on the City's financial statements.

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

CITY OF PARMA HEIGHTS, OHIO
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 17 – RISK MANAGEMENT

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

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

At year-end, self-insurance was in effect for losses up to \$ 50,000 per participant, with an aggregate stop loss threshold for the 2010 contract year of \$ 1,000,000. Excess losses are insured by a private insurance company.

Liabilities are accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended December 31, 2010 and 2009 are as follows. Incurred claims and claims payments are not segregated between events related to the current year and events related to prior years due to the impracticability of obtaining such information by separate period.

	2010	2009
Unpaid claims, beginning of year	\$ 153,913	\$ 107,086
Incurred claims	1,340,005	1,409,708
Claims payment	(1,389,065)	(1,362,881)
Unpaid claims, end of year	\$ 104,853	\$ 153,913

NOTE 18 – SUBSEQUENT EVENT

In May of 2011, the City issued Street Improvement Bond Anticipation Notes in the amount of \$ 1,050,000 for the purpose of paying a portion of the costs of reconstructing Stumph Road from Snow Road to Pearl Road, including installing sanitary and storm sewer lines and storm drainage facilities, where necessary, and making all related improvements.

In August 2011, the City issued Street Improvement Bond Anticipation Notes in the amount of \$ 3,100,000 for the purpose of paying, in anticipation of a levy and collection of special assessments, the costs of constructing Cardinal Avenue and adjoining streets.

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

For 2010, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets."

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

This page intentionally left blank.

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Housing and Urban Development			
<i>Passed Through Cuyahoga County</i>			
Community Development Block Grant Cluster:			
Community Development Block Grant	14.218	\$325,000	\$0
ARRA Community Development Block Grant	14.253	<u>460,655</u>	<u>0</u>
Total Community Development Block Grant Cluster		<u>785,655</u>	<u>0</u>
Total U.S. Department of Housing and Urban Development		<u>785,655</u>	<u>0</u>
U.S. Department of Transportation			
<i>Passed Through University Hospitals</i>			
State and Community Highway Safety Grant	20.600	5,033	0
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	13,483	0
Total U.S. Department of Transportation		<u>18,516</u>	<u>0</u>
U.S. Department of Health and Human Services			
<i>Passed Through Western Reserve Area Agency on Aging</i>			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Cent	93.044	42,631	0
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	<u>0</u>	<u>170,534</u>
Total Aging Cluster		<u>42,631</u>	<u>170,534</u>
Nutrition Services Incentive Program	93.053	0	14,855
Total U.S. Department of Health and Human Services		<u>42,631</u>	<u>185,389</u>
U.S. Department of Justice			
<i>Passed Through Cuyahoga County</i>			
ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803	162,179	0
Total U.S. Department of Justice		<u>162,179</u>	<u>0</u>
Total Federal Disbursements		<u>\$1,008,981</u>	<u>\$185,389</u>

The accompanying notes are an integral part of this schedule.

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Parma Heights' (the City's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION PROGRAM

The City reports commodities consumed on the Schedule at the fair value. The City allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE C - 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.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 21, 2011.

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

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

Dave Yost
Auditor of State

September 21, 2011



Dave Yost • Auditor of State

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Parma Heights (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Parma Heights' major federal programs for the year ended December 31, 2010. 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.

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

In our opinion, the City of Parma Heights complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 21, 2011.

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



Dave Yost
Auditor of State

September 21, 2011

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for both major programs
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant – CFDA #14.218; and, ARRA-Community Development Block Grant – CFDA #14.253
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

CITY OF PARMA HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2011**