

# **City of Parma Heights, Ohio**

**Basic Financial Statements  
For the Year Ended December 31, 2014**





# Dave Yost • Auditor of State

Members of Council  
City of Parma Heights  
6281 Pearl Road  
Parma Heights, Ohio 44130

We have reviewed the *Independent Auditor's Report* of the City of Parma Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Parma Heights is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 17, 2015

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# City of Parma Heights, Ohio

For the Year Ended December 31, 2014

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## Independent Auditor's Report

Honorable Mayor and  
Members of City Council  
Parma Heights, Ohio

### Report on the Financial Statements

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, Ohio (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and  
Members of City Council  
Parma Heights, Ohio

***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, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
June 30, 2015

CITY OF PARMA HEIGHTS, OHIO  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
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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, 2014. 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 2014 are as follows:

- Total net position decreased by \$ 3,176,655 or 9.7% in 2014. This was comprised of a decrease in net investment in capital assets of \$ 1,824,070, unrestricted net position of \$ 992,235, and restricted net position of \$ 360,235.
- Capital assets, net of depreciation, decreased by \$ 2,665,157 or 8.6% in 2014. This decrease is the result of depreciation expense and capital asset disposals exceeding the amount of additions to capital assets.
- Current and other assets decreased by \$ 1,070,575 or 7.3% in 2014. The most notable changes in current and other assets were decreases in the equity in pooled cash and cash equivalents of \$ 1,011,389 and taxes receivable of \$ 108,202 which were offset by an increase of \$ 169,986 in due from other governments.
- Total liabilities decreased by \$ 446,316 or 4.3% in 2014. This decrease was largely due to decreases in notes payable of \$ 180,000 and long-term debt of \$ 507,085 which were offset by an increase in accounts payable of \$ 84,338 and claims payable of \$ 97,681.

**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 Position* 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. 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 Position and the Statement of 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 2014. The *Statement of Net Position* and the *Statement of Activities* include assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.



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These two statements report the City's net position and changes in that position. The changes in position 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.

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

- Assets
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (assets plus deferred inflows of resources minus liabilities minus deferred outflows of resources)
- Program expenses and revenues
- General revenues
- Net position beginning of year and net position end of year

### **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 the City of Parma Heights, the major governmental funds are the General Fund, 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 Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

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**The City of Parma Heights As A Whole**

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

**Table 1**  
 Total Net Position

	2014	2013
<b>Assets</b>		
Current and other assets	\$ 13,630,564	\$ 14,701,139
Capital assets, net	28,456,195	31,121,352
<b>Total assets</b>	<u>42,086,759</u>	<u>45,822,491</u>
Deferred outflows of resources	<u>31,946</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities	4,216,782	4,156,013
Long-term liabilities		
Due within one year	1,494,657	1,586,745
Due in more than one year	4,342,917	4,757,914
<b>Total liabilities</b>	<u>10,054,356</u>	<u>10,500,672</u>
Deferred inflows of resources	<u>2,435,522</u>	<u>2,516,337</u>
<b>Net position</b>		
Net investment in capital assets	21,276,295	23,100,365
Restricted	4,206,945	4,567,295
Unrestricted	4,145,587	5,137,822
<b>Total net position</b>	<u>\$ 29,628,827</u>	<u>\$ 32,805,482</u>

As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the City of Parma Heights, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$ 29,628,827 as of December 31, 2014.

The largest portion of the City's net position (71.8%) reflects net investments in capital assets (land, buildings and improvements, machinery, equipment and vehicles, construction in process, and infrastructure). These capital assets are used to provide services to the City's residents; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$ 3,735,732 from 2013 to 2014, and the City's total liabilities decreased by \$ 446,316. The decrease in assets is the result of a net decrease to current assets (equity in pooled cash, accounts receivables, due to other governments, inventory, prepaids, and taxes and special assessment receivables) of \$ 1,070,575 and a net decrease in the additions, deletions, and depreciation expense of capital assets during the year of \$ 2,665,157.

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The decrease in liabilities of \$ 446,316 has occurred due to decreases in notes payable and the paying down of long-term debt.

In order to further understand what makes up the changes in net position for the current year, the following Table 2 provides further details regarding the results of activities for 2014 and 2013.

**Table 2**  
 Changes in Net Position

	2014	2013
Revenues		
Program revenues		
Charges for services and sales	\$ 3,341,962	\$ 3,094,151
Operating grants and contributions	194,723	254,548
Capital grants and contributions	844,013	318,180
Total program revenues	4,380,698	3,666,879
General revenues		
Property taxes and special assessments	2,830,389	3,445,438
Income taxes	8,410,767	8,631,170
Grants and entitlements, unrestricted	1,499,583	2,053,150
Interest	12,866	22,325
Miscellaneous	674,088	740,039
Total general revenues	13,427,693	14,892,122
Total revenues	17,808,391	18,559,001
Program expenses		
Security of persons and property	10,364,878	9,735,196
Public health and welfare	320,189	364,358
Leisure time activities	993,274	831,571
Community environment	3,049,400	3,282,834
Basic utility services	1,124,531	1,120,861
Transportation	2,218,501	1,794,222
General government	2,686,087	2,146,938
Interest	228,186	238,573
Total program expenses	20,985,046	19,514,553
Decrease in net position	(3,176,655)	(955,552)
Net position at beginning of year	32,805,482	33,761,034
Net position at end of year	\$ 29,628,827	\$ 32,805,482

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**Governmental Activities**

Several revenue sources fund our governmental activities, with property tax and income tax usually being the largest contributors. However, in 2014, the City's largest contributor was municipal income tax with 47.2% of total revenue and program revenue was the second largest with 24.6%. Property taxes were 15.9% and grants and entitlements, unrestricted in general revenue, totaling \$ 1,499,583 accounts for 8.4% 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 \$ 10,364,878, which is 49.4% of total governmental activity expenses. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for \$ 2,686,087 or 12.8%. The remaining 37.8% 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	\$ 10,364,878	\$ (8,892,196)
Public health and welfare	320,189	(77,055)
Leisure time activities	993,274	(663,607)
Community environment	3,049,400	(2,765,917)
Basic utility services	1,124,531	(1,099,004)
Transportation	2,218,501	(716,215)
General government	2,686,087	(2,162,168)
Interest	228,186	(228,186)
Total cost of services	<u>\$ 20,985,046</u>	<u>\$ (16,604,348)</u>

Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2014, there was a difference of \$ 4,380,698 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 \$ 1,472,682 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, fines generated through traffic camera enforcement, revenue from assets confiscated as part of law enforcement investigations and various operating grants and fees charged for ambulance services.
- Leisure time activities expenses were reduced by \$ 329,667 primarily through charges for services and sales and donations for participation in parks, recreation, and senior programs.

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- Community environment expenses were reduced by \$ 283,483 through program revenue which consists of building department permit fees, commercial license fees, and grants for public environmental improvement projects.
- Public health and welfare expenses were reduced by \$ 243,134 of program revenues derived from miscellaneous grants utilized primarily for senior citizen programming, equipment acquisition and services.
- Basic utility services were reduced by \$ 25,527 a grant received for improving storm water drainage along street right of ways.
- Transportation services were reduced by \$ 1,502,286 in charges for services for gasoline usage taxes, motor vehicle licensing fees, and various state and county grants for road re-construction, sanitary and storm sewer replacement.
- General government expenses were reduced by \$ 523,919 in charges for services for internet café licenses, cable franchise fee and communication tower site lease payments, miscellaneous user fees, and \$ 5,000 in operating grants for the receipt of a recycling grant.

#### **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 revenues plus other financing sources of \$ 20,619,818 and expenditures plus other financing uses of \$ 21,627,104. The most significant fund is the General Fund, which had a fund balance at year-end of \$ 401,996. General Fund expenditures plus other financing uses exceed revenue plus other financing sources by \$ 995,257.

#### **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 2014 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, public service department, as well as the legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The original budgeted revenues for the General Fund were \$ 14,156,055, as certified to the County Budget Commission in January 2014. The final budgeted revenue amount was \$ 14,238,785, as certified to the County Budget Commission in December 2014. The increase in budgeted revenues of \$ 82,730 was derived primarily from increases in the following revenue categories: an increase of \$18,072 in property taxes, \$ 75,000 in local government fund revenues, an increase of \$33,945 in mayor's court revenues, an increase of \$24,675 in building permit and commercial license fees, an increase of \$61,410 in refunds and reimbursements (due primarily to a statewide refund of workers compensation premium overpayments), and an increase of \$12,000 in medical Insurance premium revenues. These budgetary revenue increases were offset by the following decreases in budgeted revenues: a decrease of \$ 65,000 in estate tax revenue, a decrease of \$61,335 in income tax revenues, a decrease of \$18,750 in cellular communication tower rental fees, and a decrease of \$11,390 in traffic/speed enforcement camera fines. The city collected 98.70% of its budgeted revenues in 2014.

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The original appropriations or expenditure estimates, for the General Fund was \$ 14,767,771. The final appropriation total was \$ 15,156,713. The increase of \$ 338,942 was primarily due to an increase of \$81,986 in general government expense, an increase in security of persons and property of \$269,354, and an increase of \$28,316 in leisure time activities. These increases were offset by a decrease of \$2,869 in public health and welfare expense and a decrease of \$37,845 in public service department expense.

**Capital Assets and Debt Administration**

**Capital Assets**

**Table 4**  
 Capital Assets  
 (Net of Depreciation)

	2014	2013
Land	\$ 1,421,777	\$ 1,421,777
Construction in process	104,919	1,331,080
Buildings and improvements	2,398,737	2,372,626
Machinery, equipment and vehicles	2,514,443	2,477,012
Infrastructure	22,016,319	23,518,857
	\$ 28,456,195	\$ 31,121,352

The City's total capital assets for governmental activities decreased in 2014 by \$ 2,665,157. The majority of this decrease was from depreciation expense exceeding the amount of capital assets added during 2014. See Note 8 for additional detailed information on capital assets.

**Debt**

As of December 31, 2014, the City of Parma Heights had \$ 5,837,574 in long-term debt obligations, comprised as shown below. Payments due within one year total \$ 1,494,657.

**Table 5**  
 Long-Term Debt

	2014	2013
Loans payable	\$ 373,580	\$ 452,882
Bond anticipation note	700,000	800,000
Bonds payable		
General obligation bonds	2,988,000	3,380,000
Special assessment bonds	155,941	155,941
Capital lease obligations	342,379	432,164
Compensated absences	1,277,674	1,123,672
	\$ 5,837,574	\$ 6,344,659

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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 receipted into the Bond Retirement Fund.

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

Loans payable consist of loans with the Ohio Public Works Commission (OPWC). 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.

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. The curbside recycling truck will be repaid in 2018. The police equipment leased in 2009 will be repaid in 2015. Police vehicles and equipment leased in 2013 will be repaid in 2015. The fire protective bunker gear leased in 2013 will be repaid in 2017. The police vehicles and equipment leased in 2014 will be repaid in 2016.

The compensated absence represents estimated severance that will be repaid from the funds from which employee's 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, Note 10 and Note 11 of the financial statements present additional information about the City's debt.

**Current Financial Outlook**

The City of Parma Heights remains committed to a "store by store, block by block, street by street" approach to economic re-development. This philosophy recognizes the fact that the city is virtually 100% built-out; and re-development of the existing tax base is vital to counteracting the ongoing state funding cutbacks and agonizingly slow regional economic recovery.

Administratively, the goal continues to be managing what can be controlled locally through prudent allocation of our resources and aggressive grantsmanship to expand revenue sources and managing expenditures through conservative budgeting, while also focusing on more innovative shared services opportunities with neighboring communities. Planning began in 2014 for a three city regional dispatch center, for police, fire and emergency rescue dispatch services. This regional center is expected to be operational by August 1, 2015. A major redevelopment planning study, funded by a NOACA grant began in 2014, with the goal of recommending concepts to revitalize the city's primary commercial corridor. Emphasis continues to be placed on persistent economic development efforts to facilitate market decisions, which while beyond our immediate control, are certainly within our scope of local influence.

Critical to the city's efforts to encourage revitalization of our aging property tax base and encourage new or enhanced business growth is the community reinvestment area legislation enacted during 2013. This legislation establishes the entire city as a community reinvestment area; which provides an effective economic development tool to encourage re-development and improvements to both residential and commercial properties, through tax exemption on the improvements made to a property. During 2014, the city continued to promote its participation in the Heritage Home Program; a regional program designed to provide free home renovation technical assistance and low interest home renovation loans to owners of

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homes that are fifty years of age or older. This program is viewed to be an important tool in preserving the housing stock and tax base of our city; with more than 50% of our homes exceeding the fifty year age requirement.

During 2014, the city has seen the opening of two new facilities; one a new regional public safety training center for police, fire, and EMT personnel and the second a new retail center being constructed by a national tire retailer. In addition, a former retail truck showroom had been purchased and is now being reconstructed into a party/events center and will host its first events early in 2015. A local automobile dealership, previously hobbled by the economic downturn of recent years, has completed improvements to their showroom and has installed new equipment in their service and body shop departments including the construction of a car wash to enhance customer service and support.

The city continues to support local merchants with its Shop Parma Heights Program which offers on-line access to our commercial entities through the city's website. The city continues to actively promote the Storefront Renovation Program operated by the Cuyahoga County Department of Development; which offers rebates on the cost of exterior renovations to correct code violations and to update building facades. Both of these city efforts are designed to promote and enhance the viability of the city's business community.

As the city continues to face the elimination or reduction of revenues either through actions at the state (such as the elimination of the estate tax and personal property tax and significant reductions to the local government fund) or through the impact of the regional economy which has resulted in reductions to housing values and the associated property tax revenue and a flattening of income tax revenue growth; our efforts to support and promote economic revitalization become even more critical.

The City of Parma Heights remains focused on persevering through difficult economic times by continuing a long standing tradition of conservative management, persistent economic re-development efforts, and a willingness to entertain new ideas and programs that will enable us to assure the long term viability of our community.

### **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 x5621).



CITY OF PARMA HEIGHTS, OHIO  
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 STATEMENT OF NET POSITION  
 DECEMBER 31, 2014

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ 1,613,629
Accounts receivable	131,481
Due from other governments	1,149,209
Inventories and supplies	118,338
Prepaid items	13,030
Taxes receivable	7,984,406
Special assessments receivable	2,620,471
Capital assets	
Nondepreciable capital assets	1,526,696
Depreciable capital assets, net	26,929,499
<b>Total assets</b>	<b>42,086,759</b>
 <b>Deferred outflow s of resources</b>	
Deferred charges on advance refunding	31,946
<b>Total deferred outflow s of resources</b>	<b>31,946</b>
 <b>Liabilities</b>	
Accounts and contracts payable	513,435
Claims payable	206,166
Accrued salaries, wages and benefits	171,055
Accrued interest payable	53,638
Due to other governments	652,488
Notes payable	2,620,000
Long-term liabilities	
Due w ithin one year	1,494,657
Due in more than one year	4,342,917
<b>Total liabilities</b>	<b>10,054,356</b>
 <b>Deferred inflow s of resources</b>	
Property taxes	2,435,522
<b>Total deferred inflow s of resources</b>	<b>2,435,522</b>
 <b>Net position</b>	
Net investment in capital assets	21,276,295
Restricted for:	
Debt service	3,021,790
Capital projects	131,164
Highw ay and streets	584,254
Public safety	412,212
Recreation	57,361
Other purposes	164
Unrestricted	4,145,587
<b>Total net position</b>	<b>\$ 29,628,827</b>

See the accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Security of persons and property	\$ 10,364,878	\$ 1,467,621	\$ 5,061	\$ -	\$ (8,892,196)
Public health and welfare	320,189	-	135,713	107,421	(77,055)
Leisure time activities	993,274	224,093	48,949	56,625	(663,607)
Community environment	3,049,400	258,483	-	25,000	(2,765,917)
Basic utility services	1,124,531	-	-	25,527	(1,099,004)
Transportation	2,218,501	872,846	-	629,440	(716,215)
General government	2,686,087	518,919	5,000	-	(2,162,168)
Interest	228,186	-	-	-	(228,186)
Total governmental activities	<u>\$ 20,985,046</u>	<u>\$ 3,341,962</u>	<u>\$ 194,723</u>	<u>\$ 844,013</u>	<u>(16,604,348)</u>

General revenues

Property taxes and special assessments levied for:	
General purpose	1,876,810
Other purposes	308,371
Debt service	504,562
Capital improvements	140,646
Municipal income taxes levied for:	
General purposes	8,410,767
Grants and entitlements not restricted to specific purposes	1,499,583
Interest	12,866
Miscellaneous	674,088
Total general revenues	<u>13,427,693</u>
Change in net position	(3,176,655)
Net position at beginning of year	32,805,482
Net position at end of year	<u>\$ 29,628,827</u>

See the accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO  
 CUYAHOGA COUNTY, OHIO  
 BALANCE SHEET – GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 423,313	\$ 277,785	\$ 249,891	\$ 662,640	\$ 1,613,629
Taxes receivable	6,983,649	515,543	-	485,214	7,984,406
Special assessments receivable	-	2,620,471	-	-	2,620,471
Due from other governments	572,428	36,264	-	540,517	1,149,209
Accounts receivable	129,817	-	-	1,664	131,481
Inventories and supplies	36,782	-	-	81,556	118,338
Prepaid items	12,855	-	-	175	13,030
<b>Total assets</b>	<b>\$ 8,158,844</b>	<b>\$ 3,450,063</b>	<b>\$ 249,891</b>	<b>\$ 1,771,766</b>	<b>\$ 13,630,564</b>
<b>Liabilities, deferred inflow s of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ 195,975	\$ -	\$ 149,912	\$ 167,548	\$ 513,435
Claims payable	206,166	-	-	-	206,166
Accrued salaries, wages and benefits	169,543	-	-	1,512	171,055
Accrued interest payable	-	-	33,108	-	33,108
Due to other governments	633,980	-	-	18,508	652,488
Note payable	-	-	2,620,000	-	2,620,000
<b>Total liabilities</b>	<b>1,205,664</b>	<b>-</b>	<b>2,803,020</b>	<b>187,568</b>	<b>4,196,252</b>
<b>Deferred inflow s of resources</b>					
Property Taxes	1,634,360	412,599	-	388,563	2,435,522
Unavailable revenue - delinquent property taxes	220,486	55,944	-	52,652	329,082
Unavailable revenue - municipal income taxes	4,273,884	-	-	-	4,273,884
Unavailable revenue - other	422,454	2,656,735	-	469,632	3,548,821
<b>Total deferred inflow s of resources</b>	<b>6,551,184</b>	<b>3,125,278</b>	<b>-</b>	<b>910,847</b>	<b>10,587,309</b>
<b>Fund balances</b>					
Nonspendable	49,637	-	-	81,731	131,368
Restricted	3,602	324,785	-	591,620	920,007
Committed	39,090	-	-	-	39,090
Assigned	228,352	-	-	-	228,352
Unassigned (deficit)	81,315	-	(2,553,129)	-	(2,471,814)
<b>Total fund balances (deficit)</b>	<b>401,996</b>	<b>324,785</b>	<b>(2,553,129)</b>	<b>673,351</b>	<b>(1,152,997)</b>
<b>Total liabilities, deferred inflow s of resources and fund balances</b>	<b>\$ 8,158,844</b>	<b>\$ 3,450,063</b>	<b>\$ 249,891</b>	<b>\$ 1,771,766</b>	<b>\$ 13,630,564</b>

See the accompanying notes to the basic financial statements.

CITY OF PARMA HEIGHTS, OHIO  
 CUYAHOGA COUNTY, OHIO  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
 NET POSITION OF GOVERNMENTAL ACTIVITIES  
 DECEMBER 31, 2014

Total governmental fund balances		\$ (1,152,997)
Amount reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		28,456,195
Other long-term assets are not available to pay for current period expenditures and therefore are unearned in the funds:		
Property and other local taxes	\$ 329,082	
Municipal income taxes	4,273,884	
Intergovernmental	877,329	
Special assessments	2,620,471	
Miscellaneous	51,021	
		8,151,787
Deferred outflows of resources represent deferred charges on refundings, which are not reported on in the funds.		31,946
In the statement of net position, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.		(20,530)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Loans payable	(373,580)	
Note payable	(700,000)	
General obligation bonds	(2,988,000)	
Special assessment bonds	(155,941)	
Capital leases	(342,379)	
Compensated absences	(1,277,674)	
		(5,837,574)
Net position of governmental activities		\$ 29,628,827

See the 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, 2014

	General Fund	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and other local taxes	\$ 1,855,959	\$ 466,308	\$ -	\$ 436,361	\$ 2,758,628
Municipal income taxes	8,456,091	-	-	-	8,456,091
Intergovernmental	1,612,990	72,529	762,739	965,619	3,413,877
Special assessments	-	68,067	-	-	68,067
Charges for services	1,531,823	-	-	189,119	1,720,942
Fines, licenses and permits	947,904	-	-	14,191	962,095
Interest	2,573	-	-	114	2,687
Miscellaneous	285,476	-	-	170,953	456,429
<b>Total revenues</b>	<b>14,692,816</b>	<b>606,904</b>	<b>762,739</b>	<b>1,776,357</b>	<b>17,838,816</b>
<b>Expenditures</b>					
<b>Current</b>					
Security of persons and property	9,312,851	-	-	328,182	9,641,033
Public health and welfare	376,683	-	-	-	376,683
Leisure time activities	192,462	-	15,750	416,126	624,338
Community environment	3,048,435	-	-	-	3,048,435
Basic utility services	191,196	-	-	-	191,196
Transportation	40,373	-	4,813	919,005	964,191
General government	2,372,155	-	-	-	2,372,155
Capital outlay	-	-	455,391	264,279	719,670
Debt service					
Principal	-	546,302	800,000	-	1,346,302
Capital lease	292,686	-	-	-	292,686
Interest and fiscal charges	14,133	156,592	48,393	-	219,118
<b>Total expenditures</b>	<b>15,840,974</b>	<b>702,894</b>	<b>1,324,347</b>	<b>1,927,592</b>	<b>19,795,807</b>
Excess (deficiency) of revenues over (under) expenditures	(1,148,158)	(95,990)	(561,608)	(151,235)	(1,956,991)
<b>Other financing sources (uses)</b>					
Transfers-in	-	-	207,922	50,000	257,922
Transfers-out	(50,000)	(207,922)	-	-	(257,922)
Note proceeds	-	-	700,000	-	700,000
Bond proceeds	-	1,610,000	-	-	1,610,000
Refunded bond escrow agent	-	(1,573,375)	-	-	(1,573,375)
Premium on note issuance	-	8,988	1,191	-	10,179
Capital lease proceeds	202,901	-	-	-	202,901
<b>Total other financing sources (uses)</b>	<b>152,901</b>	<b>(162,309)</b>	<b>909,113</b>	<b>50,000</b>	<b>949,705</b>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	(995,257)	(258,299)	347,505	(101,235)	(1,007,286)
Fund balances (deficit), beginning of year	1,397,253	583,084	(2,900,634)	774,586	(145,711)
<b>Fund balances (deficit), end of year</b>	<b>\$ 401,996</b>	<b>\$ 324,785</b>	<b>\$ (2,553,129)</b>	<b>\$ 673,351</b>	<b>\$ (1,152,997)</b>

See the 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, 2014

Net change in fund balances - total governmental funds \$ (1,007,286)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital outlay	\$ 349,713	
Depreciation expense	<u>(3,014,870)</u>	(2,665,157)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other local taxes	46,954	
Municipal income taxes	(45,324)	
Miscellaneous	3,738	
Special assessments	(43,260)	
Intergovernmental	<u>(2,712)</u>	(40,604)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Loan principal paid	79,302	
Note principal paid	800,000	
Bond principal paid	2,002,000	
Capital lease principal paid	<u>292,686</u>	3,173,988

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 position. (2,512,901)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 29,307

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. (154,002)

Change in net position of governmental activities \$ (3,176,655)

See the 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and other local taxes	\$ 2,047,843	\$ 2,065,916	\$ 1,914,764	\$ (151,152)
Municipal income taxes	8,427,723	8,472,727	8,448,662	(24,065)
Intergovernmental	950,746	955,823	953,108	(2,715)
Charges for services	1,523,221	1,531,355	1,527,005	(4,350)
Fines, licenses and permits	919,428	924,337	921,712	(2,625)
Interest	2,199	2,210	2,204	(6)
Miscellaneous	284,895	286,417	285,603	(814)
<b>Total revenue</b>	<b>14,156,055</b>	<b>14,238,785</b>	<b>14,053,058</b>	<b>(185,727)</b>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	8,651,136	8,920,490	8,803,222	117,268
Public health and welfare	380,085	377,216	371,175	6,041
Leisure time activities	163,071	191,387	186,987	4,400
Community environment	3,124,665	3,090,042	3,036,624	53,418
Basic utility services	197,350	194,128	190,149	3,979
General government	2,251,464	2,333,450	2,300,743	32,707
<b>Total expenditures</b>	<b>14,767,771</b>	<b>15,106,713</b>	<b>14,888,900</b>	<b>217,813</b>
Excess (deficiency) of revenues over (under) expenditures	(611,716)	(867,928)	(835,842)	32,086
<b>Other financing sources (uses)</b>				
Transfers-out	-	(50,000)	(50,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	(611,716)	(917,928)	(885,842)	32,086
Prior year encumbrances	31,796	31,796	31,796	-
Fund balance, at beginning of year	1,142,788	1,142,788	1,142,788	-
<b>Fund balance, at end of year</b>	<b>\$ 562,868</b>	<b>\$ 256,656</b>	<b>\$ 288,742</b>	<b>\$ 32,086</b>

See the 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, 2014

Assets	
Equity in pooled cash and cash equivalents	\$ 74,452
Total assets	<u>\$ 74,452</u>
Liabilities	
Accounts payable	\$ 2,524
Due to others	71,928
Total liabilities	<u>\$ 74,452</u>

See the accompanying notes to the basic financial statements.



CITY OF PARMA HEIGHTS, OHIO  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 15.

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 15.

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 15.

CITY OF PARMA HEIGHTS, OHIO  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. DESCRIPTION OF THE CITY AND REPORTING ENTITY (continued)

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 most significant of the City's accounting policies are described below.

B. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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. Non-major 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  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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 and deferred outflows or resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources 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 position, 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 position and changes in net position. 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  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS

Government-wide Financial Statements – The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

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 deferred outflows of resources along with current liabilities and deferred inflows or resources 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.

E. 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 unearned 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 31 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, 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  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include deferred charges from the advance refunding of general obligation bonds.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues from municipal income taxes, intergovernmental and other sources. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations. The amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet and represents receivables which were not received by the City within the available period. These amounts are deferred and recognized as inflows of resources in the period the amount becomes available.

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.

F. 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.

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 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS (continued)

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.

G. 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 and cash equivalents" 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, 2014.

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

	Actual Interest Credited	Amount Assigned from Other City Funds
General Fund	\$ 2,573	\$ 1,521

H. INVENTORIES AND SUPPLIES

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

I. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2014 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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 position 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 estimated 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 estimated 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

K. 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 position.

L. 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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 and compensated absences 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.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council.



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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. NET POSITION

Net position represents assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets 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. Restricted net positions are reported 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 position reports \$ 4,206,945 as restricted, of which \$ 3,021,790 is restricted by enabling legislation. Net position 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 resources are available.

P. 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.

Q. 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 2014.

R. 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.

CITY OF PARMA HEIGHTS, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 – 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 (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balance (GAAP).
4. Some funds are included in the General Fund (GAAP basis); but have a separate legally adopted budget (budgetary basis).

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
Budgetary basis	\$ (885,842)
Adjustments, increase (decrease)	
Revenue accruals	365,116
Expenditure accruals	(404,162)
Encumbrances	17,799
Funds budgeted separately	(88,168)
GAAP basis, as reported	\$ (995,257)

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2014, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 69 “Government Combinations and Disposals of Government Operations.” This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2013. The implementation of GASB Statement No. 69 did not have any effect on the financial statements of the City.

The City also implemented GASB Statement No. 70 “Accounting and Financial Reporting for Non-exchange Financial Guarantees.” This Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. The provisions of this Statement are effective for financial statements periods beginning after June 15, 2013. The implementation of GASB Statement No 70 did not have any effect on the financial statements of the City.

CITY OF PARMA HEIGHTS, OHIO  
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NOTE 4 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable					
Prepays	\$ 12,855	\$ -	\$ -	\$ 175	\$ 13,030
Inventory	36,782	-	-	81,556	118,338
Total nonspendable	<u>49,637</u>	<u>-</u>	<u>-</u>	<u>81,731</u>	<u>131,368</u>
Restricted for					
Debt service	-	324,785	-	-	324,785
Capital improvements	-	-	-	104,044	104,044
Highway and streets	-	-	-	84,262	84,262
Public safety	-	-	-	379,668	379,668
Recreation	-	-	-	23,482	23,482
Other purposes	3,602	-	-	164	3,766
Total restricted	<u>3,602</u>	<u>324,785</u>	<u>-</u>	<u>591,620</u>	<u>920,007</u>
Committed for					
Ambulance billing	39,090	-	-	-	39,090
Total committed	<u>39,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,090</u>
Assigned for					
Encumbrances	6,945	-	-	-	6,945
Subsequent year appropriations.	221,348	-	-	-	221,348
Other purposes	59	-	-	-	59
Total assigned	<u>228,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,352</u>
Unassigned (deficit)	<u>81,315</u>	<u>-</u>	<u>(2,553,129)</u>	<u>-</u>	<u>(2,471,814)</u>
Total fund balance	<u>\$ 401,996</u>	<u>\$ 324,785</u>	<u>\$ (2,553,129)</u>	<u>\$ 673,351</u>	<u>\$ (1,152,997)</u>

CITY OF PARMA HEIGHTS, OHIO  
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NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2014, the Capital Projects funds had deficit fund balance of \$ 2,553,129. This deficit fund balance is the result of adjustments for accrued liabilities in the fund. The General Fund is liable for any deficit in this fund and provides transfers when cash is needed, not when accruals occur.

NOTE 6 – 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, and Federal Home Loan Mortgage Corporation. 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 30 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;
- 6) The State Treasurer's investment pool (STAR Ohio); and
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 and cash equivalents.”

At fiscal year end, the City has \$ 485 in cash on hand which is included on the balance sheet of the City as part of the “Equity in pooled cash and cash equivalents.”

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 \$ 1,463,473 and the bank balance was \$ 1,714,784. Of the bank balance, \$ 817,589 is collateralized by federal depository insurance and \$ 897,195 was uninsured. Of the remaining balance, \$ 897,195 was collateralized with securities held by the pledging institution’s trust department not in the City’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 105 percent of the deposits being secured.

C. INVESTMENTS

As of December 31, 2014, the City had the following investments.

	Maturities	Fair Value
Investment in STAR Ohio	50.1 days	\$ 224,123

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NOTE 6 – 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, 2014, 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, 2014 was 100 percent invested in STAR Ohio.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2014, 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 \$ 2,580,938 in the Bond Retirement Fund. At December 31, 2014, the amount of delinquent special assessments was \$ 1,754,590.

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 2014 for real and public utility property taxes represents collections of the 2013 taxes.

The 2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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.

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NOTE 7 – RECEIVABLES (continued)

A. PROPERTY TAXES (continued)

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Real property - 2014	
Residential/agricultural	\$ 233,534,200
Other real estate	74,333,300
Tangible personal property - 2014	
Public utilities	5,781,880
Total valuation	\$ 313,649,380

Property tax receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim.

B. INCOME TAXES

The City levies a 3 percent 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 percent 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.

C. DUE FROM OTHER GOVERNMENTS

A summary of due from other governments follows:

Homestead and rollback	\$ 213,320
Gasoline tax	305,500
Grants	12,193
Local government	222,000
Motor vehicle	65,000
Auto registration	65,000
Miscellaneous	266,196
	\$ 1,149,209

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Addition	Disposals	Balance 12/31/14
Governmental activities				
Nondepreciable capital assets				
Land	\$ 1,421,777	\$ -	\$ -	\$ 1,421,777
Construction in process	1,331,080	310,049	1,536,210	104,919
	<u>2,752,857</u>	<u>310,049</u>	<u>1,536,210</u>	<u>1,526,696</u>
Depreciable capital assets				
Buildings and improvements	10,158,116	417,426	155,678	10,419,864
Machinery, equipment and vehicles	7,745,355	493,414	265,481	7,973,288
Infrastructure	79,748,576	746,469	-	80,495,045
Total capital assets being depreciated	<u>97,652,047</u>	<u>1,657,309</u>	<u>421,159</u>	<u>98,888,197</u>
Less accumulated depreciation				
Buildings and improvements	7,785,490	320,418	84,781	8,021,127
Machinery, equipment and vehicles	5,268,343	445,444	254,943	5,458,844
Infrastructure	56,229,719	2,249,008	-	58,478,727
Total accumulated depreciation	<u>69,283,552</u>	<u>3,014,870</u>	<u>339,724</u>	<u>71,958,698</u>
Depreciable capital assets, net of accumulated depreciation	<u>28,368,495</u>	<u>(1,357,561)</u>	<u>81,435</u>	<u>26,929,499</u>
Governmental activities capital assets, net	<u>\$ 31,121,352</u>	<u>\$ (1,047,512)</u>	<u>\$ 1,617,645</u>	<u>\$ 28,456,195</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 74,194
Security of persons and property	343,184
Transportation	1,422,392
Basic utility services	935,030
Public health and welfare	2,973
Leisure time activities	237,097
Total depreciation expense	<u>\$ 3,014,870</u>



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NOTE 9 – NOTE PAYABLES

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

	<u>Outstanding 12/31/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2014</u>
Bond anticipation notes				
Street improvement notes, series 2014-2				
Maturity 7/22/15, 1.0%	\$ -	\$ 2,620,000	\$ -	\$ 2,620,000
Street improvement notes, series 2013-2				
Maturity 7-24-14, 1.00%	2,800,000	-	2,800,000	-
	<u>\$ 2,800,000</u>	<u>\$ 2,620,000</u>	<u>\$ 2,800,000</u>	<u>\$ 2,620,000</u>

NOTE 10 – LONG-TERM DEBT

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

	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Bond anticipation notes				
Street improvement notes	5/8/2014	5/7/2015	1.00%	\$ 700,000
General obligation bonds				
Refunding various purpose	2014	2019	1.90%	1,610,000
Refunding recreation facility improvements	2012	2021	3.05%	1,730,000
Special assessment bonds				
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

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NOTE 10 – LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2014 were as follows:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amount Due In One Year
Bond anticipation notes:					
Street improvement notes					
Maturity 5-7/15, 1.00%	\$ -	\$ 700,000	\$ -	\$ 700,000	\$ 700,000
Maturity 5-15-14, 1.00%	800,000	-	800,000	-	-
	<u>800,000</u>	<u>700,000</u>	<u>800,000</u>	<u>700,000</u>	<u>700,000</u>
General obligations bonds:					
Street improvements					
Refunding various purpose	1,825,000	-	1,825,000	-	-
Refunding recreational facilities improvement	-	1,610,000	13,000	1,597,000	310,000
	<u>1,555,000</u>	<u>-</u>	<u>164,000</u>	<u>1,391,000</u>	<u>171,000</u>
	<u>3,380,000</u>	<u>1,610,000</u>	<u>2,002,000</u>	<u>2,988,000</u>	<u>481,000</u>
Special assessment bonds:					
Street improvements					
Street improvements	2,849	-	-	2,849	2,849
Street improvements	9,898	-	-	9,898	9,898
Street improvements	8,000	-	-	8,000	4,000
Street improvements	135,194	-	-	135,194	40,130
	<u>155,941</u>	<u>-</u>	<u>-</u>	<u>155,941</u>	<u>56,877</u>
Ohio Public Works Commission loans:					
Concrete street reconstruction					
Concrete street reconstruction	98,161	-	17,847	80,314	17,847
Concrete street reconstruction	99,085	-	18,015	81,070	18,015
Concrete street reconstruction	156,539	-	18,417	138,122	18,417
Concrete street reconstruction	83,333	-	9,259	74,074	9,259
	<u>437,118</u>	<u>-</u>	<u>63,538</u>	<u>373,580</u>	<u>63,538</u>
Ohio Water Development Authority Loan					
	<u>15,764</u>	<u>-</u>	<u>15,764</u>	<u>-</u>	<u>-</u>
Capital lease obligations					
	<u>432,164</u>	<u>202,901</u>	<u>292,686</u>	<u>342,379</u>	<u>193,242</u>
Compensated absences					
	<u>1,123,672</u>	<u>204,971</u>	<u>50,969</u>	<u>1,277,674</u>	<u>-</u>
	<u>\$ 6,344,659</u>	<u>\$ 2,717,872</u>	<u>\$ 3,224,957</u>	<u>\$ 5,837,574</u>	<u>\$ 1,494,657</u>

Bonds payable, special assessment bonds and loans will be repaid from the Bond Retirement Fund and bond anticipation notes will be repaid from the Capital Projects 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  
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 – LONG-TERM DEBT (continued)

On September 3, 2014, the City issued \$ 1,610,000 in general obligation bonds for the purpose of refunding the 2004 various purpose general obligation bonds in order to take advantage of lower interest rates. Analysis of the information follows:

	2004 Various Purpose
Outstanding at December 31, 2013	\$ 1,825,000
Amount refunded	(1,535,000)
Principal payment on on non-refunded portion	(290,000)
Outstanding at December 31, 2014	\$ -

Bond proceeds of \$ 1,573,375 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2004 various general obligation bonds. As a result, \$ 1,535,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the City's financial statements. The City decreased its total debt service payments by \$ 101,459 as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$ 97,095.

The City defeased Series 2001 general obligation bonds in 2012 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2014, \$ 1,305,000 of bonds outstanding are considered to be defeased.

Debt service requirements to retire bonds payable and loans payable outstanding at December 31, 2014 consisted of:

Year	Principal	Interest	Total
2015	\$ 1,301,415	\$ 80,192	\$ 1,381,607
2016	571,350	67,379	638,729
2017	606,604	54,815	661,419
2018	613,930	41,222	655,152
2019	610,406	27,501	637,907
2020-2022	513,816	20,222	534,038
	\$ 4,217,521	\$ 291,331	\$ 4,508,852

CITY OF PARMA HEIGHTS, OHIO  
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NOTE 11 – 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, 2014, assets under capital lease totaled \$ 1,346,496 with related accumulated depreciation of \$ 397,355. 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, 2014.

Year	Amount
2015	\$ 203,979
2016	104,868
2017	35,676
2018	15,815
Total minimum lease payments	360,338
Less amount representing interest	17,959
Net present value of minimum lease payments	\$ 342,379

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

At December 31, 2014, Council authorized the transfers of \$ 50,000 from the General Fund to non-major funds to cover expenditures. In preparing these statements a GAAP Basis only transfer of \$ 207,922 was made from the Debt Service Fund to properly record note payable in the Capital Projects Fund.

NOTE 13 – 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 as described below.

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 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

The combined plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, 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.

CITY OF PARMA HEIGHTS, OHIO  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

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 visiting <https://www.opers.org/investment/cafr.shtml>, 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10 percent of earnable salary for members in state and local classification. The 2014 employer contribution rate for state and local employers was 14 percent of earnable salary. Total required employer contributions for all plans are equal to 100 percent of employer charges and should be extracted from the employer's records.

The City's required contributions for pension obligations for all plans for the years ended December 31, 2014, 2013, and 2012, were \$ 433,845, \$ 484,904, and \$ 357,780, respectively; 93 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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. That report is also available at [www.op-f.org](http://www.op-f.org).

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 % of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The City's contributions to OP&F for police officers and firefighters for the years ended December 31, 2014, 2013, and 2012 were \$ 536,455 and \$ 593,220, \$ 538,738 and \$ 553,825, \$ 519,090 and \$ 600,570 respectively. The full amount has been contributed for 2013 and 2012. 84 percent and 85 percent has been contributed for police officers and firefighters, respectively, for 2014.

CITY OF PARMA HEIGHTS, OHIO  
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NOTE 14 – POST-EMPLOYMENT 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 health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code (ORC) permits, but does not mandate OPERS to provide the OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

CITY OF PARMA HEIGHTS, OHIO  
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FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 – POST-EMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the traditional plan and combined plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. 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 ended December 31, 2014, 2013, and 2012, were \$ 74,000, \$ 37,690, and \$ 143,102, respectively; 93 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OEPRS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 post-employment 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 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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

CITY OF PARMA HEIGHTS, OHIO  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 – POST-EMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent 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 an 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. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2014 through December 31, 2014. 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).

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 ended December 31, 2014, 2013, and 2012, were \$ 1,129,675, \$ 1,092,563, and \$ 1,119,660, respectively, of which \$ 26,405, \$ 183,424, and \$ 348,365, respectively, was allocated to the health care plan. 85 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

A. SOUTHWEST COUNCIL OF GOVERNMENTS

The Southwest Council of Governments (the SCOG) is a regional council of governments formed under chapter 167 of the Ohio Revised Code for the purpose of fostering 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 19 participating entities. The Board exercises total control over the operation of the SCOG 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 SCOG has established two subsidiary organizations, the Southwest Emergency Response Team (SERT) which provides hazardous material protection, emergency and technical rescue, and fire investigation services; and the Southwest Enforcement Bureau (SEB) which provides extra assistance to cities in the form of a Special Weapons and Tactics Team (SWAT Team) and bomb disposal unit. The SCOG's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio 44017.



CITY OF PARMA HEIGHTS, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 15 – JOINTLY GOVERNED ORGANIZATION (continued)

B. PARMA COMMUNITY GENERAL HOSPITAL ASSOCIATION

The Parma Community General Hospital Association is a not-for-profit 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 are the exclusive charge of the Parma Community General Hospital Association. The City's degree of control is limited to its appointments to the Board of Trustees.

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

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization. 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.

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 16 – CONTINGENCIES

For the year ended December 31, 2014, 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  
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 – CONSTRUCTION COMMITMENTS

As of December 31, 2014, the City had contractual commitments as follows:

Project	Project Authorization	Expended to Date	Outstanding Commitments
North Church bridge design	\$ 93,087	\$ 83,967	\$ 9,120
Finance software upgrade	55,619	23,450	32,169
	<u>\$ 148,706</u>	<u>\$ 107,417</u>	<u>\$ 41,289</u>

NOTE 18 – 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 2014 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, 2014 and 2013 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.

	2014	2013
Unpaid claims, beginning of year	\$ 108,486	\$ 106,295
Incurred claims	1,489,724	1,423,650
Claim payments	(1,392,044)	(1,421,459)
Unpaid claims, end of year	<u>\$ 206,166</u>	<u>\$ 108,486</u>

NOTE 19 – SUBSEQUENT EVENT

In May of 2015, the City paid the \$ 700,000 Street Improvement Bond Anticipation Notes and issued a Street Improvement General Obligation Bond Anticipation Notes in the amount of \$ 700,000 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.

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Members of City Council  
Parma Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Ohio (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be significant deficiencies as item 2014-01.

Honorable Mayor and  
Members of City Council  
Parma Heights, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 30, 2015

# City of Parma Heights

## Schedule of Findings

**December 31, 2014**

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### 1. Summary of Auditor's Results

Type of Financial Statement Opinion	Unmodified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

### 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

#### Finding 2014-01

#### **Significant Deficiency**

On September 3, 2014, the City issued \$1,610,000 in general obligation bonds for the purpose of refunding the 2004 various purpose general obligation bonds in order to take advantage of lower interest rates, however this transaction was improperly excluded from the 2014 financial statements. As a result, deferred charges on advance refunding was understated by \$31,946, long-term liabilities were understated by \$58,175, bond proceeds was understated by \$1,610,000, payment to escrow agent for refunded debt was understated by \$1,573,375, and interest expense was understated by \$26,229.

The City should adopt policies and control procedures over the recording of year-end financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data at year-end. Although the City has contracted with a third-party to perform their GAAP conversion, the City's management should review the financial statements to ensure all items are properly recorded.

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# 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  
OCTOBER 1, 2015**