



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF PARMA, OHIO
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Prepared by Management:	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) Basis and Actual:	
General Fund.....	28
Statement of Fund Net Position - Proprietary Funds.....	29
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds.....	31
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	33
Notes to the Basic Financial Statements.....	34
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability:	
Ohio Public Employees Retirement System - Traditional Plan - Last Four Years.....	85
Ohio Police and Fire Pension Fund - Last Four Years.....	86
Schedule of City Contributions:	
Ohio Public Employees Retirement System - Traditional Plan - Last Five Years.....	87
Ohio Police and Fire Pension Fund - Last Five Years.....	88
Schedule of Expenditures of Federal Awards.....	89
Notes to the Schedule of Expenditures of Federal Awards.....	90
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	91
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance.....	93
Schedule of Findings.....	97
Corrective Action Plan (Prepared by Management).....	99
Schedule of Prior Audit Findings (Prepared by Management).....	100

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio, (the City), as of and for the year ended December 31, 2017, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Parma Public Housing Agency, which represent 1.77 percent, 6.53 percent, and 6.10 percent, respectively, of the assets, net position, and revenues of governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Parma Public Housing Agency, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio, as of December 31, 2017, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We and the other auditors subjected this information to the auditing procedures we applied to the basic financial statements. We and the other auditors also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

The discussion and analysis of the City of Parma's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

- The assets of the City exceeded its liabilities at December 31, 2017 by \$30,107,939 (net position). Of this amount, \$(49,469,904) (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the \$30,107,939 of net position, business-type activities account for \$625,475 of net position, while governmental activities net position were \$29,482,464.
- The City's net position decreased by \$(3,529,027) during 2017 due to an increase in expenses.
- Business-type activities net position decreased by \$(134,955). The decrease in business-type activities net position was primarily attributed to an increase in operating expenses.
- Governmental activities net position decreased by \$(3,394,072) due primarily to an increase in expenses.
- At the end of the current fiscal year, the General Fund fund balance was \$6,377,189 and the unassigned fund balance was \$2,444,096. The remainder of the fund balance is nonspendable or assigned to indicate that it is not available for new spending because it has been specifically reserved for expenditure by City ordinances or intent of use.
- The City's total governmental activities long-term debt decreased by \$955,997 (4.03 percent) during the current fiscal year. The decrease was primarily attributable to the payment of governmental activities debt agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position and the statement of activities provide information about the activities of the whole city, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail.

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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

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

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

The government-wide financial statements can be found starting on page 19 of this report.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

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

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

The City maintains 82 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, City Income Tax Capital Acquisitions Fund, Sewer Construction Fund, and Street Improvements Fund; all of which are considered to be major funds. Data from the other 76 nonmajor governmental funds are combined into a single fund, aggregated presentation.

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

The basic governmental fund financial statements can be found starting on page 21 of this report.

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

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

The basic proprietary fund financial statements can be found starting on page 29 of this report.

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

The basic fiduciary fund financial statements can be found on page 33 of this report.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 34 of this report.

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question "How did we do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private-sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated. The *Statement of Net Position* and the *Statement of Activities* are divided into the following sections:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Revenues and Expenses
- General Revenues
- Net Position Beginning of Year and Year End

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

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Table 1: Summary Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$41,838,188	\$40,615,190	\$25,337	\$25,811	\$41,863,525	\$40,641,001
Capital Assets	89,073,645	87,200,634	1,268,506	1,294,124	90,342,151	88,494,758
Total Assets	130,911,833	127,815,824	1,293,843	1,319,935	132,205,676	129,135,759
Deferred Outflows of Resources						
Pension	19,534,156	20,985,510	236,983	196,519	19,771,139	21,182,029
Total Deferred Outflows of Resources	19,534,156	20,985,510	236,983	196,519	19,771,139	21,182,029
Liabilities						
Long-Term Liabilities	22,794,346	23,750,343	28,220	32,427	22,822,566	23,782,770
Net Pension Liability	77,584,784	73,740,627	631,424	497,326	78,216,208	74,237,953
Other Liabilities	8,461,623	6,146,839	237,172	208,620	8,698,795	6,355,459
Total Liabilities	108,840,753	103,637,809	896,816	738,373	109,737,569	104,376,182
Deferred Inflows of Resources						
Property Taxes	8,152,757	8,652,915	-	-	8,152,757	8,652,915
Pension	3,970,015	3,634,074	8,535	17,651	3,978,550	3,651,725
Total Deferred Inflows of Resources	12,122,772	12,286,989	8,535	17,651	12,131,307	12,304,640
Net Position						
Net Investment in Capital Assets	71,008,856	67,944,929	1,268,506	1,294,124	72,277,362	69,239,053
Restricted For						
Debt Service	-	196,005	-	-	-	196,005
Security of Persons and Property	3,940,599	3,267,573	-	-	3,940,599	3,267,573
Transportation	1,240,604	1,588,821	-	-	1,240,604	1,588,821
Community Environment	1,045,665	1,613,859	-	-	1,045,665	1,613,859
Basic Utility Services	174,069	129,989	-	-	174,069	129,989
Leisure Time Activities	472,925	756,685	-	-	472,925	756,685
Capital Projects	426,619	538,847	-	-	426,619	538,847
Unrestricted	(48,826,873)	(43,130,172)	(643,031)	(533,694)	(49,469,904)	(43,663,866)
Total Net Position	\$29,482,464	\$32,876,536	\$625,475	\$760,430	\$30,107,939	\$33,636,966

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$30,107,939 at the close of the most recent fiscal year.

The largest portion of the City's net position is net investment in capital assets. The second largest portion of the City's net position is unrestricted net position.

The portion of the City's net position reflected in its net investment in capital assets (e.g., land, land improvements, buildings, and equipment), is less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total net position decreased by \$(3,529,027) with governmental net position comprising \$(3,394,072) and business-type activities comprising \$(134,955) of that amount.

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

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Table 2: Summary Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$24,107,205	\$16,231,259	\$864,157	\$869,408	\$24,971,362	\$17,100,667
Operating Grants, Contributions, and Interest	6,073,346	13,423,041	-	-	6,073,346	13,423,041
General Revenues						
Property Taxes	10,412,978	9,541,858	-	-	10,412,978	9,541,858
Income Taxes	39,480,153	39,145,271	-	-	39,480,153	39,145,271
Grants and Entitlements not Restricted to Specific Programs	3,271,466	3,092,631	-	-	3,271,466	3,092,631
Investment Earnings	13,142	3,838	-	-	13,142	3,838
Total Revenues	83,358,290	81,437,898	864,157	869,408	84,222,447	82,307,306
Expenses						
Program Expenses						
General Government -						
Legislative and Executive	38,541,734	32,013,016	-	-	38,541,734	32,013,016
Security of Persons and Property	32,290,883	30,968,761	-	-	32,290,883	30,968,761
Public Health and Welfare	319,876	319,876	-	-	319,876	319,876
Transportation	4,976,331	4,725,146	-	-	4,976,331	4,725,146
Community Environment	7,235,175	7,074,966	-	-	7,235,175	7,074,966
Basic Utility Services	229,567	1,570,566	-	-	229,567	1,570,566
Leisure Time Activities	2,672,039	2,878,732	-	-	2,672,039	2,878,732
Interest and Fiscal Charges	486,757	689,204	-	-	486,757	689,204
Golf Course	-	-	999,112	941,829	999,112	941,829
Total Expenses	86,752,362	80,240,267	999,112	941,829	87,751,474	81,182,096
Change in Net Position	(3,394,072)	1,197,631	(134,955)	(72,421)	(3,529,027)	1,125,210
Net Position Beginning of Year	32,876,536	31,678,905	760,430	832,851	33,636,966	32,511,756
Total Net Position	\$29,482,464	\$32,876,536	\$625,475	\$760,430	\$30,107,939	\$33,636,966

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Governmental Activities - Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 2.5 percent for 2017. Both residents and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has municipal income tax, the City provides 100 percent credit to those who pay income tax to another city. The income tax revenue for 2017 was \$39,480,153. Of the \$83,358,290 in total revenues, income tax accounts for 47.36 percent of the total. Property taxes of \$10,412,978 account for 12.49 percent of total revenues. Operating grants, contributions and interest, and general revenues from grants and entitlements account for 7.29 percent of total revenues, and charges for services and investment earnings make up the remaining 32.86 percent.

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

Total expenses of governmental activities for 2017 were \$86,752,262. The largest program function for the City relates to general government-legislative and executive, with expenses of \$38,541,734, which is 44.43 percent of program expenses. Security of persons and property, which includes the police and fire departments, is the next largest program expense at 37.22 percent, followed by community environment expenses of 8.34 percent. Public health and welfare, transportation, basic utility services, leisure time activities, and interest and fiscal charges comprised 10.01 percent.

Business-Type Activities - Business-type activities decreased the City's net position by \$(134,955). Charges for services decreased by \$5,251 and operating expenses increased by \$57,283. Total expenses of business-type activities were \$999,112 for the golf course operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 21. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$17,804,103. Of that amount, \$(1,706,497) is unassigned fund balances available for spending at the government's discretion. The remaining fund balance, \$19,510,600 is nonspendable, restricted, committed, or assigned to indicate that it is unavailable for new spending because it has been specifically reserved for expenditure by grant agreements, City ordinances or intent of use.

The General Fund had total revenues (including transfers-in) of \$51,016,143 and expenditures (including transfers-out) of \$50,504,846, thereby increasing the General Fund's fund balance by \$511,297 to \$6,377,189.

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

The General Fund is the chief operating fund of the City. At the end of 2017, the unassigned fund balance of the General Fund was \$2,444,096, while the total fund balance was \$6,377,189. The remainder of the fund balance is nonspendable or assigned to indicate that it is not available for new spending because it has been specifically reserved for expenditure by City ordinances or intent of use.

Proprietary Funds - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Ridgewood Municipal Golf Course at the end of the year amounted to \$(643,031). Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY ANALYSIS

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2017, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Auditor to the Finance Committee of Council for review before going to the whole council for ordinance enactment on the change. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

For the General Fund, original and revised budgeted revenues were \$48,825,495 and \$49,942,159, respectively. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Actual revenues were \$51,188,731.

The City's ending unencumbered cash balance in the General Fund was \$3,287,922.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$90,342,151 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, land improvements, buildings, equipment, vehicles, software, and infrastructure. As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements after January 1, 1980 have been included as part of governmental capital assets in the government-wide financial statements. The total increase in the City's investment in capital assets for the current fiscal year was 2.09 percent (a 2.15 percent increase for governmental activities and a 0.02 percent decrease for business-type activities). A summary of the City's capital assets, net of accumulated depreciation, is presented in the table on the following page:

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-Depreciable						
Land	\$7,737,770	\$7,737,770	\$1,078,077	\$1,078,077	\$8,815,847	\$8,815,847
Construction-in-Progress	231,284	1,792,009	-	-	231,284	1,792,009
Total	7,969,054	9,529,779	1,078,077	1,078,077	9,047,131	10,607,856
Depreciable						
Land improvements	927,211	533,490	263,700	263,700	1,190,911	797,190
Buildings	34,501,930	34,031,407	209,531	209,531	34,711,461	34,240,938
Equipment	14,128,163	12,892,643	826,564	835,094	14,954,727	13,727,737
Vehicles	14,349,413	13,526,847	42,900	42,900	14,392,313	13,569,747
Software	1,043,476	1,043,476	-	-	1,043,476	1,043,476
Infrastructure	90,600,178	85,398,850	-	-	90,600,178	85,398,850
Total	155,550,371	147,426,713	1,342,695	1,351,225	156,893,066	148,777,938
Accumulated Depreciation	74,445,780	69,755,858	1,152,266	1,135,178	75,598,046	70,891,036
Total Capital Assets	\$89,073,645	\$87,200,634	\$1,268,506	\$1,294,124	\$90,342,151	\$88,494,758

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

See Note 11, *Capital Asset Activity*, of the *Basic Financial Statements* for additional information on the City's capital assets.

Debt - At the end of the current fiscal year, the City had \$22,822,566 in bonds, loans, capital leases and compensated absences outstanding with \$2,960,655 due within one year.

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

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

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

The Ohio Water Development Authority Loans are paid semi-annually from the Debt Service Fund and will be paid in full in the year 2034.

The City's overall legal debt margin was \$128,353,481 at December 31, 2017.

See Note 17, *Long-Term Obligations* of the *Basic Financial Statements* for additional information on the City's debt.

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

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Table 4: Summary Statement of Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Special Assessment Bonds	\$32,500	\$47,281	\$-	\$-	\$32,500	\$47,281
General Obligation Bonds	11,640,000	13,160,000	-	-	11,640,000	13,160,000
Ohio Public Works Commission Loans	149,965	294,357	-	-	149,965	294,357
Ohio Water Development Authority Loans	2,922,043	3,691,132	-	-	2,922,043	3,691,132
Capital Leases	3,320,281	2,062,935	-	-	3,320,281	2,062,935
Compensated Absences	4,729,557	4,494,638	28,220	32,427	4,757,777	4,527,065
Total	\$22,794,346	\$23,750,343	\$28,220	\$32,427	\$22,822,566	\$23,782,770

City of Parma, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

CURRENT FINANCIAL RELATED ACTIVITIES

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

CONTACTING THE OFFICE OF THE CITY AUDITOR

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

THIS PAGE INTENTIONALLY LEFT BLANK

City of Parma, Ohio
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$19,874,801	\$5,201	\$19,880,002
Cash and cash equivalents in segregated accounts	783,060	9,772	792,832
Municipal income taxes receivable	5,796,589	-	5,796,589
Property taxes receivable	9,222,757	-	9,222,757
Special assessments receivable	1,565,248	-	1,565,248
Accrued interest receivable	949	-	949
Due from other governments	3,755,882	-	3,755,882
Materials and supplies inventory	611,297	10,364	621,661
Loans receivable	227,605	-	227,605
Capital assets, nondepreciable	7,969,054	1,078,077	9,047,131
Capital assets, depreciable, net	81,104,591	190,429	81,295,020
Total assets	<u>130,911,833</u>	<u>1,293,843</u>	<u>132,205,676</u>
Deferred outflows of resources			
Pension	19,534,156	236,983	19,771,139
Total deferred outflows of resources	<u>19,534,156</u>	<u>236,983</u>	<u>19,771,139</u>
Liabilities			
Accounts payable	332,410	5,460	337,870
Contracts payable	404,452	-	404,452
Claims and judgements payable	1,159,609	-	1,159,609
Accrued wages and benefits	880,694	6,091	886,785
Compensated absences payable	358,428	7,284	365,712
Loans payable	-	215,000	215,000
Due to other governments	373,030	3,337	376,367
Notes payable	4,953,000	-	4,953,000
Long-term liabilities:			
Due within one year	2,960,655	2,822	2,963,477
Net pension liability	77,584,784	631,424	78,216,208
Other amounts due in more than one year	19,833,691	25,398	19,859,089
Total liabilities	<u>108,840,753</u>	<u>896,816</u>	<u>109,737,569</u>
Deferred inflows of resources			
Property taxes	8,152,757	-	8,152,757
Pension	3,970,015	8,535	3,978,550
Total deferred inflows of resources	<u>12,122,772</u>	<u>8,535</u>	<u>12,131,307</u>
Net position			
Net investment in capital assets	71,008,856	1,268,506	72,277,362
Restricted for:			
Security of persons and property	3,940,599	-	3,940,599
Transportation	1,240,604	-	1,240,604
Community environment	1,045,665	-	1,045,665
Basic utility services	174,069	-	174,069
Leisure time activities	472,925	-	472,925
Capital projects	426,619	-	426,619
Total restricted assets	<u>7,300,481</u>	<u>-</u>	<u>7,300,481</u>
Unrestricted	<u>(48,826,873)</u>	<u>(643,031)</u>	<u>(49,469,904)</u>
Total net position	<u>\$29,482,464</u>	<u>\$625,475</u>	<u>\$30,107,939</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position			
	Expenses	Program Revenues		Total
	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	Business- Type Activities
Governmental Activities				
General government -	\$38,541,734	\$-	\$(27,643,192)	\$(27,643,192)
Legislative and executive	32,290,883	481,981	(27,254,514)	(27,254,514)
Security of persons and property	319,876	-	(319,876)	(319,876)
Public health and welfare	4,976,331	-	(1,218,735)	(1,218,735)
Transportation	7,235,175	5,360,240	110,624	110,624
Community environment	229,567	-	2,519,967	2,519,967
Basic utility services	2,672,039	231,125	(2,279,328)	(2,279,328)
Leisure time activities	486,757	-	(486,757)	(486,757)
Interest and fiscal charges	-	-	-	-
Total governmental activities	86,752,362	6,073,346	(56,571,811)	(56,571,811)
Business-Type Activities				
Golf Course	999,112	-	-	(134,955)
Total primary government	\$87,751,474	\$6,073,346	(56,571,811)	(56,706,766)
General Revenues				
Property taxes levied for:				
General purposes			3,703,803	3,703,803
Special revenue			6,600,858	6,600,858
Debt service			108,317	108,317
Income taxes levied for:				
General purposes			31,090,616	31,090,616
Capital outlay			8,389,537	8,389,537
Grants and entitlements not restricted to specific programs			3,271,466	3,271,466
Investment earnings			13,142	13,142
Total General Revenues			53,177,739	53,177,739
Change in Net Position			(3,394,072)	(3,529,027)
Net Position at Beginning of Year			32,876,536	33,636,966
Net Position at End of Year			\$29,482,464	\$30,107,939

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2017

	General	Debt Service	City Income Tax Capital Acquisitions	Sewer Construction
Assets				
Equity in pooled cash and cash equivalents	\$4,091,043	\$408,271	\$4,346,913	\$1,341,620
Cash and cash equivalents in segregated accounts	145	-	-	-
Municipal income taxes receivable	4,564,813	-	1,231,776	-
Property taxes receivable	3,392,129	-	-	-
Interfund receivable	285,890	-	3,137,894	-
Special assessments receivable	-	1,565,248	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	1,564,102	9,037	-	-
Materials and supplies inventory	126,771	-	-	-
Loans receivable	-	-	-	-
Total Assets	\$14,024,893	\$1,982,556	\$8,716,583	\$1,341,620
Liabilities				
Accounts payable	\$142,038	\$-	\$43,798	\$1,010
Contracts payable	-	-	180	-
Interfund payable	-	509,194	-	2,628,701
Accrued wages and benefits	722,078	-	-	-
Compensated absences payable	271,483	-	-	-
Due to other governments	301,449	-	2,915	-
Notes payable	-	-	-	310,000
Total Liabilities	1,437,048	509,194	46,893	2,939,711
Deferred inflows of resources				
Property taxes	3,050,129	-	-	-
Unavailable revenue	3,160,527	1,574,285	569,720	-
Total deferred inflows of resources	6,210,656	1,574,285	569,720	-
Fund Balance				
Nonspendable	126,771	-	-	-
Restricted	-	-	-	-
Committed	-	-	8,099,970	-
Assigned	3,806,322	-	-	-
Unassigned (Deficit)	2,444,096	(100,923)	-	(1,598,091)
Total fund balance	6,377,189	(100,923)	8,099,970	(1,598,091)
Total liabilities, deferred inflows of resources and fund balance	\$14,024,893	\$1,982,556	\$8,716,583	\$1,341,620

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2017

Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$2,631,169	\$5,641,891	\$18,460,907
—	782,915	783,060
—	—	5,796,589
—	5,830,628	9,222,757
—	—	3,423,784
—	—	1,565,248
—	858	858
—	2,182,743	3,755,882
—	484,526	611,297
—	12,605	12,605
<u>\$2,631,169</u>	<u>\$14,936,166</u>	<u>\$43,632,987</u>
\$—	\$142,974	\$329,820
404,272	—	404,452
—	70,798	3,208,693
—	154,720	876,798
—	86,625	358,108
—	67,967	372,331
4,643,000	—	4,953,000
<u>5,047,272</u>	<u>523,084</u>	<u>10,503,202</u>
—	5,102,628	8,152,757
—	1,868,393	7,172,925
<u>—</u>	<u>6,971,021</u>	<u>15,325,682</u>
—	—	126,771
—	5,690,238	5,690,238
—	1,787,299	9,887,269
—	—	3,806,322
(2,416,103)	(35,476)	(1,706,497)
<u>(2,416,103)</u>	<u>7,442,061</u>	<u>17,804,103</u>
<u>\$2,631,169</u>	<u>\$14,936,166</u>	<u>\$43,632,987</u>

City of Parma, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances		\$17,804,103
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		89,073,645
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</p>		
Municipal Income Taxes	\$2,681,033	
Special Assessments	1,565,248	
Intergovernmental	2,884,345	
Other	57,734	
		7,188,360
<p>Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position</p>		
		231,345
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p>		
General Obligation Bonds	(11,640,000)	
Special Assessment Bonds	(32,500)	
OPWC Loans	(149,965)	
OWDA Loans	(2,922,043)	
Compensated Absences	(4,729,557)	
Capital Leases Payable	(3,320,281)	
		(22,794,346)
<p>The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows and outflows are not reported in the governmental funds:</p>		
Deferred Outflows - Pension	19,534,156	
Net Pension Liability	(77,584,784)	
Deferred Inflows - Pension	(3,970,015)	
		(62,020,643)
Net Position of Governmental Activities		\$29,482,464

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

City of Parma, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2017

	General	Debt Service	City Income Tax Capital Acquisitions	Sewer Construction
Revenues				
Municipal income tax	\$31,511,898	\$-	\$8,503,216	\$-
Property and other taxes	3,703,803	108,317	-	-
Charges for services	728,981	-	1,425	-
Fees, license and permits	7,905,078	-	-	-
Fines and forfeitures	3,707,434	-	-	-
Intergovernmental	3,384,791	18,073	743,279	1,131,964
Donations	-	-	-	-
Rents	55,968	-	-	-
Special assessments	-	114,274	-	77,123
Interest	12,983	-	-	-
Other	5,207	-	-	-
Total Revenues	51,016,143	240,664	9,247,920	1,209,087
Expenditures				
Current				
Legislative and executive	16,827,897	1,138	5,290,814	1,186,070
Security of persons and property	25,798,771	-	-	-
Public health and welfare	319,876	-	-	-
Transportation	-	-	-	-
Community environment	759,660	-	-	-
Basic utility services	-	-	-	-
Leisure time activities	2,478,189	-	-	-
Total Current Expenditures	46,184,393	1,138	5,290,814	1,186,070
Capital outlay	36,633	-	1,550,427	-
Debt service				
Principal retirement	-	1,977,150	1,189,274	-
Interest and fiscal charges	-	390,503	54,818	6,306
Total Expenditures	46,221,026	2,368,791	8,085,333	1,192,376
Excess of revenues over (under) expenditures	4,795,117	(2,128,127)	1,162,587	16,711
Other financing sources(uses)				
Note premium	-	-	-	-
State loan proceeds	-	-	-	145,591
Transfers - in	-	1,831,199	-	-
Transfers - out	(4,283,820)	-	(2,605,135)	-
Inception of capital leases	-	-	1,796,281	-
Total other financing sources (uses)	(4,283,820)	1,831,199	(808,854)	145,591
Net change in fund balance	511,297	(296,928)	353,733	162,302
Fund balances at beginning of year	5,865,892	196,005	7,746,237	(1,760,393)
Fund balances at end of year	<u>\$6,377,189</u>	<u>\$(100,923)</u>	<u>\$8,099,970</u>	<u>\$(1,598,091)</u>

See accompanying notes to the basic financial statements

Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$—	\$—	\$40,015,114
—	6,600,858	10,412,978
825	2,565,492	3,296,723
—	67,024	7,972,102
—	631,617	4,339,051
270,405	10,264,297	15,812,809
—	130,411	130,411
—	145,869	201,837
—	969,543	1,160,940
—	159	13,142
—	2,876	8,083
<u>271,230</u>	<u>21,378,146</u>	<u>83,363,190</u>
2,647,660	1,057,053	27,010,632
—	8,156,646	33,955,417
—	—	319,876
—	5,349,358	5,349,358
—	6,631,837	7,391,497
—	1,572,284	1,572,284
—	727,412	3,205,601
<u>2,647,660</u>	<u>23,494,590</u>	<u>78,804,665</u>
—	881,803	2,468,863
—	89,684	3,256,108
<u>23,575</u>	<u>11,555</u>	<u>486,757</u>
<u>2,671,235</u>	<u>24,477,632</u>	<u>85,016,393</u>
<u>(2,400,005)</u>	<u>(3,099,486)</u>	<u>(1,653,203)</u>
11,808	—	11,808
114,546	—	260,137
506,417	6,023,318	8,360,934
—	(3,196,697)	(10,085,652)
—	248,696	2,044,977
<u>632,771</u>	<u>3,075,317</u>	<u>592,204</u>
(1,767,234)	(24,169)	(1,060,999)
<u>(648,869)</u>	<u>7,466,230</u>	<u>18,865,102</u>
<u><u>\$(2,416,103)</u></u>	<u><u>\$7,442,061</u></u>	<u><u>\$17,804,103</u></u>

City of Parma, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$(1,060,999)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$6,562,933	
Depreciation	<u>(4,689,922)</u>	
		1,873,011

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

Municipal Income Taxes	(534,961)	
Intergovernmental	376,227	
Special Assessments	<u>(119,847)</u>	
		(278,581)

Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Position

Inception of Capital Leases	(2,044,977)	
Ohio Water Development Authority Loans	<u>(20,215)</u>	
		(2,065,192)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position

3,256,108

Internal Service Funds used by management are not reported in the city-wide Statement of Activities. Governmental fund expenditures and related Internal Service Fund revenues are eliminated. The net revenue (expense) of the Internal Service Funds is allocated among the governmental activities:

Change in Net Position	<u>698,869</u>	
		698,869

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds

Compensated Absences	<u>243,570</u>	
		243,570

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows

6,146,474

Except for amounts reported as deferred inflows and outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities

(12,207,332)

Change in Net Position of Governmental Activities

\$(3,394,072)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP) Basis and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Revenues				
Municipal income taxes	\$31,280,683	\$31,037,100	\$31,560,670	\$523,570
Property and other taxes	3,650,699	3,223,446	3,361,803	138,357
Charges for services	650,000	653,950	728,981	75,031
Fees, licenses, and permits	7,900,000	7,729,747	7,905,078	175,331
Fines and forfeitures	2,950,000	3,272,559	3,725,549	452,990
Intergovernmental	1,884,596	3,531,200	3,403,235	(127,965)
Rentals and leases	100,000	91,800	55,968	(35,832)
Interest	5,000	3,500	12,983	9,483
Royalties and commissions	5,000	4,200	4,807	607
Total Revenues	48,425,978	49,547,502	50,759,074	1,211,572
Expenditures				
Current				
Legislative and executive	16,943,608	18,336,123	16,880,445	1,455,678
Security of persons and property	26,600,041	26,693,543	25,904,511	789,032
Public health and welfare	336,196	336,196	319,876	16,320
Community environment	840,865	820,865	761,270	59,595
Leisure time activities	2,788,510	2,796,060	2,523,399	272,661
Total current expenditures	47,509,220	48,982,787	46,389,501	2,593,286
Capital outlay	—	68,633	36,633	32,000
Total Expenditures	47,509,220	49,051,420	46,426,134	2,625,286
Excess of revenues over(under) expenditures	916,758	496,082	4,332,940	3,836,858
Other Financing Sources(Uses)				
Advances-in	319,517	319,517	319,518	1
Advances-out	(250,000)	(249,000)	(286,026)	(37,026)
Transfers-in	80,000	75,140	110,139	34,999
Transfers-out	(4,048,072)	(4,531,927)	(4,393,959)	137,968
Total Other Financing Sources(Uses)	(3,898,555)	(4,386,270)	(4,250,328)	135,942
Net change in fund balance	(2,981,797)	(3,890,188)	82,612	3,972,800
Fund balance at beginning of year	3,234,024	3,234,024	3,234,024	—
Prior year encumbrances appropriated	773,204	773,204	773,204	—
Fund balance at end of year	<u>\$1,025,431</u>	<u>\$117,040</u>	<u>\$4,089,840</u>	<u>\$3,972,800</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fund Net Position - Proprietary Funds
December 31, 2017

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Assets:		
Current Assets:		
Equity in pooled cash and cash equivalents	\$5,201	\$1,413,894
Cash and cash equivalents in segregated accounts	9,772	-
Materials and supplies inventory	10,364	-
	25,337	1,413,894
Non-Current Assets:		
Capital assets, non-depreciable	1,078,077	-
Capital assets, depreciable, net	190,429	-
	1,268,506	-
Total Assets	1,293,843	1,413,894
Deferred Outflows of Resources:		
Pension	236,983	-
Other	-	-
	236,983	-
Liabilities:		
Current Liabilities:		
Accounts payable	5,460	2,590
Claims and judgements payable	-	1,159,609
Accrued wages and benefits	6,091	3,896
Compensated absences payable	7,284	320
Interfund payable	215,000	-
Due to other governments	3,337	699
	237,172	1,167,114
Long-term Liabilities:		
Net pension liability	631,424	-
Compensated absences	28,220	15,435
	659,644	15,435
Total Liabilities	896,816	1,182,549
Deferred Inflows of Resources:		
Pension	8,535	-
Net Position:		
Net investment in capital assets	1,268,506	-
Unrestricted	(643,031)	231,345
	\$625,475	\$231,345

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Operating Revenues:</i>		
Charges for services	\$517,013	\$9,614,174
Other	347,144	-
	864,157	9,614,174
<i>Operating Expenses:</i>		
Personal services	574,204	230,082
Contractual services	183,908	147,735
Claims	-	9,036,988
Materials and supplies	215,382	500
Depreciation	25,618	-
	999,112	9,415,305
Operating Income(Loss)	(134,955)	198,869
Income(Loss) Before Transfers	(134,955)	198,869
Transfers - In	-	500,000
Change in Net Position	(134,955)	698,869
Net Position at Beginning of Year	760,430	(467,524)
Net Position at End of Year	\$625,475	\$231,345

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Cash Flows from Operating Activities:</i>		
Cash received from customers	\$517,013	\$-
Cash received from quasi-external operating transactions with other funds	-	9,612,459
Other operating revenues	347,144	1,715
Cash payments to suppliers for goods and services	(198,825)	-
Cash payments for claims	-	(9,179,097)
Cash payments for employee services and benefits	(482,734)	(242,170)
Cash payments for contractual services	(212,646)	(145,645)
	(30,048)	47,262
<i>Cash Flows from Noncapital Financing Activities:</i>		
Advances - in	215,000	-
Advances - out	(188,000)	-
Transfers - in	-	500,000
	27,000	500,000
Net cash provided by noncapital financing activities	27,000	500,000
Net increase (decrease) in cash and cash equivalents	(3,048)	547,262
Cash and cash equivalents, beginning of year	18,021	866,632
Cash and cash equivalents, end of year	\$14,973	\$1,413,894

(continued)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds - *continued*
For the Year Ended December 31, 2017

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>		
Operating income (loss)	\$(134,955)	\$198,869
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	25,618	—
<i>Change in Assets and Liabilities:</i>		
(Increase) in materials and supplies inventory	(2,574)	—
(Decrease) in accounts payable	(1,615)	(16,801)
Increase in accrued wages and benefits	119	97
(Decrease)/increase in compensated absences payable	(190)	6,634
(Decrease)/increase in due to other governments	(969)	47
Decrease in claims payable	—	(141,584)
(Increase) in deferred outflows of resources - pension	(40,464)	—
Increase in net pension liability	134,098	—
(Decrease) in deferred inflows of resources - pension	(9,116)	—
Net Cash Used in Operating Activities	\$(30,048)	\$47,262

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2017

	<u>Agency Funds</u>
<i>Assets:</i>	
Equity in pooled cash and cash equivalents	\$1,562,716
Cash and cash equivalents in segregated accounts	13,745
Cash and cash equivalents with fiscal and escrow agents	<u>435,474</u>
Total assets	<u><u>\$2,011,935</u></u>
<i>Liabilities:</i>	
Deposits held and due to others	<u>2,011,935</u>
Total liabilities	<u><u>\$2,011,935</u></u>
See accompanying notes to the basic financial statements	

NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

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

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

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

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

The City is associated with the Parma Community General Hospital Association (also known as University Hospitals Parma Medical Center) and the Southwest Council of Governments, which are identified as jointly governed organizations and discussed in detail in Note 18, *Jointly Governed Organizations*, of the *Basic Financial Statements*. The City has no ongoing financial interest or responsibility related to these organizations.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements as of December 31, 2017 and for the year then ended have

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"). The most significant of the City's accounting policies are described below.

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

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

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

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

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

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

(2) - Fund financial statements segregate transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

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

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

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

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

(d) - Sewer Construction Fund - The Sewer Construction Fund is used to account for activity associated with the sewer construction and improvement.

(e) - Street Improvements Fund - The Street Improvements Fund is used to account for activity associated with the construction and improvement of the City's streets.

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

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

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fund which is used to account for the financial activities of the Ridgewood Municipal Golf Course.

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

(3) - Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. Private-purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. During 2017, the City did not utilize any private-purpose trust funds. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's significant agency funds are used to account for deposits related to the Parma Municipal Court, the Parma Public Housing Agency, contractors and developers, sales taxes, and vital records. Other fiduciary funds include pension trust funds and investment trust funds. During 2017, the City did not utilize any such trust funds. Fiduciary funds are not included in the government-wide statements.

C - Measurement Focus

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

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

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

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

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

Non-exchange Transactions - Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied, as explained in Note 7, *Property Taxes*, of the *Basic Financial Statements*.

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

(2) - Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial 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. In addition to liabilities, the statements of financial position report 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. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2017 operations. These amounts have been recorded as a deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and certain other receivables that will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

(3) - Expenses/Expenditures

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

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

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

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances at December 31 of the preceding year. Upon a determination by the City Auditor that the revenue to be collected by the City will be greater or less than the amount included in the official certificate, the City Auditor shall certify the amount of the excess or deficiency to the County Budget Commission, and if it is deemed reasonable by the Commission, the County Budget Commission shall certify an amended official certificate reflecting the deficiency or excess. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

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

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

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

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

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The *Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund* 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 the GAAP basis are (1) revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis), (2) expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis) and, (3) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds.

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

Net Change in Fund Balance	
	General
GAAP basis	\$511,297
Increase(decrease) due to:	
Revenues accruals	172,588
Expenditure accruals	(601,273)
	\$82,612
Budget basis	

F - Cash and Cash Equivalents

Cash resources of certain individual funds are combined to form a pool of cash and investments that is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of STAR Ohio, are carried at fair value (see Note 6, *Pooled and Segregated Cash and Investments*) based on quoted market values. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund.

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

G - Investments

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

The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows Ohio governments to pool their funds for investment purposes. STAR Ohio is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

H - Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed. The City did not have any prepaid items as of December 31, 2017.

I - Materials and Supplies Inventory

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

J - Capital Assets

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

Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Con-

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

tributed fixed assets are recorded at their estimated fair market value on the date contributed.

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

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

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

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

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

K - Compensated Absences

The liability for compensated absences is based on GASB Statement No. 16, *Accounting for Compensated Absences*.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Normally, all vacation time is to be taken in the year available.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

termination (severance) payments according to City union agreements.

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

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

L - Long-Term Obligations

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

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

M - Fund 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:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Nonspendable - The nonspendable fund balance category includes resources that cannot be spent because they are not spendable form or are 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.

Restricted - The restricted fund balance category includes resources that have constraints placed upon their use either externally by creditors, eg; debt covenants, grantors, contributors, laws or regulations of other governments or internally by constitutional provisions or enabling legislation, eg; City ordinances.

Enabling legislation authorizes the City 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 specified in the legislation. Legal enforceability means that the City 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 purpose specified by the legislation.

Committed - The committed fund balance classification includes resources that can be used only for specific purposes imposed by a formal action of the City Council, eg; a resolution or an ordinance. Those resources cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action used to commit those resources. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed resources are imposed by City Council, separate from the authorization to raise the underlying resource; therefore, compliance with these constraints is not considered to be legally enforceable. 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 - The assigned fund balance classification includes resources that can be used 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 or a City official delegated that authority by City Charter or ordinance, or by State statute.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Unassigned - The unassigned fund balance classification is the residual classification for the general fund and includes all spendable resources 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.

N - Grants and Other Intergovernmental Revenues

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

O - Encumbrances

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

P - Interfund Transactions

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

Q - Operating Revenues and Expenses

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

R - Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions/deuctions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S - Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net investment in capital assests componenet of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

T - 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 2017.

U - Statement of Cash Flows

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

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of GASB Statement No. 80 did not result in any change to the City's financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not result in any change to the City's financial statements.

In March 2016, the GASB issued Statement No. 82, *An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not result in any change to the City's financial statements.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 4 - FUND BALANCES AND ENCUMBRANCES

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 Balances	General	Debt Service	City Income Tax Capital Acquisitions	Sewer Construction
Nonspendable				
Inventory	\$126,771	\$-	\$-	\$-
Total nonspendable	126,771	-	-	-
Restricted for:				
Police operations	-	-	-	-
Police pension	-	-	-	-
Fire operations	-	-	-	-
Fire pension	-	-	-	-
EMS services	-	-	-	-
Public housing	-	-	-	-
Street improvement	-	-	-	-
Capital improvement	-	-	-	-
Recreation	-	-	-	-
Other purposes	-	-	-	-
Utility services	-	-	-	-
Total restricted	-	-	-	-
Committed to:				
Justice center	-	-	-	-
Fire building	-	-	-	-
Recreation	-	-	-	-
Utility services	-	-	-	-
Capital improvements	-	-	8,099,970	-
Other purposes	-	-	-	-
Total committed	-	-	8,099,970	-
Assigned to:				
Other purposes	3,806,322	-	-	-
Total assigned	3,806,322	-	-	-
Unassigned (deficit)	2,444,096	(100,923)	-	(1,598,091)
Total fund balances	<u>\$6,377,189</u>	<u>\$(100,923)</u>	<u>\$8,099,970</u>	<u>\$(1,598,091)</u>

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Street Improvements	Nonmajor Governmental	Total Governmental
\$-	\$-	\$126,771
\$-	-	126,771
-	1,536,568	1,536,568
-	351,102	351,102
-	730,415	730,415
-	433,290	433,290
-	309,034	309,034
-	776,458	776,458
-	1,230,604	1,230,604
-	1,969	1,969
-	40,830	40,830
-	190,489	190,489
-	89,479	89,479
-	5,690,238	5,690,238
-	51,897	51,897
-	238,563	238,563
-	432,095	432,095
-	84,590	84,590
-	167,325	8,267,295
-	812,829	812,829
-	1,787,299	9,887,269
-	-	3,806,322
-	-	3,806,322
(2,416,103)	(35,476)	(1,706,497)
\$(2,416,103)	\$7,442,061	\$17,804,103

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is used to the extent necessary to assure effective budgetary control, accountability, and cash management. At year-end the encumbrances expected to be honored upon performance by the vendor in the following year were:

Governmental Funds	Balance
General Fund	\$793,736
City Income Tax Capital Acquisitions Fund	2,376,322
Sewer Construction Fund	850,210
Street Improvements Fund	2,094,138
Nonmajor Governmental Funds	1,027,015
Total Governmental Funds	\$7,141,421

NOTE 5 - COMPLIANCE AND ACCOUNTABILITY

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

Fund	Balance
Community Development Block Grant Fund	\$(33,349)
SAFER Grant Fund	(2,127)
Medical Insurance Fund	(156,392)

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

NOTE 6 - POOLED AND SEGREGATED CASH AND INVESTMENTS

Except for monies of the Parma Public Housing Agency and the Parma Municipal Court, whose depository accounts are presented as "Cash and cash equivalents in segregated accounts" or as "Cash and cash equivalents with fiscal and escrow agents", monies of all other funds of the City are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments are presented as "Equity in pooled cash and cash equivalents" on the statement of net position. Individual fund integrity is maintained through the City's accounting records.

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

Public depositories must give security for all public funds on deposit. Ohio law requires that deposits either be insured or protected by either (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

During 2017, the City complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made, as well as the provisions of the statutes concerning security deposits. The City will continue to monitor compliance with applicable statutes in the future pertaining to its deposits and investments. At December 31, 2017, all of the City's deposits and investments (excluding STAR Ohio) were held by local banks or financial institutions that qualify under Ohio Revised Code §135.14(M)(I).

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

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

At year-end, the carrying amount of the City's deposits was \$22,551,769 and the actual bank balance was \$23,648,140. The difference represents outstanding warrants payable and normal reconciling items. Of the bank balance, \$1,584,652 was covered by federal depository insurance and \$9,784,389 by collateral held by third-party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Governmental Accounting Standards Board. The remaining Balance of \$12,279,099 was uninsured and uncollateralized.

Custodian	FDIC	Third Party (Huntington Only)	Uncollateralized
City Hall	\$1,000,000	\$8,723,327	\$12,279,099
PPHA	334,652	462,009	-
Municipal Court	250,000	599,053	-

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

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security, safety and preservation of principal while meeting the daily cash flow

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

demands of the City. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements.

At December 31, 2017, the fair value of the City's investments were:

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2017. As discussed further in Note 2G, STAR Ohio is reported at its share price.

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

At December 31, 2017, the City's investments had maturities as follows:

Maturity	Portfolio Weighted/ Average Maturity
Average of 52.1 Days	100.00%

Credit Risk - State law limits investments in corporate debt to the top two ratings issued by nationally recognized statistical rating organizations. The City does not have a written policy limiting its corporate debt investments to the top ratings. However, U.S. Agencies are rated AAA, which is the top rating available for those investment types. The City invests in STAR Ohio, which is rated AAAm by Standard & Poor's.

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Reconciliation to Combined Balance Sheet Classification - The following table summarizes the City's deposits and investments as of December 31, 2017:

Deposits	\$22,551,769
Investments	133,000
 Total	 \$22,684,769

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

<i>Government-Wide Financial Statements</i>	
<i>Unrestricted</i>	
Equity in Pooled Cash and Cash Equivalents	\$19,880,002
Cash and Cash Equivalents in Segregated Accounts	792,832
 Total Government-Wide Financial Statements	 \$20,672,834
 <i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	
Equity in Pooled Cash and Cash Equivalents	\$18,460,907
Cash and Cash Equivalents in Segregated Accounts	783,060
 <i>Statement of Fund Net Position - Proprietary Funds</i>	
Equity in Pooled Cash and Cash Equivalents	1,419,095
Cash and Cash Equivalents in Segregated Accounts	9,772
 Total Governmental and Proprietary Funds	 20,672,834
 <i>Statement of Fiduciary Assets and Liabilities</i>	
Equity in Pooled Cash and Cash Equivalents	1,562,716
Cash and Cash Equivalents in Segregated Accounts	13,745
Cash and Cash Equivalents with Fiscal and Escrow Agents	435,474
 Total Fund Financial Statements	 \$22,684,769

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2017 levy was based upon an assessed valuation of approximately \$1,362,061,400. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 7.40 mills, of which 0.60 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. Assessed values are established by the Cuyahoga County Fiscal Officer. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

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

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

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

The full tax rate for all City operations for the year ended December 31, 2017, was \$7.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property certified for tax year 2017 are as follows:

<u>Property Type</u>	<u>Assessed Value</u>
Real	\$1,316,287,980
Public Utility	<u>45,773,420</u>
Total Assessed Value	<u><u>\$1,362,061,400</u></u>

NOTE 8 - INCOME TAXES

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

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

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

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

In 2017, income tax proceeds were credited, on a cash basis, 78.75% to the General Fund and 21.25% to the City Income Tax Capital Acquisitions Fund.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 - DUE FROM OTHER GOVERNMENTS

The following table summarizes the City's due from other governments at December 31, 2017:

Receivable	Amount
Local Government	\$901,363
Gasoline Tax	1,297,150
Permissive Motor Vehicle License Tax	272,136
Motor Vehicle License Registration	269,488
Homestead and Rollback	552,986
Liquor Permits	42,299
Parma Municipal Court	420,460
Total Due from Other Governments	\$3,755,882

NOTE 10 - COMPENSATED ABSENCES

Accumulated Vacation - City employees earn vacation leave at varying rates based upon length of service. Vacation leave is earned in one year and must be used in the next year. Any unused vacation leave is eliminated from the employee's vacation leave balance. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave to a maximum of the amount of vacation leave earned in the prior year but not yet used and, on a pro rata basis, vacation leave earned during the current year. At December 31, 2017, the total vacation obligation for the City as a whole amounted to \$1,723,093.

Accumulated Unpaid Sick Leave - City employees earn sick leave at the rate of four and six tenths hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, an employee (or his estate) with ten or more years of service (except five or more years of service for American Federation of State, County, and Municipal Employees union members) is paid for one-third of his accumulated sick leave not to exceed various ceilings depending on the department for which the employee worked. The total obligation for sick leave accrual for the City as a whole as of December 31, 2017, was \$1,647,637.

Accumulated Overtime - All City employees earn overtime for work performed in excess of regular hours. Limitations of maximum accumulation of overtime hours are specified in the union agreements. During 2016, overtime was accumulated at a rate of one and one-half hours of overtime for each excess hour worked. All unpaid, accumulated overtime is paid to employees upon separation or death. Overtime is paid at the current wage rate in effect when the overtime is paid. At December 31, 2017, accumulated, unpaid overtime for the City as a whole was \$1,746,141.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 11 - CAPITAL ASSET ACTIVITY

Capital asset activity of the Governmental Activities for the year ended December 31, 2017 is summarized in the following table:

	Balances 12/31/2016	Additions	Disposals	Balances 12/31/2017
<i>Governmental Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$7,737,770	\$-	\$-	\$7,737,770
Construction in Progress	1,792,009	231,284	(1,792,009)	231,284
Total Nondepreciable Assets	<u>9,529,779</u>	<u>231,284</u>	<u>(1,792,009)</u>	<u>7,969,054</u>
<i>Depreciable Assets</i>				
Land Improvements	533,490	393,721	-	927,211
Buildings	34,031,407	470,523	-	34,501,930
Equipment	12,892,643	1,235,520	-	14,128,163
Vehicles	13,526,847	1,008,118	(185,552)	14,349,413
Software	1,043,476	-	-	1,043,476
Infrastructure	85,398,850	5,201,328	-	90,600,178
Total Depreciable Assets	<u>147,426,713</u>	<u>8,309,210</u>	<u>(185,552)</u>	<u>155,550,371</u>
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	323,300	61,814	-	385,114
Buildings	11,556,509	662,614	-	12,219,123
Equipment	9,416,753	963,433	-	10,380,186
Vehicles	9,363,714	833,456	(170,750)	10,026,420
Software	958,931	32,698	-	991,629
Infrastructure	38,136,651	2,306,657	-	40,443,308
Total Accumulated Depreciation	<u>69,755,858</u>	<u>4,860,672</u>	<u>(170,750)</u>	<u>74,445,780</u>
Total Depreciable Assets, net	<u>77,670,855</u>	<u>3,448,538</u>	<u>(14,802)</u>	<u>81,104,591</u>
Total Governmental Activities, net	<u>\$87,200,634</u>	<u>\$3,679,822</u>	<u>\$(1,806,811)</u>	<u>\$89,073,645</u>

(continued)

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Capital asset activity of the Business-Type Activities for the year ended December 31, 2017 is summarized in the following table:

	Balances 12/31/2016	Additions	Disposals	Balances 12/31/2017
<i>Business-Type Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$1,078,077	\$-	\$-	\$1,078,077
Total Nondepreciable Assets	1,078,077	-	-	1,078,077
<i>Depreciable Assets</i>				
Land Improvements	263,700	-	-	263,700
Buildings	209,531	-	-	209,531
Equipment	835,094	-	(8,530)	826,564
Vehicles	42,900	-	-	42,900
Total Depreciable Assets	1,351,225	-	(8,530)	1,342,695
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	263,700	-	-	263,700
Buildings	118,202	2,994	-	121,196
Equipment	717,236	21,482	(8,530)	730,188
Vehicles	36,040	1,142	-	37,182
Total Accumulated Depreciation	1,135,178	25,618	(8,530)	1,152,266
Total Depreciable Assets, net	216,047	(25,618)	-	190,429
Total Business-Type Activities, net	<u>\$1,294,124</u>	<u>\$(25,618)</u>	<u>\$-</u>	<u>\$1,268,506</u>

During 2017, depreciation expense was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$852,782	\$-
Security of Persons and Property	1,289,348	-
Transportation	2,409,133	-
Community Environment	54,905	-
Basic Utility Services	2,440	-
Leisure Time Activities	252,064	-
Golf Course	-	25,618
Total	<u>\$4,860,672</u>	<u>\$25,618</u>

NOTE 12 - RISK MANAGEMENT

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

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net position. In the fund financial statements, claims liabilities that relate to internal service funds are reported; however, the long-term portion of claims liabilities is not reported for governmental funds.

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

A liability of \$100,000 provided by the City's Law Director has been recorded.

Changes in the Liability Insurance Self-Insurance Fund claims liability amount for 2015 through 2017 were:

Year	January 1	Claims	Payments	December 31
2015	\$192,000	\$82,915	\$(44,915)	\$230,000
2016	230,000	-	(80,000)	150,000
2017	150,000	23,445	(73,445)	100,000

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

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

A liability, estimated by the third party administrator, in the amount of \$777,012 has been recorded to reflect unpaid claims cost including incurred but not reported claims as of December 31, 2017. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the Medical Insurance Self-Insurance Fund claims liability amount for 2015 through 2017 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2015	\$536,461	\$7,744,249	\$(7,733,039)	\$547,671
2016	547,671	8,304,794	(7,894,981)	957,484
2017	957,484	8,393,066	(8,573,538)	777,012

Workers Compensation Insurance Fund (WCIF) - Effective January 1, 2006, the City commenced participation in the Ohio Bureau of Workers' Compensation retrospective rating and payment plan under which the City assumes a portion of the risk in return for a possible reduction in premiums. Under this plan, the City pays a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for any injured employees, with a claim limit of \$250,000. The City previously participated in the retroactive rating plan through December 31, 1996. A liability in the amount of \$282,597 based on information provided by the Ohio Bureau of Workers' Compensation, has been recorded to reflect unpaid claims cost, including incurred but not reported claims, as of December 31, 2017. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

All costs of workers claims, premiums, administrative costs and other additional assessments are paid out of the WCIF. Changes in the Workers' Compensation Insurance Fund claims liability amount for 2015 through 2017 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2015	\$153,648	\$792,824	\$(621,701)	\$324,771
2016	324,771	805,599	(936,661)	193,709
2017	193,709	621,002	(532,114)	282,597

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 - INTERFUND TRANSACTIONS AND BALANCES

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

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

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

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

Interfund Balances - Interfund balances at December 31, 2017 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

A summary of interfund receivables and payables as of December 31, 2017 are:

Fund	Receivables	Payables
General Fund	\$285,890	\$-
City Income Tax Capital Acquisitions Fund	3,137,894	-
Debt Service Fund	-	509,194
Sewer Construction Fund	-	2,628,701
Other Governmental Funds	-	70,798
Golf Course Fund	-	215,000
	\$3,423,784	\$3,423,693
Total		

The interfund receivables and interfund payables do not balance due to a \$91 advance from the General Fund to an agency fund.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

A summary of interfund transfers as of December 31, 2017 are:

Fund	Transfers-In	Transfers-Out
General Fund	\$-	\$4,283,820
Debt Service Fund	1,831,199	-
City Income Tax Capital Acquisitions Fund	-	2,605,135
Street Improvement Fund	506,417	-
Other Governmental Funds	6,023,319	3,196,697
Internal Service Funds	500,000	-
Total	<u>\$8,860,935</u>	<u>\$10,085,652</u>

The transfers-in and transfers-out do not balance due to a \$1,224,717 transfer from the General Fund to various agency funds.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability - The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City of Parma's proportionate share of each pension plans collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plans fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plans board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in the OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of both the traditional and combined pension plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In this legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report (CAFR) referenced above for additional information):

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local		
Age and Service Requirements		Age and Service Requirements
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit		Age 57 with 25 months of service credit or Age 62 with 5 years of service credit
Formula		Formula
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for years of service in excess of 30		2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for years of service in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	State and Local
<i>2017 Statutory Maximum Contribution Rates</i>	
Employer	14.0%
Employee	10.0%
<i>2017 Actual Contribution Rates</i>	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,571,213 for 2017.

Ohio Police & Fire Pension Fund (OP&F) - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<i>2017 Statutory Maximum Contribution Rates</i>		
Employer	19.50%	24.00%
Employee:	12.25%	12.25%
<i>2017 Actual Contribution Rates</i>		
Employer:		
Pension	19.0%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,628,228 for 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$30,651,662	\$47,564,546	\$78,216,208
Proportion of the Net Pension Liability	0.134980%	0.750952%	
Pension Expense	\$6,692,040	\$5,543,677	\$12,235,717

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$41,546	\$13,456	\$55,002
Change of assumptions	4,861,729	-	4,861,729
Net difference between projected and actual earnings on pension plan investments	4,029,524	4,625,443	\$8,654,967
City contributions subsequent to the measurement date	2,571,213	3,628,228	6,199,441
Total Deferred Outflows of Resources	<u>\$11,504,012</u>	<u>\$8,267,127</u>	<u>\$19,771,139</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$182,424	\$109,513	\$291,937
Changes in employer proportion and differences between contributions and proportionate share of pension expense	231,852	3,454,761	3,686,613
Total Deferred Inflows of Resources	<u>\$414,276</u>	<u>\$3,564,274</u>	<u>\$3,978,550</u>

\$6,199,441 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	OPERS	OP&F	Total
Year Ending December 31:			
2018	\$3,502,599	\$1,197,166	\$4,699,765
2019	3,794,685	1,197,161	4,991,846
2020	1,488,848	777,997	2,266,845
2021	(267,608)	(873,354)	(1,140,962)
2022	-	(560,448)	(560,448)
Thereafter	-	(663,897)	(663,897)
Total	\$8,518,524	\$1,074,625	\$9,593,149

Actuarial Assumptions - OPERS - Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015 comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable change being a reduction in the actuarially assumed rate of return from 8 percent to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below:

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc Cola:		
Pre-January 7, 2013 Retirees	3 percent simple	3 percent simple
Post-January 7, 2013 Retirees:		
Through 2018	3 percent simple	3 percent simple
After 2018	2.15 percent simple	2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusting for mortality improvements back to the observation period base year 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the defined Contribution portfolio.

The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016.

The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan.

The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefits portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00%	5.66%

Discount Rate - The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board adopted certain assumption changes which will impact their actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net position liability is expected to be significant.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$46,827,262	\$30,651,258	\$17,172,156

Actuarial Assumptions - (OP&F) - OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	-%	-%
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income (levered 2x)	20.00	2.37
Global inflation Protected (levered 2x)	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00%</u>	

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plans fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$63,350,339	\$47,564,546	\$34,185,872

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes, the most significant of which is a reduction in the discount rate from 8.25 percent to 8 percent, which will impact their annual actuarial valuation prepared as of January 1, 2017.

Although the exact amount of these changes is not known, they have the potential to impact the City's net pension liability.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

As of December 31, 2017, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare trust, which funds multiple health care plans which include medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS-sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension Plan and Combined Plan must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report which may be obtained by visiting OPERS website at www.opers.org, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by telephone at 614.222.5601 or 800.222.7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, state employers and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employer units contributed at 18.1 percent. The Ohio Revised Code currently

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units, and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code §401(h), *Qualified Pension, Profit-Sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to fund health care for members of both the Traditional Plan and the Combined Plan was 1.0 percent for calendar year 2017. Effective January 1, 2018, the portion of employer contributions allocated to fund health care decreased to 0 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to fund post-employment benefits for the years ended December 31, 2017, 2016, and 2015 were \$183,658, \$420,556, and \$409,224 respectively. The full amount has been contributed for 2017, 2016, and 2015.

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

OP&F provides access to post-retirement healthcare coverage for any person who receives, or is eligible to receive, a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such a person. The healthcare coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits are codified in Title VII, *Municipal Corporations*, Chapter 742, *Police and Fire Pension Fund* of the Ohio Revised Code. OP&F issues a stand-alone financial report which may be obtained by contacting OP&F, 140 East Town Street, Columbus, OH 43215-5164, by telephone at 614.228.2975, or on the OP&F website at www.op-f.org.

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 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

OP&F maintains funds for healthcare in two separate accounts: (1) an account for health care benefits administered as an IRS Code §115, *Income of States, Municipalities, etc.* trust and (2) an account for Medicare Part B reimbursements administered under IRS Code §401(h), *Qualified Pension, Profit-sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. Both accounts are part of the defined benefit pension plan administered by the OP&F Board of Trustees under authority granted by the Ohio Revised Code. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the IRS Code §115 trust and to the IRS Code §401(h) account as an employer contribution for retiree health care benefits. The portion of employer contributions allocated to fund health care was 0.50 percent of covered payroll from January 1, 2017 through December 31, 2017. The amount of employer contributions allocated to the healthcare plan each year is subject to the Board of Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of IRS Code §115 and IRS Code §401(h).

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

The City's contributions to OP&F for the years ended December 31, 2017, 2016, and 2015 were \$3,628,228, \$3,488,592, and \$3,340,520, respectively, of which \$83,794, \$82,686, and \$78,808, respectively was allocated to the healthcare plan.

NOTE 16 - NOTES PAYABLE

Notes payable activity for the year ended December 31, 2017 is summarized in the following table:

	Principal Balance 12/31/2016	Increase	Decrease	Principal Balance 12/31/2017
<i>Governmental Activities</i>				
<i>Notes Payable</i>				
1.25%-(2016) Various Purpose Notes	\$2,453,000	\$-	\$2,453,000	\$-
2.00%-(2017) Various Purpose Notes	-	4,953,000	-	4,953,000
Total Notes Payable	<u>\$2,453,000</u>	<u>\$4,953,000</u>	<u>\$2,453,000</u>	<u>\$4,953,000</u>

All notes are backed by the full faith and credit of the City and mature within one year. The notes payable of \$4,953,000, which were issued to repay a portion of the City's 2016 1.250% notes payable and for the reconstruction and resurfacing certain City roads, highways and streets are included on the Balance Sheet - Governmental Funds and on the Statement of Net Position.

NOTE 17 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2017 is summarized in the following table:

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Original Issue	Principal Balance 12/31/2016	Increase	Decrease	Principal Balance 12/31/2017	Amount Due Within One Year
Governmental Activities						
Special Assessment Bonds						
3.790%-(1990 OWDA) Bruening Drive	\$185,005	\$44,670	\$0	\$12,170	\$32,500	\$6,258
4.120%-(1997 OWDA) Burden Drive	65,984	2,611	0	2,611	0	0
Total Special Assessment Bonds	250,989	47,281	0	14,781	32,500	6,258
General Obligation (G.O.) Bonds						
Unvoted Bonds						
5.402%-(1999) Justice Center Bonds	1,610,000	360,000	0	115,000	245,000	120,000
4.878%-(2006) Various Purpose Bonds	560,000	345,000	0	30,000	315,000	30,000
1.500%-(2013) Park Acquisition Refunding Bonds	980,000	275,000	0	220,000	55,000	55,000
2.215%-(2013) Facility Refunding Bonds	4,785,000	4,240,000	0	435,000	3,805,000	445,000
3.861%-(2016) Dispatch Center Improvement Bonds	2,360,000	2,360,000	0	85,000	2,275,000	90,000
2.924%-(2016) Facility Refunding Bonds	5,580,000	5,580,000	0	635,000	4,945,000	650,000
Total Unvoted G.O. Bonds	15,875,000	13,160,000	0	1,520,000	11,640,000	1,390,000
Total G.O. Bonds	13,160,000	13,160,000	0	1,520,000	11,640,000	1,390,000
Ohio Public Works Commission Loans						
0%-(1996) Brookpark Road Watermain	385,263	19,264	0	19,264	0	0
0%-(1997) State Road Watermain III	250,242	12,514	0	12,514	0	0
0%-(1999) State Road Sewer Rejuvenation	1,197,683	89,828	0	59,884	29,944	29,944
0%-(1999) Ridge Road Watermain II	383,897	57,583	0	19,195	38,388	9,597
0%-(1999) Gabriella Drive Watermain	383,825	57,579	0	19,191	38,388	9,596
0%-(1999) Chestnut Hills Sanitary Sewer	288,298	57,589	0	14,344	43,245	7,207
Total Ohio Public Works Commission Loans	2,889,208	294,357	0	144,392	149,965	56,344

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Original Issue	Principal Balance 12/31/2016	Increase	Decrease	Principal Balance 12/31/2017	Amount Due Within One Year
Ohio Water Development						
Authority Loans						
4.120%-(1999) Brookpark/West 60th Sewer	306,381	12,366	0	12,366	0	0
4.120%-(1999) Ridge Road Watermain	737,688	57,782	0	57,782	0	0
4.120%-(1999) State Road Watermain	1,095,912	85,841	0	85,841	0	0
4.120%-(1999) Broadview Road Sewer	178,917	20,415	0	13,471	6,944	6,944
3.910%-(1999) Brookpark/Rosside Sewer	110,112	15,223	0	7,464	7,759	3,842
3.250%-(2011) Grantwood/Ridgewood Sewer	104,566	82,164	0	4,517	77,647	2,314
3.250%-(2011) Bradenton Boulevard Sewer	260,984	205,071	0	11,275	193,796	5,775
3.250%-(2011) Manhattan Avenue Sewer	111,548	87,650	1,313	6,132	82,831	2,468
0.000%-(2014) West Ridgewood Sewer	3,071,714	3,124,620	0	590,456	2,534,164	76,793
0.000%-(2014) Ridge Road Sewer Phase II	18,902	0	18,902	0	18,902	18,902
Total Ohio Water Development Authority Loans	5,996,724	3,691,132	20,215	789,304	2,922,043	117,038
Other General Long-Term Obligations						
Capital Leases		2,062,935	2,044,977	787,631	3,320,281	918,059
Compensated Absences		4,494,638	274,549	39,630	4,729,557	472,956
Total Other General Long-Term Obligations		6,557,573	2,319,526	827,261	8,049,838	1,391,015
Net Pension Liability						
OPERS		23,644,701	6,375,537	-	30,020,238	-
OP&F		50,095,926	-	2,531,380	47,564,546	-
Total Net Pension Liability		73,740,627	6,375,537	2,531,380	77,584,784	-
Total All Governmental Activities Obligations		\$97,490,970	\$8,715,278	\$5,827,118	\$100,379,130	\$2,960,655
Business-Type Activities						
Compensated Absences		\$32,427	\$-	4,207	\$28,220	\$2,822
Net Pension Liability - OPERS		497,326	134,098	-	631,424	-
Total Business-Type Activities Long-Term Obligations		\$529,753	\$134,098	4,207	\$659,644	\$2,822

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

The City's overall legal debt margin was \$128,353,481 at December 31, 2017.

Principal and interest requirements to retire the City's governmental-activities general obligation bonds, special assessment bonds, O.W.D.A. loans and O.P.W.C. loans at December 31, 2017 are:

	G. O. Bonds		S. A. Bonds		O.W.D.A. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$1,390,000	\$339,370	\$6,258	\$616	\$117,038	\$5,609
2019	1,360,000	308,850	12,875	874	179,135	10,227
2020	1,265,000	268,750	13,367	382	175,926	9,496
2021	1,305,000	234,750	-	-	176,658	8,821
2022	1,335,000	199,600	-	-	177,414	8,123
2023-2027	3,715,000	485,188	-	-	899,306	29,321
2028-2032	650,000	204,000	-	-	889,393	8,353
2033-2037	620,000	63,400	-	-	307,173	-
Total	<u>\$11,640,000</u>	<u>\$2,103,908</u>	<u>\$32,500</u>	<u>\$1,872</u>	<u>\$2,922,043</u>	<u>\$79,950</u>
	O.P.W.C. Loans		Total			
	Principal	Interest	Principal	Interest		
2018	\$56,344	\$-	\$1,569,640	\$345,595		
2019	52,801	-	1,604,811	319,951		
2020	33,608	-	1,487,901	278,628		
2021	7,212	-	1,488,870	243,571		
2022	-	-	1,512,414	207,723		
2023-2027	-	-	4,614,306	514,509		
2028-2032	-	-	1,539,393	212,353		
2033-2037	-	-	927,173	63,400		
Total	<u>\$149,965</u>	<u>\$-</u>	<u>\$14,744,508</u>	<u>\$2,185,730</u>		

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Capital Lease Arrangements - The City has entered into leases for the acquisition of vehicles and equipment. For governmental funds, capital lease payments are reflected as debt service expenditures in the basic financial statements.

The assets recorded by the City under capital leases as of December 31, 2017 are:

Asset	Governmental Activities
Equipment	\$1,113,255
Vehicles	4,002,347
Less:	
Accumulated depreciation	(1,664,751)
Carrying value	\$3,450,851

Fully depreciated assets were removed from the above listing.

Future minimum lease payments and the present value of the minimum lease payments as of December 31, 2017 are:

Year	Governmental Activities
2018	\$982,415
2019	804,965
2020	656,317
2021	645,801
2022	397,546
Total minimum lease payments	3,487,044
Amount representing interest	(166,763)
Present value of minimum lease payments	\$3,320,281

On March 23, 2006, the City issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the Series 1998 Justice Center General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2017, \$5,095,000 of bonds outstanding are considered defeased.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

On May 15, 2013, the City issued general obligation bonds (Series 2013 Park Acquisition Refunding Bonds) to advance refund the Series 2003 Park Acquisition General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2017, \$1,150,000 of bonds outstanding are considered defeased.

On May 15, 2013, the City issued general obligation bonds (Series 2013 Municipal Facility Refunding Bonds) to advance refund the Series 2005 Fire Station Improvement General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2017, \$3,535,000 of bonds outstanding are considered defeased.

On November 22, 2016, the City issued general obligation bonds (Series 2016 Municipal Facility Refunding Bonds) to advance refund the Series 2006 Refunding Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2017, \$4,945,000 of bonds outstanding are considered defeased.

On November 22, 2006, at the request of the Cuyahoga County General Health District (the District), the City Council authorized and approved the defeasance of \$2,395,000 of the 2003 Health District Bonds scheduled to mature over the next 15 years. The District placed unrestricted available funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding bonds. On December 31, 2017, \$1,035,000 of bonds outstanding are considered defeased.

Conduit Debt Obligations - To assist the PRL Corporation (the "Corporation"), an Ohio corporation wholly owned by the Parma Community General Hospital Association (also known as University Hospitals Parma Medical Center), in financing the costs of acquiring the Medical Arts Center IV, the City of Parma issued \$9,140,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Corporation. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$6,300,000.

To assist the Sheet Metal Workers Local #33 Cleveland District Joint Apprenticeship and Training Fund (the "Fund"), an Ohio nonprofit organization, to finance the acquisition, construction, and equipping of a training facility, the City of Parma issued \$3,500,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Fund. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$2,585,000.

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

accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$3,905,000.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Parma Community General Hospital Association - The Parma Community General Hospital Association, also known as University Hospitals Parma Medical Center (the "Hospital Association"), is a not-for-profit adult care hospital that became part of the University Hospitals Health System in January 2014. University Hospitals Health Systems, Inc. ("UH") is the sole member of the Hospital Association. Day-to-day management of the operations of the Hospital Association is overseen by a Board of Directors comprised of (i) 16 directors appointed from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills and Brooklyn Heights, such appointments by the cities being subject to UH approval, (ii) up to 3 directors appointed by UH, and (iii) 2 physician directors appointed by the Board. UH, as the sole member of the Hospital Association, possesses approval rights on strategic and operational decisions. The City appoints 6 members to the Hospital Association's Board of Directors. The City's degree of influence is limited to its appointments to the Board of Directors.

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

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

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

NOTE 19 - CONTINGENCIES

General Contingencies - Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, those claims which are considered "probable" are accrued (see Note 12, *Risk Management*), while those claims that are considered "reasonably possible" are disclosed but not accrued.

City of Parma, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

As of December 31, 2017, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible was \$100,000 for governmental funds.

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

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

NOTE 20 - TAX ABATEMENT DISCLOSURES

In accordance with GASB Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information about tax abatements as defined in the Statement. For purposes of the Statement, a tax abatement is a reduction in tax revenue that results from an agreement between one of more governments and an individual or entity in which (a) one or more governments promise to forgo to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the City or its citizens. The City has entered into such agreements. A description of the City's abatement programs where the City has has promised to forgo taxes follows:

(1) - Community Reinvestment Area (CRA) programs are an economic development tool administered by municipal and county governments that provide property tax exemptions for property owners who renovate existing or construct new buildings. CRAs are areas in which property owners can receive tax incentives for investing in real property improvements. These programs permit municipalities or counties to designate areas where investment has been discouraged as a CRA to encourage revitalization of the existing housing stock and the development of new structures. The total amount of taxes abated through CRA programs during 2017 was \$0.

(2) - Enterprise Zone programs are an economic development tool administered by municipal and county governments that provide real property tax exemptions to businesses making investments in local communities. Enterprise Zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible (except as noted in rare circumstances). Local communities may offer tax incentives for non-retail projects that are established or expanding operations in the community. Real property investments are eligible for tax incentives. The total amount of taxes abated through Enterprise Zone programs during 2017 was \$0.

NOTE 21 - SUBSEQUENT EVENTS

On July 25, 2018, the City issued \$4,453,000 of 3.00% Various Purpose Notes maturing July 25, 2019 to retire the City's 2.00% \$4,953,000 notes issued July 26, 2017.

City of Parma, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employers Retirement System - Traditional Plan
 Last Four Years ^{1, 2}

	2016	2015	2014	2013
City's Proportion of the Net Pension Liability	0.134980%	0.139378%	0.144057%	0.144057%
City's Proportionate Share of the Net Pension Liability	\$30,651,662	\$24,142,027	\$17,374,884	\$16,982,443
City's Covered Payroll	\$20,362,442	\$20,461,200	\$17,965,640	\$18,265,754
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	150.53%	117.99%	96.71%	92.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

¹ Information prior to 2013 is not available

² Amounts presented as of the City's measurement date which is the prior fiscal year end

City of Parma, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Four Years ^{1, 2}

	2016	2015	2014	2013
City's Proportion of the Net Pension Liability	0.750952%	0.778725%	0.841404%	0.841404%
City's Proportionate Share of the Net Pension Liability	\$47,564,546	\$50,095,926	\$43,588,215	\$40,978,995
City's Covered Payroll	\$16,150,209	\$15,394,444	\$15,709,736	\$16,446,592
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	294.51%	325.42%	277.46%	249.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

¹ Information prior to 2014 is not available

² Amounts presented as of the City's measurement date which is the prior fiscal year end

City of Parma, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employers Retirement System - Traditional Plan
Last Five Years ¹

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$2,571,213	\$2,443,493	\$2,455,344	\$2,155,877	\$2,374,548
Contributions in Relation to the Contractually Required Contribution	<u>(2,571,213)</u>	<u>(2,443,493)</u>	<u>(2,455,344)</u>	<u>(2,155,877)</u>	<u>(2,374,548)</u>
Contribution Deficiency Excess	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$19,778,562	\$20,362,442	\$20,461,200	\$17,965,640	\$18,265,754
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

¹ Information prior to 2013 is not available

City of Parma, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Five Years ¹

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$3,725,121	\$3,488,592	\$3,340,520	\$2,766,485	\$3,438,982
Contributions in Relation to the Contractually Required Contribution	<u>(3,725,121)</u>	<u>(3,488,592)</u>	<u>(3,340,520)</u>	<u>(2,766,485)</u>	<u>(3,438,982)</u>
Contribution Deficiency Excess	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$17,154,335	\$16,150,209	\$15,394,444	\$15,709,736	\$16,446,592
Contributions as a Percentage of Covered-Employee Payroll	21.72%	21.60%	21.70%	17.61%	20.91%

¹ Information prior to 2013 is not available

City of Parma
Cuyahoga County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures	Non-Cash Expenditures
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Western Reserve Area Agency on Aging:</i>				
Aging Cluster:				
Special Programs for the Aging - Title III-B	N/A	93.044	\$116,841	\$0
Special Programs for the Aging - Title III-C1	N/A	93.045	0	41,871
Special Programs for the Aging - Title III-C2	N/A	93.045	29,001	32,016
Total Special Programs for the Aging - Title III-C			29,001	73,887
Nutrition Services Incentive Program	N/A	93.053	0	20,006
Total Aging Cluster			145,842	93,893
Total U.S. Department of Health and Human Services			145,842	93,893
<u>U.S. Department of Justice</u>				
Direct Program:				
Bulletproof Vest Partnership Program 2015	N/A	16.607	3,129	0
Bulletproof Vest Partnership Program 2016	N/A	16.607	7,105	0
Total Bulletproof Vest Partnership Program			10,234	0
<i>Passed Through the State of Ohio, Office of the Attorney General:</i>				
Victims of Crime Act Grant 2016	2017-VOCA-43551392	16.575	37,630	0
Victims of Crime Act Grant 2017	2018-VOCA-109147137	16.575	3,375	0
Total Victims of Crime Act Grant			41,005	0
Total U.S. Department of Justice			51,239	0
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
Community Development Block Grant 2016	N/A	14.218	3,950	0
Community Development Block Grant 2017	N/A	14.218	837,126	0
Total U.S. Department of Housing and Urban Development			841,076	0
<u>U.S. Department of Transportation</u>				
<i>Passed through Ohio Department of Public Safety:</i>				
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2017	OVITF-2017-18-00-00-00449-00	20.608	15,694	0
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2017	OVI-2018-University Hospitals Cleve-00010	20.608	2,062	0
Total U.S. Department of Transportation			17,756	0
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant 2015	EMW-2015-FO-06523	97.044	67,909	0
Staffing For Adequate Fire & Emergency Response 2014	EMW-2014-FH-00614	97.083	410,216	0
Total U.S. Department of Homeland Security			478,125	0
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,534,038	\$93,893

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

**CITY OF PARMA
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Parma (the City's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D- MATCHING REQUIREMENTS

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

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2019. Our report refers to other auditors who audited the financial statements of the Parma Public Housing Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Members of Council:

Report on Compliance for the Major Federal Program

We have audited the City of Parma's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Parma's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

The City's basic financial statements include the operations of the Parma Public Housing Agency, which expended \$4,892,629 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards during the year ended December 31, 2017. Our audit, described below, did not include the operations of the Parma Public Housing Agency because the Parma Public Housing Agency engaged another auditor to audit its Federal award programs in accordance with the Uniform Guidance.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Parma complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

City of Parma
Cuyahoga County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance
Page 3

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2019

This page intentionally left blank.

CITY OF PARMA
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant / CFDA #14.218
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

1. Accounting and Financial Reporting

Finding Number	2017-001
-----------------------	-----------------

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a

CITY OF PARMA
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017
(Continued)

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

1. Accounting and Financial Reporting (Continued)

Finding Number	2017-001
-----------------------	-----------------

Material Weakness (Continued)

governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following weakness and subsequent correction was made to the financial statements by Management:

- The City did not present \$404,272 in contracts payable in the Street Improvements Fund at December 31, 2017. Not all contracts payable were presented due to a compilation error. The correction was reflected in the financial statements.

The lack of controls over financial reporting resulted in a material error and irregularity which decreases the reliability of financial data.

We recommend the City perform a search for unrecorded contracts payables to ensure all items are properly recorded in their annual year-end financial report. Also, the City's management become more familiar with the contents of their financial statements to help ensure all items are being properly recognized and recorded.

Official's Response: The City will be more diligent in familiarizing itself with the contents of its financial statements to help ensure that all items are being properly recognized and recorded.

3. FINDINGS FOR FEDERAL AWARDS

None.

BRIAN D. DAY
AUDITOR

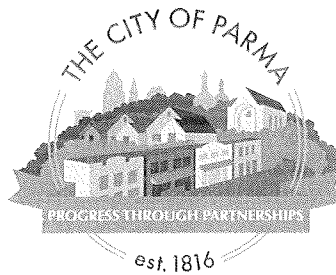


6611 Ridge Road
Parma, Ohio 44129
Phone: 440-885-8020

**CITY OF PARMA
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The City will perform a search for unrecorded contracts payables to ensure that all items are properly recorded in their annual year-end financial report.	December 31, 2018	Brian Day



**CITY OF PARMA
CUYAHOGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Reporting weaknesses included: 1) the City did not present deferred inflows, deferred outflows and pension expense related to the Accounting and Financial Reporting for pensions correctly. 2) The proceeds of facility refunding bonds were not presented on the Governmental Fund Financial Statements. 3) The City understated Principal Retirement in the Debt Service Fund.	1) Partially Corrected, repeated a management letter comment; 2) Corrective Action Taken and Finding is Fully Corrected; 3) Corrective Action Taken and Finding is Fully Corrected	None
2016-002	In violation of Ohio Rev. Code § 5705.39 the City's Debt Service Fund had appropriations exceeding estimated resources at the legal level of budgetary control at December 31, 2016.	Corrective Action Taken and Finding is Fully Corrected	None

OHIO AUDITOR OF STATE
KEITH FABER



CITY OF PARMA

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2019**