OHIO AUDITOR OF STATE
KEITH FABER

CITY OF PARMA, OHIO
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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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, 2019, 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 1.52 percent, 19.82 percent, and 5.62 percent, respectively, of the assets, net position, and revenues of the 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, 2019, 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.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include m*anagement's discussion and analysis,* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 June 16, 2021, 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.

Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2021

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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, 2019. 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 2019 are as follows:

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at December 31, 2019 by \$(6,159,327) (net position). Of this amount, \$(90,058,905) is (unrestricted net position).
- Of the \$(6,159,327) of net position, business-type activities account for \$185,346 of net position, while governmental activities net position were \$(6,344,673).
- The City's net position increased by \$20,380,134 during 2019 due primarily to a decrease in Ohio Police & Fire Pension Fund OPEB expense.
- Business-type activities net position decreased by \$(92,059). The decrease in business-type activities net position was primarily attributed to an increase in operating expenses.
- Governmental activities net position increased by \$20,472,193 due primarily to a decrease in Ohio Police & Fire Pension Fund OPEB expense.
- At the end of the current fiscal year, the General Fund fund balance was \$4,382,970 and the unassigned fund balance was \$2,470,717. 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 increased by \$710,743 (2.6 percent) during the current fiscal year. Significant increases in some types of long-term debt were offset by repayment of general obligation bonds.

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 finances. Major fund financial statements provide the next level of detail.

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 workers' compensation internal service funds.

The government-wide financial statements can be found starting on page 20 of this report.

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

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

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

The City maintains 85 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 80 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.

The basic governmental fund financial statements can be found starting on page 22 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 30 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 34 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 35 of this report.

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 2019?" 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.

Table 1: Summary Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	$42,313,973	$43,486,718	$49,717	$32,529	$42,363,690	$43,519,247
Capital Assets	89,199,580	89,850,837	1,249,487	1,249,473	90,449,067	91,100,310
Total Assets	131,513,553	133,337,555	1,299,204	1,282,002	132,812,757	134,619,557
Deferred Outflows of Resources						
Pension	27,422,688	12,794,685	226,681	114,258	27,649,369	12,908,943
OPEB	5,897,951	6,228,826	29,569	25,972	5,927,520	6,254,798
Total Deferred Outflows of Resources	33,320,639	19,023,511	256,250	140,230	33,576,889	19,163,741
Liabilities						
Long-Term Liabilities	27,746,113	27,035,370	13,702	28,220	27,759,815	27,063,590
Net Pension Liability	98,942,782	68,467,545	753,019	436,108	99,695,801	68,903,653
Net OPEB Liability	23,817,070	57,716,215	344,532	290,550	24,161,602	58,006,765
Other Liabilities	6,663,996	5,878,256	248,837	260,692	6,912,833	6,138,948
Total Liabilities	157,169,961	159,097,386	1,360,090	1,015,570	158,530,051	160,112,956
Deferred Inflows of Resources						
Property Taxes	8,752,394	8,916,968	-	-	8,752,394	8,916,968
Pension	2,676,143	9,597,528	6,825	107,613	2,682,968	9,705,141
OPEB	2,580,367	1,566,050	3,193	21,644	2,583,560	1,587,694
Total Deferred Inflows of Resources	14,008,904	20,080,546	10,018	129,257	14,018,922	20,209,803
Net Position						
Net Investment in Capital Assets	72,715,758	71,930,598	1,249,487	1,249,473	73,965,245	73,180,071
Restricted For						
Debt Service	2,916,466	3,149,566	-	-	2,916,466	3,149,566
Security of Persons and Property	2,887,953	3,466,972	-	-	2,887,953	3,466,972
Transportation	2,219,468	1,593,444	-	-	2,219,468	1,593,444
Community Environment	828,099	1,108,200	-	-	828,099	1,108,200
Basic Utility Services	191,195	120,556	-	-	191,195	120,556
Leisure Time Activities	38,667	28,020	-	-	38,667	28,020
Capital Projects	591,971	592,863	-	-	591,971	592,863
Other	260,514	237,598	-	-	260,514	237,598
Unrestricted	(88,994,764)	(109,044,683)	(1,064,141)	(972,068)	(90,058,905)	(110,016,751)
Total Net Position	$(6,344,673)	$(26,816,866)	$185,346	$277,405	$(6,159,327)	$(26,539,461)

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2019, and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. In 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statements Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statemets Nos. 68 and 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.

2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice of the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (e.g., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign or identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements Nos. 68 and 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets decreased during 2019 by $1.8 million. The decrease in total assets was due to decreases in several receivables such as municipal income taxes and property taxes, among others. Total liabilities decreased by approximately $1.6 million during 2019. Although there were minor increases in several long-term and other liabilities as well as a significant increase in the City's net pension liability, those increases were offset by a significant decrease in the City's net OPEB liability for the Ohio Police & Fire Pension Fund.

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

Table 2: Summary Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	$18,911,216	$18,144,322	$924,733	$858,576	$19,835,949	$19,002,898
Operating Grants, Contributions, and Interest	13,732,513	14,090,726	-	-	13,732,513	14,090,726
General Revenues						
Property Taxes	9,063,486	9,838,990	-	-	9,063,486	9,838,990
Income Taxes	40,897,234	40,503,486	-	-	40,897,234	40,503,486
Grants and Entitlements not Restricted to Specific Programs	4,312,406	3,120,173	-	-	4,312,406	3,120,173
Investment Earnings	56,082	41,617	-	-	56,082	41,617
Total Revenues	86,972,937	85,739,314	924,733	858,576	87,897,670	86,597,890
Expenses						
Program Expenses						
General Government - Legislative and Executive	36,955,473	35,048,801	-	-	36,955,473	35,048,801
Security of Persons and Property	8,025,744	41,508,764	-	-	8,025,744	41,508,764
Public Health and Welfare	386,789	352,516	-	-	386,789	352,516
Transportation	5,073,616	3,411,816	-	-	5,073,616	3,411,816
Community Environment	8,320,147	7,973,790	-	-	8,320,147	7,973,790
Basic Utility Services	3,302,031	1,391,595	-	-	3,302,031	1,391,595
Leisure Time Activities	3,908,582	3,588,875	-	-	3,908,582	3,588,875
Interest and Fiscal Charges	528,362	470,778	-	-	528,362	470,778
Golf Course	-	-	1,016,792	958,747	1,016,792	958,747
Total Expenses	66,500,744	93,746,935	1,016,792	958,747	67,517,536	94,705,682
Change in Net Position	20,472,193	(8,007,621)	(92,059)	(100,171)	20,380,134	(8,107,792)
Net Position Beginning of Year	(26,816,866)	(18,809,245)	277,405	377,576	(26,539,461)	(18,431,669)
Total Net Position	$(6,344,673)	$(26,816,866)	$185,346	$277,405	$(6,159,327)	$(26,539,461)

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 2019. 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 2019 was $40,897,234. Of the $86,972,937 in total revenues, income tax accounts for 47.02 percent of the total. Property taxes of $9,063,486 account for 10.42 percent of total revenues. Operating grants, contributions and interest, and general revenues from grants and entitlements account for 20.75 percent of total revenues, and charges for services and investment earnings make up the remaining 21.81 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 2019 were $66,500,744. The largest program function for the City relates to general government-legislative and executive program expense at 55.57 percent. Community environment expenses of 12.51 percent was the next largest program expense, followed by security of persons and property, which includes the police and fire departments, with expenses of $8,025,744, which is 12.07 percent of program expenses. Public health and welfare, transportation, basic utility services, leisure time activities, and interest and fiscal charges comprised 19.85 percent.

Business-Type Activities - Business-type activities decreased the City's net position by $(92,059). Charges for services increased by $66,157 and operating expenses increased by $58,045. Total expenses of business-type activities were $1,016,792 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 22. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2019, the City's governmental funds reported combined ending fund balances of $17,626,416. Of that amount, $742,709 is unassigned fund balances. The remaining fund balance, $16,883,707 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 of $51,340,685 and expenditures (including transfers-out) of $52,189,711, thereby decreasing the General Fund's fund balance by $(849,026) to $4,382,970.

The General Fund is the chief operating fund of the City. At the end of 2019, the unassigned fund balance of the General Fund was $2,470,717, while the total fund balance was $4,382,970. 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 $(1,064,141). 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 2019, 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 (including advances and transfers-in) were $54,205,592 and $53,791,254, respectively. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Actual revenues and other financing sources were $52,147,514.

The City's ending unencumbered cash balance in the General Fund was $2,245,538.

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, 2019, amounts to $90,449,067 (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 decrease in the City's investment in capital assets for the current fiscal year was 0.71 percent (a 0.72 percent decrease for governmental activities and a 0.01 percent increase for business-type activities).

A summary of the City's capital assets, net of accumulated depreciation, is presented in the table on the following page:

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Non-Depreciable						
Land	$7,737,770	$7,737,770	$1,078,077	$1,078,077	$8,815,847	$8,815,847
Construction-in-Progress	3,185,448	155,297	-	-	3,185,448	155,297
Total	10,923,218	7,893,067	1,078,077	1,078,077	12,001,295	8,971,144
Depreciable						
Land improvements	964,711	964,711	263,700	263,700	1,228,411	1,228,411
Buildings	34,501,930	34,501,930	209,531	209,531	34,711,461	34,711,461
Equipment	15,088,182	15,077,530	846,564	826,564	15,934,746	15,904,094
Vehicles	15,525,474	14,595,665	42,900	42,900	15,568,374	14,638,565
Software	1,043,476	1,043,476	-	-	1,043,476	1,043,476
Infrastructure	94,849,474	94,849,474	-	-	94,849,474	94,849,474
Total	161,973,247	161,032,786	1,362,695	1,342,695	163,335,942	162,375,481
Accumulated Depreciation	83,696,885	79,075,016	1,191,285	1,171,299	84,888,170	80,246,315
Total Capital Assets	$89,199,580	$89,850,837	$1,249,487	$1,249,473	$90,449,067	$91,100,310

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 $27,746,113 in bonds, loans, capital leases, compensated absences and long-term bond anticipation notes outstanding with $8,903,797 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 2039.

The Ohio Water Development Authority Loans are paid semi-annually from the Debt Service Fund and will be paid in full in the year 2036.

The Bond Anticipation Notes in the amount of $6,253,000 are due on July 23, 2020.

The City's overall legal debt margin was $145,071,814 at December 31, 2019.

See Note 16, *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:

Table 4: Summary Statement of Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Special Assessment Bonds	$6,746	$19,865	$-	$-	$6,746	$19,865
General Obligation Bonds	8,890,000	10,250,000	-	-	8,890,000	10,250,000
Ohio Public Works Commission Loans	1,130,576	400,204	-	-	1,130,576	400,204
Ohio Water Development Authority Loans	4,384,746	4,589,661	-	-	4,384,746	4,589,661
Capital Leases	2,071,754	2,660,509	-	-	2,071,754	2,660,509
Compensated Absences	5,009,291	4,662,131	13,702	5,924	5,022,993	4,668,055
Long-Term Notes Payable	6,253,000	4,453,000	-	-	6,253,000	4,453,000
Total	$27,746,113	$27,035,370	$13,702	$5,924	$27,759,815	$27,041,294

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.

City of Parma, Ohio
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	$16,290,201	$14,550	$16,304,751
Cash and cash equivalents in segregated accounts	787,969	8,283	796,252
Municipal income taxes receivable	6,403,375	-	6,403,375
Property taxes receivable	9,552,394	-	9,552,394
Special assessments receivable	2,916,466	-	2,916,466
Accrued interest receivable	858	-	858
Due from other governments	4,229,504	-	4,229,504
Materials and supplies inventory	1,818,754	25,112	1,843,866
Loans receivable	227,605	-	227,605
Net pension asset	86,847	1,772	88,619
Capital assets, nondepreciable	10,923,218	1,078,077	12,001,295
Capital assets, depreciable, net	78,276,362	171,410	78,447,772
Total assets	131,513,553	1,299,204	132,812,757
Deferred outflows of resources			
Pension	27,422,688	226,681	27,649,369
OPEB	5,897,951	29,569	5,927,520
Total deferred outflows of resources	33,320,639	256,250	33,576,889
Liabilities			
Accounts and contracts payable	2,051,390	19,916	2,071,306
Claims and judgements payable	1,896,693	-	1,896,693
Accrued wages and benefits	1,660,733	8,536	1,669,269
Compensated absences payable	687,879	2,254	690,133
Loans payable	-	215,000	215,000
Due to other governments	367,301	3,131	370,432
Long-term liabilities:			
Due within one year	8,903,797	-	8,903,797
Net pension liability	98,942,782	753,019	99,695,801
OPEB	23,817,070	344,532	24,161,602
Other amounts due in more than one year	18,842,316	13,702	18,856,018
Total liabilities	157,169,961	1,360,090	158,530,051
Deferred inflows of resources			
Property taxes	8,752,394	-	8,752,394
Pension	2,676,143	6,825	2,682,968
OPEB	2,580,367	3,193	2,583,560
Total deferred inflows of resources	14,008,904	10,018	14,018,922
Net position			
Net investment in capital assets	72,715,758	1,249,487	73,965,245
Restricted for:			
Debt service	2,916,466	-	2,916,466
Security of persons and property	2,887,953	-	2,887,953
Transportation	2,219,468	-	2,219,468
Community environment	828,099	-	828,099
Basic utility services	191,195	-	191,195
Leisure time activities	38,667	-	38,667
Capital projects	591,971	-	591,971
Other	260,514	-	260,514
Total restricted net position	9,934,333	-	9,934,333
Unrestricted	(88,994,764)	(1,064,141)	(90,058,905)
Total net position	$(6,344,673)	$185,346	$(6,159,327)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Activities
For the Year Ended December 31, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government -						
Legislative and executive	$36,955,473	$10,244,395	$-	$(26,711,078)	$-	$(26,711,078)
Security of persons and property	8,025,744	3,906,439	839,387	(3,279,918)	-	(3,279,918)
Public health and welfare	386,789	-	-	(386,789)	-	(386,789)
Transportation	5,073,616	914,362	4,625,072	465,818	-	465,818
Community environment	8,320,147	2,281,785	5,744,845	(293,517)	-	(293,517)
Basic utility services	3,302,031	949,669	2,241,431	(110,931)	-	(110,931)
Leisure time activities	3,908,582	614,566	281,778	(3,012,238)	-	(3,012,238)
Interest and fiscal charges	528,362	-	-	(528,362)	-	(528,362)
Total governmental activities	66,500,744	18,911,216	13,732,513	(33,857,015)	-	(33,857,015)
Business-Type Activities						
Golf Course	1,016,792	924,733	-	-	(92,059)	(92,059)
Total primary government	$67,517,536	$19,835,949	$13,732,513	(33,857,015)	(92,059)	(33,949,074)
General Revenues						
Property taxes levied for:						
General purposes				3,741,053	-	3,741,053
Special revenue				5,321,310	-	5,321,310
Debt service				1,123	-	1,123
Income taxes levied for:						
General purposes				32,206,568	-	32,206,568
Capital outlay				8,690,666	-	8,690,666
Grants and entitlements not restricted to specific programs				4,312,406	-	4,312,406
Investment earnings				56,082	-	56,082
Total General Revenues				54,329,208	-	54,329,208
Change in Net Position				20,472,193	(92,059)	20,380,134
Net Position at Beginning of Year				(26,816,866)	277,405	(26,539,461)
Net Position at End of Year				$(6,344,673)	$185,346	$(6,159,327)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2019

	General	Debt Service	City Income Tax Capital Acquisitions	Sewer Construction
Assets				
Equity in pooled cash and cash equivalents	$2,987,073	$312,813	$3,245,698	$1,400,585
Cash and cash equivalents in segregated accounts	886	–	–	–
Municipal income taxes receivable	5,042,658	–	1,360,717	–
Property taxes receivable	3,708,341	–	–	–
Interfund receivable	608,289	–	3,909,347	–
Special assessments receivable	–	2,916,466	–	–
Accrued interest receivable	–	–	–	–
Due from other governments	1,768,332	–	–	–
Materials and supplies inventory	114,986	–	–	–
Loans receivable	–	–	–	–
Total Assets	$14,230,565	$3,229,279	$8,515,762	$1,400,585
Liabilities				
Accounts and contracts payable	$674,656	$–	$785,286	$268,900
Interfund payable	–	723,545	–	3,175,927
Accrued wages and benefits	1,416,348	–	–	–
Compensated absences payable	610,925	–	–	–
Due to other governments	317,148	–	2,612	–
Total Liabilities	3,019,077	723,545	787,898	3,444,827
Deferred inflows of resources				
Property taxes	3,450,341	–	–	–
Unavailable revenue	3,378,177	2,916,466	590,002	–
Total deferred inflows of resources	6,828,518	2,916,466	590,002	–
Fund Balance				
Nonspendable	114,986	–	–	–
Restricted	–	–	–	–
Committed	–	–	7,137,862	–
Assigned	1,797,267	–	–	–
Unassigned (Deficit)	2,470,717	(410,732)	–	(2,044,242)
Total fund balance	4,382,970	(410,732)	7,137,862	(2,044,242)
Total liabilities, deferred inflows of resources and fund balance	$14,230,565	$3,229,279	$8,515,762	$1,400,585

See accompanying notes to the basic financial statements

City of Parma, Ohio
Balance Sheet - Governmental Funds
December 31, 2019

Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
$1,004,719	$5,102,199	$14,053,087
–	787,083	787,969
–	–	6,403,375
–	5,844,053	9,552,394
–	–	4,517,636
–	–	2,916,466
–	858	858
–	2,461,172	4,229,504
–	1,703,768	1,818,754
–	12,605	12,605
$1,004,719	$15,911,738	$44,292,648
$–	$321,160	$2,050,002
9,875	393,289	4,302,636
–	235,570	1,651,918
–	75,785	686,710
–	45,959	365,719
9,875	1,071,763	9,056,985
–	5,302,053	8,752,394
–	1,972,208	8,856,853
–	7,274,261	17,609,247
–	1,703,768	1,818,754
–	4,505,969	4,505,969
–	1,623,855	8,761,717
–	–	1,797,267
994,844	(267,878)	742,709
994,844	7,565,714	17,626,416
$1,004,719	$15,911,738	$44,292,648

City of Parma, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		$17,626,416
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		89,199,580
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	$2,776,480	
Special Assessments	2,916,466	
Intergovernmental	3,163,907	
Other	22,492	
		8,879,345
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		304,975
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(8,890,000)	
Special Assessment Bonds	(6,746)	
OPWC Loans	(1,130,576)	
OWDA Loans	(4,384,746)	
Compensated Absences	(5,009,291)	
Capital Leases Payable	(2,071,754)	
Long-Term Notes Payable	(6,253,000)	
		(27,746,113)
The net pension asset, net pension liability and net OPEB liability and payable are not due and payable in the current period; therefore, the asset, liabilities and deferred inflows and outflows are not reported in the governmental funds:		
Net Pension Asset	86,847	
Deferred Outflows - Pension	27,422,688	
Deferred Outflows - OPEB	5,897,951	
Net Pension Liability	(98,942,782)	
OPEB Liability	(23,817,070)	
Deferred Inflows - Pension	(2,676,143)	
Deferred Inflows - OPEB	(2,580,367)	
		(94,608,876)
Net Position of Governmental Activities		$(6,344,673)

See accompanying notes to the basic financial statements

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City of Parma, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2019

	General	Debt Service	City Income Tax Capital Acquisitions	Sewer Construction
Revenues				
Municipal income tax	$32, 209, 871	$–	$8, 691, 557	$–
Property and other taxes	3, 741, 053	1, 123	–	–
Charges for services	766, 646	–	2, 123	–
Fees, license and permits	6, 943, 911	–	–	–
Fines and forfeitures	4, 067, 511	–	–	–
Intergovernmental	3, 470, 415	–	1, 504, 731	2, 212, 774
Donations	–	–	–	–
Rentals and leases	79, 763	–	–	–
Special assessments	–	112, 607	–	77, 571
Interest	55, 703	–	–	–
Royalties and commissions	5, 812	–	–	–
Total Revenues	51, 340, 685	113, 730	10, 198, 411	2, 290, 345
Expenditures				
Current				
Legislative and executive	18, 062, 772	1, 123	7, 209, 160	4, 730, 201
Security of persons and property	26, 782, 939	–	–	–
Public health and welfare	386, 789	–	–	–
Transportation	–	–	–	–
Community environment	917, 778	–	–	–
Basic utility services	–	–	–	–
Leisure time activities	2, 533, 020	–	–	–
Total Current Expenditures	48, 683, 298	1, 123	7, 209, 160	4, 730, 201
Capital outlay	1, 505	–	339, 411	–
Debt service				
Principal retirement	–	1, 655, 866	642, 754	353, 383
Interest and fiscal charges	–	317, 020	50, 859	30, 307
Total Expenditures	48, 684, 803	1, 974, 009	8, 242, 184	5, 113, 891
Excess of revenues over (under) expenditures	2, 655, 882	(1, 860, 279)	1, 956, 227	(2, 823, 546)
Other financing sources(uses)				
Note premium	–	–	–	32, 580
Proceeds of notes	–	–	–	2, 110, 000
State loan proceeds	–	–	–	145, 746
Transfers - in	–	1, 736, 596	–	9, 300
Transfers - out	(3, 504, 908)	–	(1, 883, 680)	–
Inception of capital leases	–	–	–	–
Total other financing sources (uses)	(3, 504, 908)	1, 736, 596	(1, 883, 680)	2, 297, 626
Net change in fund balance	(849, 026)	(123, 683)	72, 547	(525, 920)
Fund balances at beginning of year	5, 231, 996	(287, 049)	7, 065, 315	(1, 518, 322)
Fund balances at end of year	$4, 382, 970	$(410, 732)	$7, 137, 862	$(2, 044, 242)

See accompanying notes to the basic financial statements

Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
$–	$–	$40, 901, 428
–	5, 321, 310	9, 063, 486
–	2, 575, 679	3, 344, 448
–	45, 890	6, 989, 801
–	631, 234	4, 698, 745
1, 063, 220	11, 382, 490	19, 633, 630
–	169, 700	169, 700
–	145, 663	225, 426
–	981, 474	1, 171, 652
–	379	56, 082
–	61, 950	67, 762
1, 063, 220	21, 315, 769	86, 322, 160
608, 228	516, 118	31, 127, 602
–	9, 236, 512	36, 019, 451
–	–	386, 789
–	5, 349, 270	5, 349, 270
–	6, 885, 279	7, 803, 057
–	1, 700, 660	1, 700, 660
–	533, 338	3, 066, 358
608, 228	24, 221, 177	85, 453, 187
–	417, 568	758, 484
4, 143, 000	162, 959	6, 957, 962
124, 290	5, 886	528, 362
4, 875, 518	24, 807, 590	93, 697, 995
(3, 812, 298)	(3, 491, 821)	(7, 375, 835)
–	–	32, 580
4, 143, 000	–	6, 253, 000
27, 445	–	173, 191
124, 290	5, 863, 402	7, 733, 588
–	(2, 920, 000)	(8, 308, 588)
–	216, 959	216, 959
4, 294, 735	3, 160, 361	6, 100, 730
482, 437	(331, 460)	(1, 275, 105)
512, 407	7, 897, 174	18, 901, 521
$994, 844	$7, 565, 714	$17, 626, 416

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, 2019

Net Change in Fund Balances - Total Governmental Funds		$(1,275,105)
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	$3,970,612	
Depreciation	(4,621,869)	
		(651,257)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Municipal Income Taxes	(4,194)	
Intergovernmental	254,272	
Special Assessments	(233,100)	
		16,978
Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Position		
Inception of Capital Leases	(216,959)	
Ohio Public Works Commission Loans	(842,372)	
Ohio Water Development Authority Loans	(9,220)	
Long-Term Notes Payable	(6,253,000)	
		(7,321,551)
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		6,957,968
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	(537,485)	
		(537,485)
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	(347,160)	
Other	(370,360)	
		(717,520)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred inflows and outflows		
Pension	6,479,778	
OPEB	103,125	
		6,582,903
Except for amounts reported as deferred inflows and outflows, changes in the net pension and OPEB liability are reported as pension expense in the Statement of Activities		
Pension	(15,252,032)	
OPEB	32,669,294	
		17,417,262
Change in Net Position of Governmental Activities		$20,472,193

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, 2019

	Budgeted Amounts			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Municipal income taxes	$33,500,000	$32,126,363	$32,445,124	$318,761
Property and other taxes	4,585,000	4,071,689	3,741,053	(330,636)
Charges for services	820,191	995,225	766,646	(228,579)
Fees, licenses, and permits	7,098,301	7,040,100	6,943,911	(96,189)
Fines and forfeitures	4,050,000	5,434,144	4,031,775	(1,402,369)
Intergovernmental	3,385,000	3,352,250	3,491,444	139,194
Donations	1,000	–	–	–
Rentals and leases	50,000	67,300	79,763	12,463
Interest	6,000	12,700	55,703	43,003
Royalties and commissions	4,100	5,200	5,812	612
Total Revenues	53,499,592	53,104,971	51,561,231	(1,543,740)
Expenditures				
Current				
Legislative and executive	18,350,434	19,338,325	18,745,080	593,245
Security of persons and property	26,383,854	26,866,894	26,408,839	458,055
Public health and welfare	386,789	386,789	386,789	–
Community environment	921,233	921,233	880,902	40,331
Leisure time activities	2,763,010	2,768,562	2,531,477	237,085
Total current expenditures	48,805,320	50,281,803	48,953,087	1,328,716
Capital outlay	–	28,000	1,505	26,495
Total Expenditures	48,805,320	50,309,803	48,954,592	1,355,211
Excess of revenues over(under) expenditures	4,694,272	2,795,168	2,606,639	(188,529)
Other Financing Sources(Uses)				
Advances-in	486,000	477,037	477,037	–
Advances-out	(400,000)	(225,000)	(609,389)	(384,389)
Transfers-in	220,000	209,246	109,246	(100,000)
Transfers-out	(4,400,000)	(4,118,877)	(3,614,152)	504,725
Total Other Financing Sources(Uses)	(4,094,000)	(3,657,594)	(3,637,258)	20,336
Net change in fund balance	600,272	(862,426)	(1,030,619)	(168,193)
Fund balance at beginning of year	2,406,427	2,406,427	2,406,427	–
Prior year encumbrances appropriated	869,730	869,730	869,730	–
Fund balance at end of year	$3,876,429	$2,413,731	$2,245,538	$(168,193)

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Fund Net Position - Proprietary Funds
December 31, 2019

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Assets:		
Current Assets:		
Equity in pooled cash and cash equivalents	$14,550	$2,237,114
Cash and cash equivalents in segregated accounts	8,283	-
Materials and supplies inventory	25,112	-
Total Current Assets	47,945	2,237,114
Non-Current Assets:		
Capital assets, non-depreciable	1,078,077	-
Capital assets, depreciable, net	171,410	-
Net pension assets	1,772	-
Total Non-Current Assets	1,251,259	-
Total Assets	1,299,204	2,237,114
Deferred Outflows of Resources:		
Pension	226,681	-
OPEB	29,569	-
Total Deferred Outflows of Resources	256,250	-
Liabilities:		
Current Liabilities:		
Accounts payable	19,916	1,388
Claims and judgements payable	-	1,896,693
Accrued wages and benefits	8,536	8,815
Compensated absences payable	2,254	1,169
Interfund payable	215,000	-
Due to other governments	3,131	1,582
Total Current Liabilities	248,837	1,909,647
Long-term Liabilities:		
Compensated absences	13,702	22,492
Net pension liability	753,019	-
OPEB	344,532	-
Total Long-term Liabilities	1,111,253	22,492
Total Liabilities	1,360,090	1,932,139
Deferred Inflows of Resources:		
Pension	6,825	-
OPEB	3,193	-
Total Deferred Inflows of Resources	10,018	-
Net Position:		
Net investment in capital assets	1,249,487	-
Unrestricted	(1,064,141)	304,975
Total Net Position	$185,346	$304,975

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, 2019

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Operating Revenues:		
Charges for services	$533,385	$11,288,514
Other	391,348	-
Total Operating Revenues	924,733	11,288,514
Operating Expenses:		
Personal services	594,117	272,698
Contractual services	201,155	114,351
Claims	-	11,838,950
Materials and supplies	201,534	-
Depreciation	19,986	-
Total Operating Expenses	1,016,792	12,225,999
Operating Income(Loss)	(92,059)	(937,485)
Income(Loss) Before Transfers	(92,059)	(937,485)
Transfers - In	-	400,000
Change in Net Position	(92,059)	(537,485)
Net Position at Beginning of Year	277,405	842,460
Net Position at End of Year	$185,346	$304,975

See accompanying notes to the basic financial statements

City of Parma, Ohio
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers	$533,385	$–
Cash received from quasi-external operating transactions with other funds	–	11,288,514
Other operating revenues	391,348	–
Cash payments to suppliers for goods and services	(201,746)	–
Cash payments for claims	–	(11,342,384)
Cash payments for employee services and benefits	(466,539)	(252,273)
Cash payments for contractual services	(201,155)	(113,595)
Net cash provided by (used for) operating activities	55,293	(419,738)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(20,000)	–
Net cash (used for) capital and related financing activities	(20,000)	
Cash Flows from Noncapital Financing Activities:		
Advances - in	215,000	–
Advances - out	(245,000)	–
Transfers - in	–	400,000
Net cash provided by (used for) noncapital financing activities	(30,000)	400,000
Net increase (decrease) in cash and cash equivalents	5,293	(19,738)
Cash and cash equivalents, beginning of year	17,540	2,256,852
Cash and cash equivalents, end of year	$22,833	$2,237,114

(*continued*)

See accompanying notes to the basic financial statements

	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Operating income (loss)	$(92,059)	$(937,485)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	19,986	–
Change in Assets and Liabilities:		
(Increase) in materials and supplies inventory	(12,163)	–
Increase/(Decrease) in accounts payable	13,147	(202,969)
Increase in accrued wages and benefits	4,067	4,179
Increase/(Decrease) in compensated absences payable	(13,122)	15,094
Increase/(Decrease) in due to other governments	(465)	750
Increase in claims payable	–	700,693
Decrease in net pension asset	268	–
(Increase) in deferred outflows of resources - pension	(112,423)	–
(Increase) in deferred outflows of resources - OPEB	(3,597)	–
Increase in net pension liability	316,911	–
Increase in net OPEB liability	53,982	–
(Decrease) in deferred inflows of resources - pension	(100,788)	–
(Decrease) in deferred inflows of resources - OPEB	(18,451)	–
Net Cash Provided by (Used for) Operating Activities	$55,293	$(419,738)

See accompanying notes to the basic financial statements

	Agency Funds
Assets:	
Equity in pooled cash and cash equivalents	$2,518,270
Cash and cash equivalents in segregated accounts	14,667
Cash and cash equivalents with fiscal and escrow agents	566,014
Total assets	$3,098,951
Liabilities:	
Deposits held and due to others	3,098,951
Total liabilities	$3,098,951

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 17, *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, 2019 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"). 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.

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 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 workers' 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 2019, 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 2019, 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, 2019, but which were levied to finance year 2020 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.

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 passage. 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.

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 statement reflects the amounts in the final amended official certificate of estimated resources issued during 2019.

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 restricted, committed or assigned fund balance for subsequent year expenditures for governmental funds and reported in the notes to the basic financial statements for proprietary funds.

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The *Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund* 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 restricted, committed or assigned 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	$(849,026)
Increase(decrease) due to:	
Revenues accruals	806,829
Expenditure accruals	(988,422)
Budget basis	$(1,030,619)

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 2019, 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 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, 2019 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, 2019.

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

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

Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed capital 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 and construction-in-progress	Not depreciated
Land improvements	10-20 years
Buildings	70 years
Equipment and vehicles	10 years for governmental activities
	15 years for business-type activities
Computer software	15 years
Infrastructure	5-50 years

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

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

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

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

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

L - Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net 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:

Nonspendable - The nonspendable fund balance category includes resources that cannot be spent because they are not in 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 ordinance or by State statute.

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 restricted, committed, or assigned 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 restricted, committed or assigned 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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 assets component 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 first 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 2019.

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 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

GASB Statement No. 95 delayed the implementation of GASB Statement No. 84 for one year.

NOTE 4 - FUND BALANCES

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	$114,986	$-	$-	$-
Total nonspendable	114,986	-	-	-
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	-	-	7,137,862	-
Other purposes	-	-	-	-
Total committed	-	-	7,137,862	-
Assigned to:				
Other purposes	1,797,267	-	-	-
Total assigned	1,797,267	-	-	-
Unassigned (deficit)	2,470,717	(410,732)	-	(2,044,242)
Total fund balances	$4,382,970	$(410,732)	$7,137,862	$(2,044,242)

Street Improvements	Nonmajor Governmental	Total Governmental
$-	$1,703,768	$1,818,754
$-	1,703,768	1,818,754
-	1,153,579	1,153,579
-	312,313	312,313
-	411,858	411,858
-	381,122	381,122
-	54,481	54,481
-	780,074	780,074
-	919,352	919,352
-	1,969	1,969
-	39,512	39,512
-	260,514	260,514
-	191,195	191,195
-	4,505,969	4,505,969
-	51,897	51,897
-	69,582	69,582
-	264,203	264,203
-	19,826	19,826
-	147,238	7,285,100
-	1,071,109	1,071,109
-	1,623,855	8,761,717
-	-	1,797,267
-	-	1,797,267
994,844	(267,878)	742,709
$994,844	$7,565,714	$17,626,416

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	$743,982
City Income Tax Capital Acquisitions Fund	2,538,130
Sewer Construction Fund	536,297
Street Improvements Fund	52,001
Nonmajor Governmental Funds	561,277
Total Governmental Funds	$4,431,687

NOTE 5 - COMPLIANCE AND ACCOUNTABILITY

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

Fund	Balance
Debt Service Fund	$(410,732)
Sewer Construction Fund	(2,044,242)
Community Development Block Grant Fund	(36,130)
Title III Grant Fund	(3,347)
Housing Maintenance Fund	(7,364)
EMS Grant Fund	(134,298)
Roadway Safety Grant Fund	(7,640)
Body Camera Grant Fund	(724)
SAFER Grant Fund	(78,375)

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 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 2019, 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, 2019, 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.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2019, $5,140,013 of the City's total bank balance of $20,799,610 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Four of the City's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and three were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

At December 31, 2019, 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, 2019. 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, 2019, the City's investments had maturities as follows:

Maturity	Portfolio Weighted/ Average Maturity
Average of 55.7 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.

Reconciliation to Combined Balance Sheet Classification - The following table summarizes the City's deposits and investments as of December 31, 2019:

Deposits	$20,066,954
Investments	133,000
Total	$20,199,954

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

Government-Wide Financial Statements	
Unrestricted	
Equity in Pooled Cash and Cash Equivalents	$16,304,751
Cash and Cash Equivalents in Segregated Accounts	796,252
Total Government-Wide Financial Statements	$17,101,003
Fund Financial Statements	
Balance Sheet - Governmental Funds	
Equity in Pooled Cash and Cash Equivalents	$14,053,087
Cash and Cash Equivalents in Segregated Accounts	787,969
Statement of Fund Net Position - Proprietary Funds	
Equity in Pooled Cash and Cash Equivalents	2,251,664
Cash and Cash Equivalents in Segregated Accounts	8,283
Total Governmental and Proprietary Funds	17,101,003
Statement of Fiduciary Assets and Liabilities	
Equity in Pooled Cash and Cash Equivalents	2,518,270
Cash and Cash Equivalents in Segregated Accounts	14,667
Cash and Cash Equivalents with Fiscal and Escrow Agents	566,014
Total Fund Financial Statements	$20,199,954

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 2019 levy was based upon an assessed valuation of approximately $1,508,062,480. 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 7.26 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, 2019, was $7.26 per $1,000 of assessed value. The assessed values of real and tangible personal property certified for tax year 2019 are as follows:

Property Type	Assessed Value
Real	$1,457,640,460
Public Utility	50,422,020
Total Assessed Value	$1,508,062,480

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 2019, 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.

NOTE 9 - DUE FROM OTHER GOVERNMENTS

The following table summarizes the City's due from other governments at December 31, 2019:

Receivable	Amount
Local Government	$1,049,651
Gasoline Tax	1,580,689
Permissive Motor Vehicle License Tax	272,199
Motor Vehicle License Registration	278,063
Homestead and Rollback	548,887
Liquor Permits	43,667
Parma Municipal Court	451,556
Other	4,792
Total Due from Other Governments	$4,229,504

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, 2019, the total vacation obligation for the City as a whole amounted to $2,167,405.

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, 2019, was $1,769,833.

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 2019, 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, 2019, accumulated, unpaid overtime for the City as a whole was $1,775,888.

NOTE 11 - CAPITAL ASSET ACTIVITY

Capital asset activity of the Governmental Activities for the year ended December 31, 2019 is summarized in the following table:

	Balances 12/31/2018	Additions	Disposals	Balances 12/31/2019
Governmental Activities				
Nondepreciable Assets				
Land	$7,737,770	$-	$-	$7,737,770
Construction in Progress	155,297	3,030,151	-	3,185,448
Total Nondepreciable Assets	7,893,067	3,030,151	-	10,923,218
Depreciable Assets				
Land Improvements	964,711	-	-	964,711
Buildings	34,501,930	-	-	34,501,930
Equipment	15,077,530	45,605	(34,953)	15,088,182
Vehicles	14,595,665	1,067,526	(137,717)	15,525,474
Software	1,043,476	-	-	1,043,476
Infrastructure	94,849,474	-	-	94,849,474
Total Depreciable Assets	161,032,786	1,113,131	(172,670)	161,973,247
Less				
Accumulated Depreciation				
Land Improvements	449,428	56,765	-	506,193
Buildings	12,881,737	661,956	-	13,543,693
Equipment	11,221,291	810,581	(34,953)	11,996,919
Vehicles	10,685,882	869,461	(131,471)	11,423,872
Software	1,011,927	8,087	-	1,020,014
Infrastructure	42,824,751	2,381,443	-	45,206,194
Total Accumulated Depreciation	79,075,016	4,788,293	(166,424)	83,696,885
Total Depreciable Assets, net	81,957,770	(3,675,162)	(6,246)	78,276,362
Total Governmental Activities, net	$89,850,837	$(645,011)	$(6,246)	$89,199,580

(continued)

Capital asset activity of the Business-Type Activities for the year ended December 31, 2019 is summarized in the following table:

	Balances 12/31/2018	Additions	Disposals	Balances 12/31/2019
Business-Type Activities				
Nondepreciable Assets				
Land	$1,078,077	$-	$-	$1,078,077
Total Nondepreciable Assets	1,078,077	-	-	1,078,077
Depreciable Assets				
Land Improvements	263,700	-	-	263,700
Buildings	209,531	-	-	209,531
Equipment	826,564	20,000	-	846,564
Vehicles	42,900	-	-	42,900
Total Depreciable Assets	1,342,695	20,000	-	1,362,695
Less				
Accumulated Depreciation				
Land Improvements	263,700	-	-	263,700
Buildings	124,190	2,994	-	127,184
Equipment	745,082	15,847	-	760,929
Vehicles	38,327	1,145	-	39,472
Total Accumulated Depreciation	1,171,299	19,986	-	1,191,285
Total Depreciable Assets, net	171,396	14	-	171,410
Total Business-Type Activities, net	$1,249,473	$14	$-	$1,249,487

During 2019, depreciation expense was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	$878,252	$-
Security of Persons and Property	1,235,266	-
Transportation	4,682	-
Community Environment	53,805	-
Basic Utility Services	2,385,338	-
Leisure Time Activities	230,950	-
Golf Course	-	19,986
Total	$4,788,293	$19,986

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.

As of December 31, 2019, the City Law Director was not aware of any claims pending against the City.

Changes in the Liability Insurance Self-Insurance Fund claims liability amount for 2017 through 2019 were:

Year	January 1	Claims	Payments	December 31
2017	$150,000	$23,445	$(73,445)	$100,000
2018	100,000	-	(50,000)	50,000
2019	50,000	-	(50,000)	-

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.

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 $1,635,431 has been recorded to reflect unpaid claims cost including incurred but not reported claims as of December 31, 2019. 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 2017 through 2019 were:

Year	January 1	Claims	Payments	December 31
2017	$957,484	$8,393,066	$(8,573,538)	$777,012
2018	777,012	9,041,323	(8,891,449)	926,886
2019	926,886	11,394,101	(10,685,556)	1,635,431

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 $261,262 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, 2019. 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 2017 through 2019 were:

Year	January 1	Claims	Payments	December 31
2017	$193,709	$621,002	$(532,114)	$282,597
2018	282,597	540,315	(603,798)	219,114
2019	219,114	644,617	(602,469)	261,262

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, 2019 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, 2019 are:

Fund	Receivables	Payables
General Fund	$608,289	$-
City Income Tax Capital Acquisitions Fund	3,909,347	-
Debt Service Fund	-	723,545
Sewer Construction Fund	-	3,175,927
Street Improvements Fund	-	9,875
Other Governmental Funds	-	393,289
Golf Course Fund	-	215,000
Total	$4,517,636	$4,517,636

A summary of interfund transfers as of December 31, 2019 are:

Fund	Transfers-In	Transfers-Out
General Fund	$-	$3,504,908
Debt Service Fund	1,736,596	-
City Income Tax Capital Acquisitions Fund	-	1,883,680
Sewer Construction Fund	9,300	-
Street Improvements Fund	124,290	-
Other Governmental Funds	5,863,402	2,920,000
Internal Service Funds	400,000	-
Total	$8,133,588	$8,308,588

The transfers-in and transfers-out do not balance due to a $175,000 transfer from the General Fund to various agency funds.

NOTE 14 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability(asset) and the net OPEB liability reported on the statement of net position represent liabilities (assets) to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability(asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability(asset) 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 these estimates annually.

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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability(asset). Resulting adjustments to the net pension/OPEB liability(asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net pension asset or as a long-term net pension/OBEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined 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 the legislation, members in the tradition and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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 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
Traditional Plan 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
Combined Plan Formula		
1% of FAS multiplied by years of service for the first 30 years and 1.25% for years of service in excess of 30		1% of FAS multiplied by years of service for the first 35 years and 1.25% for years of service in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's 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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members'contributions, vested employer contributions and investment gains or losses resulting from the members'investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee*	10.0%
2019 Actual Contribution Rates	
Employer:	
Pension**	14.0%
Post-employment Health Care Benefits**	0.0%
Total Employer	14.0%
Employee	10.0%

*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2019, The City's contractually required contribution was $2,654,399 for the traditional plan, $42,015 for the combined plan and $43,088 for the member-directed plan. Of these amounts, $314,875 is reported as an intergovernmental payable for the traditional plan, $4,972 for the combined plan, and $5,102 for the member-directed plan.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - 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 (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee:	12.25%	12.25%
2019 Actual Contribution Rates		
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 $3,837,292 for 2019. Of this amount, $305,463 is reported as an intergovernmental payable.

Pension Liabilities, (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension Liability/Asset				
Current Measurement Date	0.1374730%	0.0792500%	0.7601060%	
Prior Measurement Date	0.1389940%	0.0749280%	0.7673900%	
Change in Proportionate Share	(0.00152100)%	0.0043220%	(0.007284)%	
Proportionate Share of the				
Net Pension Liability	$37,651,068	$-	$62,044,733	$99,695,801
Net Pension Asset	-	88,619	-	88,619
Pension Expense	7,885,578	21,387	7,503,262	15,410,227

2019 pension expense for the member-directed defined contribution plan was $43,088.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$1,737	$-	$2,549,171	$2,550,908
Change of assumptions	3,277,618	19,793	1,644,890	4,942,301
Net difference between projected and actual earnings on pension plan investments	5,110,304	19,090	7,643,859	12,773,253
Changes in employer proportion and differences between contributions and proportionate share of pension expense	205,285	3,826	640,090	849,201
City contributions subsequent to the measurement date	2,654,399	42,015	3,837,292	6,533,706
Total Deferred Outflows of Resources	$11,249,343	$84,724	$16,315,302	$27,649,369
Deferred Inflows of Resources				
Differences between expected and actual experience	$494,381	$36,194	$57,938	$588,513
Changes in employer proportion and differences between contributions and proportionate share of pension expense	(189,282)	0	2,283,737	2,094,455
Total Deferred Inflows of Resources	$305,099	$36,194	$2,341,675	$2,682,968

$6,533,706 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2020	$3,494,300	$3,048	$3,009,970	$6,507,318
2021	1,566,229	(765)	1,338,490	2,903,954
2022	474,084	(363)	2,061,789	2,535,510
2023	2,755,232	9,384	3,505,006	6,269,622
2024	-	(2,234)	221,080	218,846
Thereafter	-	(2,555)	-	(2,555)
Total	$8,289,845	$6,515	$10,136,335	$18,432,695

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 was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 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	2.15 percent simple
Investment Rate of Return	7.20 percent	7.20 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit 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 was a loss of 2.94 percent for 2018.

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 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 2018 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%	2.79%
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00%	5.95%

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the Traditional Plan and the Combined Plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$55,621,576	$37,651,068	$22,717,413
OPERS Combined Plan	(29,323)	(88,619)	(131,555)

Changes between Measurement Date and Report Date In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change is effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, compared with January 1, 2017, are presented below:

	January 1, 2018	January 1, 2017
Valuation Date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increased based on the lesser of the increase n CPI and 3 percent	3 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105	87
78 and up	115	120

For the January 1, 2018, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

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 expected. 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 OPF's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return[2]
Cash and Cash Equivalents	-%	0.8%
Domestic Equity	16.0	5.5
Non-U.S. Equity	16.0	5.9
Private Markets	8.0	8.4
Core Fixed Income[1]	23.0	2.6
High Yield Fixed Income	7.0	4.8
Private Credit	5.0	7.5
U.S. Inflation Linked Bonds[1]	17.0	2.3
Master Limited Partnerships	8.0	6.4
Real Assets	8.0	7.0
Private Real Estate	12.0	6.1
Total	120.0%	

Note: Assumptions are geometric
1. Levered 2x
2. Numbers are net of expected inflation

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 - For 2018, the total pension liability was calculated using the discount rate of 8.0 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 8.0 percent. Based on those assumptions, the plan's 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 8.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
City's proportionate share of the net pension liability	$81,553,528	$62,044,733	$45,742,320

Note 15 Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was $12,331 for 2019. Of this amount, $1,159 is reported as an intergovernmental payable.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - 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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees.

On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report 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.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, 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.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was $91,061 for 2019. Of this amount, $7,255 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.1322300%	0.7601060%	
Prior Measurement Date	0.1337800%	0.7673900%	
Change in Proportionate Share	(0.0015500)%	(0.0072840)%	
Proportionate Share of the Net OPEB Liability	$17,239,671	$6,921,931	$24,161,602
OPEB Expense	$1,404,694	$(34,045,892)	$(32,641,198)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$5,838	$-	$5,838
Change of assumptions	555,827	3,587,996	4,143,823
Net difference between projected and actual earnings on OPEB plan investments	790,337	234,314	1,024,651
Changes in proportion and differences between City contributions and proportionate share of contributions	114,120	535,716	649,836
City contributions subsequent to the measurement date	12,311	91,061	103,372
Total Deferred Outflows of Resources	$1,478,433	$4,449,087	$5,927,520
Deferred Inflows of Resources			
Differences between expected and actual experience	$46,776	$185,453	$232,229
Change of assumptions	-	1,916,318	1,916,318
Changes in proportion and differences between City contributions and proportionate share of contributions	112,879	322,134	$435,013
Total Deferred Inflows of Resources	$159,655	$2,423,905	$2,583,560

$103,372 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$666,868	$345,838	$1,012,706
2021	112,969	345,838	458,807
2022	128,483	345,838	474,321
2023	398,147	416,711	814,858
2024	-	304,978	304,978
Thereafter	-	174,918	174,918
Total	$1,306,467	$1,934,121	$3,240,588

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent
including inflation	including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial
	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.60% percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00%	2.42%
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00%	5.16%

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower

(2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$22,055,964	$17,239,671	$13,409,444

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$16,571,064	$17,239,671	$18,009,726

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial Cost Method	Entry Age Normal (level Percent of Payroll)
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and a 3.16 percent at December 31, 2017 was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	$8,432,802	$6,921,931	$5,653,686

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

NOTE 16 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2019 is summarized in the following table:

	Original Issue	Principal Balance 12/31/2018	Increase	Decrease	Principal Balance 12/31/2019	Amount Due Within One Year
Governmental Activities						
Special Assessment Bonds						
3.790%-(1990 OWDA) Bruening Drive	$185,005	$19,865	$0	$13,119	$6,746	$6,746
Total Special Assessment Bonds	185,005	19,865	0	13,119	6,746	6,746
General Obligation (G.O.) Bonds						
Unvoted Bonds						
5.402%-(1999) Justice Center Bonds	1,610,000	125,000	0	125,000	0	0
4.878%-(2006) Various Purpose Bonds	560,000	285,000	0	30,000	255,000	30,000
2.215%-(2013) Facility Refunding Bonds	4,785,000	3,360,000	0	455,000	2,905,000	455,000
3.861%-(2016) Dispatch Center Improvement Bonds	2,360,000	2,185,000	0	90,000	2,095,000	95,000
2.924%-(2016) Facility Refunding Bonds	5,580,000	4,295,000	0	660,000	3,635,000	685,000
Total Unvoted G.O. Bonds	14,895,000	10,250,000	0	1,360,000	8,890,000	1,265,000
Total G.O. Bonds		10,250,000	0	1,360,000	8,890,000	1,265,000
Ohio Public Works Commission Loans						
0%-(1999) Ridge Road Watermain II	383,897	19,193	0	19,193	0	0
0%-(1999) Gabriella Drive Watermain	383,825	19,197	0	19,197	0	0
0%-(1999) Chestnut Hills Sanitary Sewer	288,298	28,830	0	14,415	14,415	7,207
0%-(2018) Chevrolet Boulevard Storm Sewer	341,522	332,984	0	17,076	315,908	8,538
0%-(2019) Day Drive Repair and Resurfacing	842,372	0	842,372	42,119	800,253	21,059
Total Ohio Public Works Commission Loans	2,239,914	400,204	842,372	112,000	1,130,576	36,804

	Original Issue	Principal Balance 12/31/2018	Increase	Decrease	Principal Balance 12/31/2019	Amount Due Within One Year
Ohio Water Development Authority Loans						
3.250%-(2011) Grantwood/Ridgewood Sewer	104,566	72,982	0	4,818	68,164	2,468
3.250%-(2011) Bradenton Boulevard Sewer	260,984	182,152	0	12,026	170,126	6,160
3.250%-(2011) Manhattan Avenue Sewer	111,548	77,854	0	5,140	72,714	2,633
0.000%-(2014) West Ridgewood Sewer	3,071,714	2,380,578	0	153,586	2,226,992	76,793
2.000%-(2014) Ridge Road Sewer Phase II	1,885,315	1,876,095	9,220	38,565	1,846,750	38,951
Total Ohio Water Development Authority Loans	5,434,127	4,589,661	9,220	214,135	4,384,746	127,005
Other General Long-Term Obligations						
Capital Leases		2,660,509	216,959	805,714	2,071,754	714,313
Compensated Absences		4,662,131	362,981	15,821	5,009,291	500,929
3.000%-(2018) Bond Anticipation Notes		4,453,000	0	4,453,000	0	0
2.500%-(2019) Bond Anticipation Notes		0	6,253,000	0	6,253,000	6,253,000
Total Other General Long-Term Obligations		11,775,640	6,832,940	5,274,535	13,334,045	7,468,242
Net Pension Liability						
OPERS		21,369,355	15,528,694	0	36,898,049	0
OP&F		47,098,190	14,946,543	0	62,044,733	0
Total Net Pension Liability		68,467,545	30,475,237	0	98,942,782	0
Net OPEB Liability						
OPERS		14,236,973	2,658,166	0	16,895,139	0
OP&F		43,479,242	0	36,557,311	6,921,931	0
Total Net OPEB Liability		57,716,215	2,658,166	36,557,311	23,817,070	0
Total All Governmental Activities Obligations		$153,219,130	$40,817,935	$43,531,100	$150,505,965	$8,903,797
Business-Type Activities						
Compensated Absences		$5,924	$7,778	0	$13,702	$0
Net Pension Liability - OPERS		436,108	316,911	0	753,019	0
Net OPEB Liability - OPERS		290,550	53,982	0	344,532	0
Total Business-Type Activities Long-Term Obligations		$732,582	$378,671	0	$1,111,253	$0

During 2019, the City issued $6,253,000 in bond anticipation notes which were used to repay a portion of the City's 2018 3.00% notes payable and for the reconstruction and resurfacing of certain City roads, highways and streets. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities and have been excluded from the amount due in more than one year.

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 $145,071,814 at December 31, 2019.

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, 2019 are:

	G. O. Bonds		S. A. Bonds		O.W.D.A. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$1,265,000	$268,750	$6,746	$128	$127,005	$23,133
2021	1,305,000	234,750	-	-	255,733	44,583
2022	1,335,000	199,600	-	-	258,078	42,296
2023	1,375,000	162,413	-	-	260,480	39,954
2024	1,410,000	122,913	-	-	262,940	37,556
2025-2029	1,175,000	296,663	-	-	1,353,747	149,737
2030-2034	700,000	151,000	-	-	1,322,938	84,235
2035-2039	325,000	19,600	-	-	543,825	30,357
Total	$8,890,000	$1,455,689	$6,746	$128	$4,384,746	$451,851

	O.P.W.C. Loans		Total	
	Principal	Interest	Principal	Interest
2020	$36,804	$-	$1,435,555	$292,011
2021	66,402	-	1,627,135	279,333
2022	59,195	-	1,652,273	241,896
2023	59,195	-	1,694,675	202,367
2024	59,195	-	1,732,135	160,469
2025-2029	295,975	-	2,824,722	446,400
2030-2034	295,975	-	2,318,913	235,235
2035-2039	257,835	-	1,126,660	49,957
Total	$1,130,576	$-	$14,412,068	$1,907,668

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, 2019 are:

Asset	Governmental Activities
Equipment	$1,545,394
Vehicles	2,838,112
Less:	
Accumulated depreciation	(1,867,660)
Carrying value	$2,515,846

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, 2019 are:

Year	Governmental Activities
2020	$760,657
2021	750,141
2022	501,885
2023	104,340
2024	46,847
Total minimum lease payments	2,163,870
Amount representing interest	(92,116)
Present value of minimum lease payments	$2,071,754

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, 2019, $3,815,000 of bonds outstanding are considered defeased.

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, 2019, $800,000 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, 2019, $2,765,000 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, 2019, $3,635,000 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, 2019, $720,000 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, 2019 the Bonds outstanding aggregated $5,610,000.

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, 2019 the Bonds outstanding aggregated $2,340,000.

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, 2019 the Bonds outstanding aggregated $3,370,000.

NOTE 17 - 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 18 - 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.

As of December 31, 2019, there were no claims against the City for which an unfavorable outcome is deemed to be reasonably possible.

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 19 - 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 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 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.

(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 these programs during 2019 was $0.

NOTE 20 - Significant Contractual Commitments

At December 31, 2019, the City had the following significant contractual commitments:

Contract	Amount	Paid	Remaining
Cargill, Inc.	$500,000	$36,914	$463,086
Fabrizi Trucking and Paving	1,293,734	866,651	427,083
Republic Services	4,919,436	4,497,467	421,969
City of Parma Heights and Shelly Materials Inc.	1,020,000	765,996	254,004
City of Seven Hills	216,791	-	216,791
Great Lakes Petroleum Co.	681,786	479,462	202,324
Set In Stone	200,000	12,380	187,620
Crossroads Asphalt Recycling	930,000	776,631	153,369
QCI- CE	664,697	548,337	116,360
Crossroads Asphalt Recycling	387,000	282,304	104,696
Total	$10,813,444	$8,266,142	$2,547,302

NOTE 21 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the Covid-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions and, due to market volatility, the amount of gains or losses that will be recognized is subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On July 22, 2020, the City issued $6,233,000 of 1.00% Various Purpose Notes maturing July 22, 2021 to retire the City's outstanding 2.50% $6,253,000 notes issued July 24, 2019.

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City of Parma, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.137473%	0.138994%	0.134980%	0.139378%	0.144057%	0.144057%
City's Proportionate Share of the Net Pension Liability	$37,651,068	$21,805,463	$30,651,662	$24,142,027	$17,374,884	$16,982,443
City's Covered Payroll	$18,601,129	$18,365,808	$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 Payroll	202.41%	118.73%	150.53%	117.99%	96.71%	92.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Parma, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Two Years (1)

	2019	2018
City's Proportion of the Net Pension Asset	0.079250%	0.074928%
City's Proportionate Share of the Net Pension Asset	$88,619	$102,002
City's Covered Payroll	$339,100	$306,869
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-26.13%	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

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 Six Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.7601060%	0.7673900%	0.7509520%	0.7787250%	0.8414040%	0.8414040%
City's Proportionate Share of the Net Pension Liability	$62,044,733	$47,098,190	$47,564,546	$50,095,926	$43,588,215	$40,978,995
City's Covered Payroll	$17,212,187	$17,154,332	$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 Payroll	360.47%	274.56%	294.51%	325.42%	277.46%	249.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
An additional column will be added each year

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Parma, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Three Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1322300%	0.1337800%	0.1305800%
City's Proportionate Share of the Net OPEB Liability	$17,239,671	$14,527,523	$13,189,024
City's Covered Payroll	$19,212,721	$18,947,527	$20,959,092
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.73%	76.67%	62.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Parma, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Three Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.7601060%	0.7673900%	0.7509520%
City's Proportionate Share of the Net OPEB Liability	$6,921,931	$43,479,242	$35,646,003
City's Covered Payroll	$17,212,187	$17,154,332	$16,150,209
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.22%	253.46%	220.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Parma, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)(2)

	2019	2018	2017	2016	2015	2014	2013
Net Pension Liability - Traditional Plan							
Contractually Required Contribution	$2,654,399	$2,604,158	$2,387,555	$2,443,493	$2,455,344	$2,155,877	$2,374,548
Contributions in Relation to the Contractually Required Contribution	(2,654,399)	(2,604,158)	(2,387,555)	(2,443,493)	(2,455,344)	(2,155,877)	(2,374,548)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
City Covered Payroll	$18,959,993	$18,601,129	$18,365,808	$20,362,442	$20,461,200	$17,965,640	$18,265,754
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Net Pension Asset - Combined Plan (3)							
Contractually Required Contribution	$42,015	$47,474	$39,893	$38,685	$38,927	$38,073	
Contributions in Relation to the Contractually Required Contribution	(42,015)	(47,474)	(39,893)	(38,685)	(38,927)	(38,073)	
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	
City Covered Payroll	$300,107	$339,100	$306,869	$322,375	$324,392	$317,275	
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	
Net OPEB Liability - OPEB Plan							
Contractually Required Contribution	$12,311	$10,900	$197,721	$424,667			
Contributions in Relation to the Contractually Required Contribution	(12,311)	(10,900)	(197,721)	(424,667)			
Contribution Deficiency (Excess)	$0	$0	$0	$0			
City Covered Payroll (4)	$19,567,871	$19,212,729	$18,947,527	$20,959,092			
OPEB Contributions as a Percentage of Covered Payroll	0.06%	0.06%	1.04%	2.03%			

(1) Information prior to 2013 is not available for traditional plan.
(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(3) Information prior to 2014 is not available for the combined plan.
(4) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

City of Parma, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Net Pension Liability							
Contractually Required Contribution	$3,837,292	$3,637,954	$3,639,349	$3,488,592	$3,340,520	$2,766,485	$3,438,982
Contributions in Relation to the Contractually Required Contribution	(3,837,292)	(3,637,954)	(3,639,349)	(3,488,592)	(3,340,520)	(2,766,485)	(3,438,982)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
City Covered Payroll (2)	$18,212,242	$17,212,187	$17,154,332	$16,150,209	$15,394,444	$15,709,736	$16,446,592
Pension Contributions as a Percentage of Covered Payroll	21.07%	21.14%	21.22%	21.60%	21.70%	17.61%	20.91%
Net OPEB Liability							
Contractually Required Contribution	$91,061	$86,061	$85,772	$80,751	$76,972	$78,549	$594,818
Contributions in Relation to the Contractually Required Contribution	(91,061)	(86,061)	(85,772)	(80,751)	(76,972)	(78,549)	(594,818)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%
Total Contributions as a Percentage of Covered Payroll	21.57%	21.64%	21.72%	22.10%	22.20%	18.11%	24.53%

(1) Information prior to 2013 is not available.
(2) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

Change in Assumptions - OPERS Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 are presented below:

	2018	2017
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases:		
Traditional Plan	3.25 to 10.75 percent	3.25 to 10.75 percent
Combined Plan	4.25 to 10.05 percent	3.25 to 10.75 percent
including inflation	including wage inflation	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	2.15 percent simple
Investment Rate of Return	7.20 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates 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, adjusted for mortality improvements back to the observation period base year of 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 above described tables.

Change in Assumptions - OP&F Pension

Amounts reported for 2019 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2018 are presented below:

	2019	2018
Valuation Date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105	87
78 and up	115	120

For the January 1, 2018, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60	45
70-79	75	70
80 and up	100	90

Changes in Assumptions - OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

Changes in Assumptions - OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

Change in Benefit Terms - OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

CITY OF PARMA
CUYAHOGA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Western Reserve Area Agency on Aging:				
Aging Cluster:				
Special Programs for the Aging - Title III-B	93.044	N/A	$ 33,522	$ 0
Special Programs for the Aging - Title III-C1	93.045	N/A	0	21,174
Special Programs for the Aging - Title III-C2	93.045	N/A	5,949	30,556
Total Special Programs for the Aging - Title III-C			5,949	51,730
Nutrition Services Incentive Program	93.053	N/A	0	18,519
Total Aging Cluster			39,471	70,249
Total U.S. Department of Health and Human Services			**39,471**	**70,249**
U.S. DEPARTMENT OF JUSTICE				
Direct Program				
Body Worn Camera Policy and Implementation Grant 2019	16.835	2017-BC-BX-0060	10,343	0
Passed Through the State of Ohio, Office of the Attorney General:				
Victims of Crime Act Grant 2019	16.575	2019-VOCA-132131109	30,904	0
Victims of Crime Act Grant 2020	16.575	2020-VOCA-132920239	9,567	0
Total Victims of Crime Act Grant			40,471	0
Total U.S. Department of Justice			**50,814**	**0**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
Community Development Block Grant 2018	14.218	N/A	10,825	0
Community Development Block Grant 2019	14.218	N/A	1,010,812	0
Total U.S. Department of Housing and Urban Development			**1,021,637**	**0**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Ohio Department of Public Safety:				
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2018	20.608	OVI-2019-University Hospitals Cleveland-00005	10,180	0
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2019	20.608	OVI-2020-University Hospitals Cleveland-00006	820	0
Minimum Penalties for Repeat Offenders for Driving While Intoxicated 2019	20.608	IDEP/STEP-2019-0090	39,606	0
Total Safety Incentives and Minimum Penalties Grants			50,606	
State and Community Highway Safety 2019	20.600	IDEP/STEP-2020-0090	6,651	0
Passed through Ohio Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	N/A	191,150	0
Total U.S. Department of Transportation			**248,407**	**0**
Total Expenditures of Federal Awards			**$ 1,360,329**	**$ 70,249**

The accompanying notes are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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) under programs of the federal government for the year ended December 31, 2019. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E- 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.

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City. 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) as a basis for designing 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 2019-001 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 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 Findings

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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2021

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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, 2019. 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 $4,709,699 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards during the year ended December 31, 2019. 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, 2019.

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.

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.

Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2021

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CITY OF PARMA
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019

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

Accounting and Financial Reporting

Finding Number	2019-001

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 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.

Accounting and Financial Reporting (Continued)

Finding Number	2019-001

The following weaknesses and subsequent corrections were made to the financial statements and footnotes by Management:

- The City erroneously reported the principal retirement expenditure as $43,383, instead of $353,383 and beginning of the year fund balance as $(1,828,322), instead of $(1,518,322) in the Sewer Construction Fund. This error caused an understatement of the debt service principal retirement expenditures and understatement of the beginning of the year fund balance by $310,000. The correction was reflected in the financial statements.

- The City did not report the principal retirement expenditure of $4,143,000 and erroneously reported beginning of the year fund balance as $(3,630,593), instead of $512,407 in the Street Improvements Fund. This error caused an understatement of the debt service principal retirement expenditures and understatement of the beginning of the year fund balance by $4,143,000. The correction was reflected in the financial statements.

The City indicated these weaknesses were oversights. Failure to accurately classify fund balance diminishes the reliability of the financial data at year-end.

The City should carefully review their accounting records when compiling their financial statements to ensure proper classifications of fund balances and expenditures.

Official's Response: The City agrees with the finding and will continue to review the accounting records when compiling the financial statements to ensure proper classifications of fund balances and expenditures.

3. FINDINGS FOR FEDERAL AWARDS

None

BRIAN D. DAY
AUDITOR

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CITY OF PARMA
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2019

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION	RESPONSIBLE CONTACT PERSON
2019-001	Subsequent corrections have been made to the financial statements and notes to the financial statements.	January 1, 2021	Brian Day, Auditor

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF PARMA

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/22/2021

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